

# ORGANIZATIONAL AND FUNCTIONING MODEL FOR A BANKING INSTITUTION FROM ROMANIA– BRANCH FOR AN “INTERNATIONAL BANK”

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## ABSTRACT

*The organizational structure of the bank, in Romania, can comprises the “Head Office” of the Bank and the network of agencies. The bank, the Romanian branch, is managed by a General Manager and Deputy General Managers, called Executive Management. However, internally, the General Manager together with the Deputy General Managers and the Directors of Divisions are collectively called Senior Management Team. The HO divisions can be divided into: “Core Business functions”, with direct control over business areas and “Business Partner functions”, meaning guidance, support and control functions with duties of directing and assisting the bank structure for matters connected to management, administration, planning and risk management. The organizational structure of agencies is defined according to some main differentiators which are: size/staff number, location and product/service offerings; there are Type A agencies, B and C. The bank is also organized by committees which are: Credit Committee and Assets and Liabilities Management Committee.*

**KEYWORDS:** *management, organizational, finance, bank, structure*

In order for an “international bank” to develop, it is recommended to have subsidiaries in other countries. In Romania, there are some basic steps in order to open a branch for an foreign banking institution: in the first place the branch is registered to the Trade Registry, after it has an fiscal identification code, and register the official office, very often in Bucharest. The organizational structure of the bank, in Romania, can comprises the “Head Office” of the Bank (H.O.) and the network of agencies.

## 1. Organizational structure of the head office

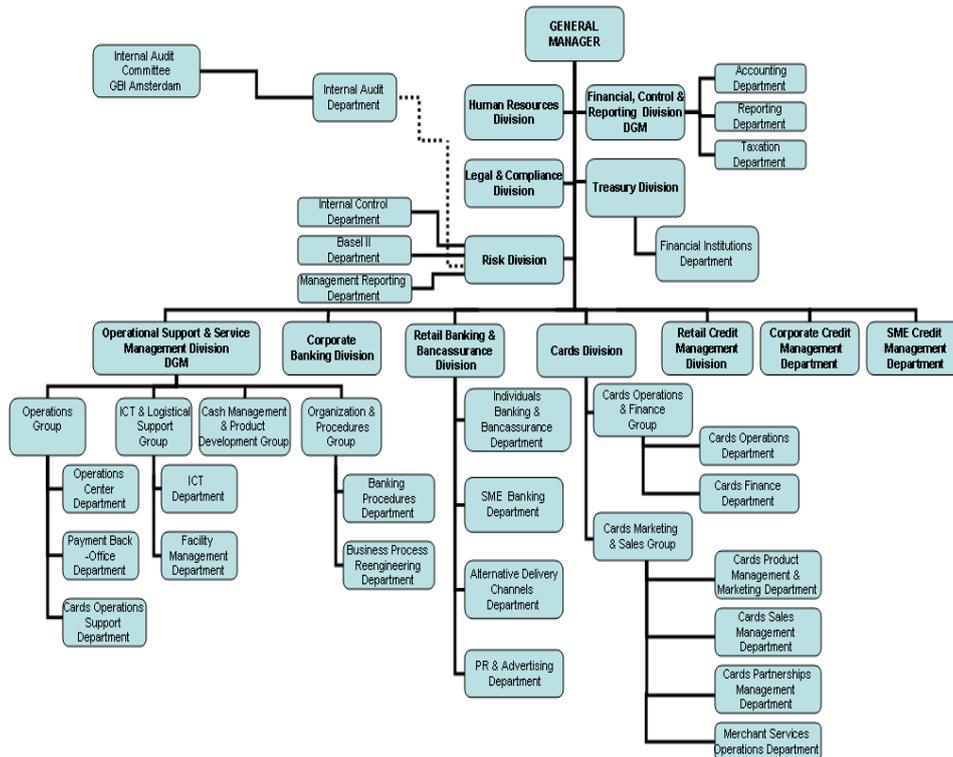
The bank, the Romanian branch, is managed by a General Manager and Deputy General Managers, called Executive Management. However, internally, the General Manager together with the Deputy General Managers and the Directors of Divisions are collectively called Senior Management Team (“SMT”). The bank it is often organized into:

- Core Business Divisions:
  - **Retail Banking & Bancassurance Division**
  - **Corporate Banking Division**
  - **Cards Division**
  - **Treasury Division**
  - **Retail Credit Management Division**
  - **Corporate Credit Management Department**
  - **SME Credit Management Department**

- Business Partner Divisions:
  - **Operational Support & Service Management Division**
  - **Human Resources Division**
  - **Financial Control & Reporting Division**
  - **Legal & Compliance Division**
  - **Risk Division**

Each division may be composed by one or several groups or departments. Each group may be composed by one or several departments. The department may be composed by one or several units and each unit may be composed by one or several subunits. A possible organizational chart of the HO is shown below.

