

## Financial Career Insight Series: The Financial Market Career Landscape Summary

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When graduates first consider careers relating to financial markets often Investment Banking comes to mind. Furthermore, there is a tendency to immediately think of large Investment Banks such as Deutsche Bank, JP Morgan, Morgan Stanley, UBS and similar. The problem from a career perspective is, such institutions are also in the minds of many UK and international graduates resulting in, according to the Association of Graduate Recruiters, 125 applicants for every Investment Banking place. In fact, for the likes of Goldman Sachs and Morgan Stanley this number considerably understates the situation!

Leading Investment Bank Graduate Programmes represent something of an iceberg: They are highly visible to all graduates who therefore target such institutions and apply accordingly. But just as 90% of an iceberg sits below the waterline and is not visible, similarly, a huge proportion of the financial market graduate job market sits outside Investment Banking and a smart and targeted approach can significantly reduce those 125-1 odds.

However, for those of you who do want to go down the Investment Banking route, how can you increase your odds of securing your career start in this sector?

### Investment Banking

*Refer to the 'Investment Banking Overview' Insight document for greater detail.*

To increase your chances of getting hired:

- Apply to a good number of Tier 2 Investment Banks rather than Tier 1 (by the end of October or middle November at the latest).

There are perhaps 25 Tier 1 Investment Banks in London including the names already mentioned and perhaps 50 Tier 2 institutions, all of which run Graduate Programmes. Note: there are a few hundred banks in London. Every bank is a potential job target. *See Additional Resources.*

- Carefully consider which Investment Bank business stream you are applying to.

Investment Banks consist of Sales & Trading, Corporate Finance (including Mergers & Acquisitions), Research, Risk Management, Operations, Compliance and Regulation, Finance, Human Resources and Information Technology.



It is the Front Office divisions of Sales & Trading and Mergers & Acquisitions that attract huge numbers of global applicants and individuals need to be aware of the odds in applying to such divisions as opposed to other business streams. Risk Management, Compliance and Regulation are both growth areas right now.

## Investment Management

Refer to the 'Investment Management Overview' Insight document for greater detail.

Investment Management is divided into two distinct categories:

- Institutional Investment Management (also called Fund Management or Asset Management).

Again we need to distinguish between Tier 1 and Tier 2 institutions. Both categories add up to a total in excess of 150 institutions in the UK. Tier 1 institutions will certainly run formal Graduate Programmes. Graduates would either go down the route of starting as an Analyst, researching companies and markets and making recommendations to internal Fund Managers, or down a more commercial client facing route.

- Private Client Asset Management

This sector is also referred to as Wealth Management or in the UK, Stockbroking, and is very different from its institutional cousin.

There are over 100 Wealth Management firms in the UK. The classic role is one whereby you develop your own individual business under the umbrella of your firm. You build up in time, and are responsible for, a portfolio of Private Clients.

To confuse the above distinction perhaps, Tier 1 Investment Banks also run Wealth Management divisions e.g. Morgan Stanley Private Wealth Advisors.

Investment Management is commonly referred to as the 'Buy Side' and Investment Banking the 'Sell Side'. There are a few other financial market sectors sitting on the Buy Side worth mentioning:

*Hedge Funds:* They are a form of Institutional Asset Management firm although they are very different beasts than classic Fund Management firms as they involve considerable market speculation using highly sophisticated trading strategies. Graduates normally need a couple of years' experience before moving into this sector.

*Pension Funds:* Every large corporation, from BT to the Royal Mail, has pension fund liabilities requiring sophisticated Investment Management capabilities. Whereas the route



into working in this sector is not as obvious as other sectors, it is worth further consideration and exploration.

*Private Equity and Venture Capital:* Private Equity is the larger sector of the two but still accounts for only about 35 firms in London. With perhaps only about a dozen or so people at each firm, and the majority being Managing Partners, getting hired is very difficult.

### **Interdealer Brokers**

Brokers sit on the Sell Side of the market. Brokers arrange financial transactions between different Investment Banks. Suppose Bank A wishes to buy a bond and Bank B wishes to sell that exact bond. The Broker would be the intermediary that facilitates this. The environment is one of a trading floor.

This sector did not used to be a graduate destination as the skills required were more on the relationship building side than analytical (as brokers take no risk), however, graduates are now required particularly those combining 'people' and 'mathematical' skills. An ability to pick things up quickly and know what is going on without having all the information is also desirable. The sector, however, is much smaller than those above and the 'Broker' term should not be confused with the Stockbroking sector in the UK. Broker firms include:

BGC Partners/ICAP /Tullett Prebon /GFI /Tradition

### **Rating Agencies**

*Refer to the 'Vendors & Ratings Agencies' Insight document for greater detail.*

Another interesting sector is the Rating Agencies. What do these companies do? Credit rating agencies assess the relative credit risk of specific debt securities or structured finance instruments and borrowing entities (issuers of debt), and in some cases the creditworthiness of governments and their securities. They offer interesting careers in themselves and can also be stepping stones to Investment Banking careers. They do run formal graduate schemes, which are competitive of course, but they are certainly worth consideration particularly if you have a finance or maths background and the idea of a credit analyst or risk analyst role appeals to you. Having CFA Level 1, or at least be studying for the qualification when you apply, would be very relevant for your application.

### **Vendors**

#### **Rating Agencies**

*Refer to the 'Vendors & Ratings Agencies' Insight document for greater detail*

The Vendor sector is perhaps the best kept graduate employment secret, despite being a big sector. Vendors provide the Investment Banking and Investment Management community, as well as other sectors, with financial data and technology whether that be risk management and trading systems, live equity, bond and foreign exchange prices, not to mention company and market research and news. It involves compliance and regulation, ticker tapes, television cameras and databases.



The two largest Vendors are Bloomberg and Thomson Reuters but there are at least 250 other companies in this sector. *See Additional Resources*

What sort of roles are there? As in any company in the City, and in all the Vendors, the following roles as an absolute minimum need filling:

*Sales / research / analyst / human resources / IT developer / IT support / project management / business management / finance / marketing.*

The larger Vendors will run formal Graduate Programmes. Smaller firms will not requiring a direct approach to that company. An interest in technology and financial markets on top of a business or finance degree would be a useful background combination to apply to this sector.

**Quick Tips:**

- Financial Market careers are not solely about Investment Banking
- Investment Banking careers are not all about Sales & Trading
- Investment Management, Vendors, Rating Agencies and more need exploring
- Spring Weeks, Internships and any early work experience is valuable
- Graduate Programmes are only one way of securing financial market careers
- Be familiar with all Financial Career Insight documents including the 'Master Resources Guide'.

**Additional Resources relating to this topic:**

Financial Career Insight Series: Financial Market Company Target List – All Sectors

[Wikipedia Financial Data Vendor](#)

[Careers in Financial Markets from eFinancialCareers](#)

[Unofficial Guide to Banking](#)