*1. Model for a bank organizational chart*



**2. Organizational structure of the network of agencies**

The organizational structure of agencies is defined according to some main differentiators which are size/staff number, location and product/service offerings. There are three types of agencies, as follows:

- Type A agencies – offering the full range of services including both corporate, SMEs, and individuals’ products and services; type A agencies are staffed with an average of 9-10 employees, and reach around 250 sqm in size.

▪ Type B agencies – are only active in SME and individuals’ products and services, with corporate customers being redirected to Type A agencies. Type B agencies are staffed with an average of 7-8 employees, and reach around 180 sqm in size.

▪ Type C agencies – are staffed with an average of 4-5 employees and reach around 50 sqm in size. Type C agencies are active in individuals’ products and services, with corporate and SME customers being redirected to Type A and B agencies.

Universal Agencies (Type A):

*Services offered/customer segments served:* this type of agencies is active in Corporate, SME, and Individuals banking.

*Organization* – this type of agencies includes the following positions:

- 1 Agency Manager
- 1 Corporate Relationship Manager
- 1 SME Relationship Manager
- 1 Retail Relationship Manager
- 1 Operations Coordinator
- 1 Operations Officer (only for branches with high volumes)
- 1 Operational Sales Support Officer / Junior Officer
- 2 Tellers

Retail Agencies (Type B)

*Services offered/customer segments served:* this type of agencies is active in SME and Individuals banking.

*Organization* – this type of agencies includes the following positions:

- 1 Agency Manager
- 1 SME Relationship Manager
- 1 Retail Relationship Manager
- 1 Operations Coordinator
- 1 Operations Officer (only for branches with high volumes)
- 1 Operational Sales Support Officer / Junior Officer
- 2 Tellers

Retail Agencies (Type C)

*Services offered customer segments served:* this type of agencies is active in Individuals banking.

*Organization* – this type of agencies includes the following positions:

- 1 Head of Agency
- 1-2 Retail Relationship Manager (depending on the size of the agency)
- 2 Tellers

In general, the staffing at agency level will respect the market practice with regards to the positions and roles and responsibilities of bank employees:

▪ Agency Manager – involved in the daily administration of the agency but with a key focus on business development and also people development for all the staff at agency level;

▪ Corporate Relationship Manager - involved in corporate client relationship management; they will be appraised based on targets;

▪ SME Relationship Manager - involved in SME business development; their appraisal will be target based;

▪ Retail Relationship Manager - involved in individuals’ business development; their appraisal will be target based;

▪ Operations Coordinators - involved in coordination of agency daily transactions of the customers for all related business lines; coordinates operations staff at agency level; monitors operational risk at agency level; quality and timeliness of transactions is crucial;

- Operational Sales Support Officer - operational support function for Corporate/SME/Retail Banking areas, reporting hierarchically to the Operations Coordinator;
- Operational Sales Support Junior Officer – operational support function for Corporate/SME/Retail Banking areas, reporting hierarchically to the Operations Coordinator;
- Teller - performs cash and non-cash transactions for the customers of all business lines.
- The bank is also organized by committees.

## **Committees of the bank**

### **2.1. Credit Committee**

The Credit Committee is a permanent, working committee, organized under the “international bank” and mandated to review and decide on all exposures to be granted to the Bank's clients within the limits set up by the Board of Directors; it is responsible for maintaining the rules and regulations as outlined in the Bank's credit policy, credit manual and credit procedures approved.

The Credit Committee will:

- Approve loans proposals (Corporate and Retail Banking lines) within the limits established by the “international bank”;
- Submit for the “international bank approval, the loan proposals exceeding its approval limits.

The Credit Committee comprises the following members and is chaired by the General Manager:

- General Manager, Chairman
- Division Director according to the proposing business line
- Credit Management Division Director/Manager according to the business line

The minimum quorum for making valid decisions is of 2/3 of the voting members. The decisions are validly made with the affirmative vote of the majority of the voting members, the General Manager having the veto right when attending the meeting. The meetings can be held also by teleconference. In such cases, the decision of the respective member will be forwarded by fax/e-mail.

The General Manager may delegate the credit decision power and/or grant credit approval limits to other managers/directors and/or subcommittees of the Bank.

The Credit Committee will meet whenever necessary in order to discuss the problems specific to its competency.

The Credit Committee may invite to its meetings or require the point of view of other Bank Division Directors, who are not members of the Credit Committee, or employees of any divisions or agencies, as it finds appropriate.

The Credit Committee has the authority to require information or any relevant documents to discuss the issues under its responsibility.

### **2.2. Assets and Liabilities Management Committee (“ALCO”)**

The ALCO is a permanent working committee of the Bank, responsible for managing the Bank's balance sheet in a pro-active manner. The ALCO has as principal functions the following:

- Managing the assets and liabilities of the Bank;
- Monitoring the Bank's balance sheet, in order to ensure an acceptable ratio of risk/revenue.

The ALCO is composed of the General Manager, Directors of the Bank's Divisions, for which its activities imply the management of the Bank's assets and liabilities and other persons with relevant professional experience.

The ALCO comprises the following members and is chaired by the General Manager:

- General Manager, Chairman
- Retail Banking & Bancassurance Division Director
- Corporate Banking Division Director
- Cards Division Director
- Treasury Division Director

The ALCO Committee is convened monthly or at any time necessary to analyse the problems which are under its competency. The required quorum for decision making is 2/3 from its members out of whom the General Manager needs to attend. Decisions are taken on a consensual basis. The ALCO may invite to its meetings or require the point of view from other Head Office Divisions Directors who are not ALCO members, external consultants, members of other committees or bodies of the Bank, employees of any divisions or agencies, as it finds appropriate.

The ALCO's main responsibilities include:

- Assures an adequate liquidity in order to meet the current and the projected business needs of the Bank;
- Monitors the evolution of the financial markets trends on which the Bank operates;
- Monitors the deposit structure of the Bank (evolution, market share, interest rate) by maturity and currency;
- Monitors the asset structure of the Bank (evolution, market share, interest rate) by maturity and currency;
- Monitors the liquidity and interest rates gap and gap limits;
- Approves individual dealer trading authority limit;
- Approves the new treasury and capital market products;
- Decides the standard level of the interest rates for every category and types of the granted credit;
- Decides the standard level of the interest rates for every category and types of the deposits offered;
- Approves all policies related to the relevant front and back-office activities;
- Approves the methodology for calculating the profitability/losses from the foreign currency transactions;
- Approves the transfer pricing computation methodology;
- Efficiently manages the capital of the bank in order to ensure sufficient returns in line with the risks parameters;
- Decides on the changes of the standard pricing rates of the Bank's products;
- Ensures the Bank's market risk exposure;
- Analyses and monitors the compliance of the Bank with internal and external regulations regarding the management of the assets and liabilities and make appropriate recommendations.

### **3. Organisational guidelines**

The Head Office (HO) is responsible for:

- The management of the Bank within the strategic and management guidelines defined by the "international bank", and;
- The execution of the decisions taken by the management of the Bank.

The Head Office is organized in Divisions. The sizing and qualitative features of the Divisions, Departments and Units of the Head Office of the Bank, including their internal organization structure are defined, in agreement with the HR Division and Organization & Procedures Group, on the basis of a proposal elaborated by the directors of the relevant divisions.

The HO divisions, on the basis of the nature of responsibilities assigned, can be divided into:

- Core Business functions, with direct control over business areas.
- Business Partner functions, meaning guidance, support and control functions with duties of directing and assisting the Bank structure for matters connected to management, administration, planning and risk management;

In order to ensure proper staff management and a close follow-up of the rules regarding decision making, the following should be considered:

- At HO, the coordinating functional level is the Division Director.

Between the different levels of HO organizational structures/their staff and the agencies/their staff the following type of organisational relations will be established. The functional management reporting line is the direct HO coordinator of a specific activity type, with the responsibility to ensure adequate exchange of information flows, the utmost coordination of the initiative, their efficient implementation and their coherence with the objectives of the Bank, also called Business Line Manager.

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