

Financial Career Insight Series: Investment Banking Overview

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Investment Banking is a large recruiter of graduates each year and clearly is much sought after with the sector having some of the highest graduate starting salaries and the prospects of a rewarding and prestigious career. The industry is therefore extremely competitive to break into with an average of 125 applicants for each position. Smart, and tactical, job hunting combined with a dedicated approach is key to getting hired.

Investment Bank hiring numbers are surprisingly broadly unchanged since the financial crisis but this masks a change in the nature of that hiring: Front Office jobs in Sales & Trading are much harder to find than they were with an increase in hiring in Risk Management, Compliance and Regulation.

Investment Banking Sectors

Front Office: Involves direct engagement with clients and market participants. Activities include Mergers & Acquisitions, Corporate Finance and professional Investment Management for institutions or High-Net-Worth individuals. It also involves Research, involving analysis of companies and markets, and Sales & Trading activities across Fixed Income, Foreign Exchange, Equity and Commodities markets.

Middle Office: Involves services such as Treasury, Compliance and Risk Management for professional clients. Internal capital flow and Risk Management functions monitor and analyse levels of risk and liquidity within the Investment Bank itself, which ultimately determines the scope and limit of front office activities.

Back Office: Involves services including the 'behind the scenes' operational activities which enable all of the bank's services to run smoothly. These include the processing, settlement and reporting of trades. Technology support, development and programming also fall into this critical area.

Whereas graduates may naturally look to apply for positions in the Front Office, bear in mind that these are the most competitive with well over a hundred applications per place. The Middle and Back Office are less competitive to enter and can still offer attractive salaries and promotional prospects without the level of pressure found in the Front Office. Furthermore, if the world of transaction processing and systems interests you more than Sales & Trading or Corporate Finance then the Middle and Back Offices are worth further investigation. Indeed there is a vast array of sectors, companies and jobs worth consideration that touch Investment Banking by firms that



service this industry. A good place to start researching this is the 'Financial Market Career Landscape Summary' Insight document.

Names of different divisions can vary at different firms. Furthermore, within this range of functions there are also many job titles which may have different meanings at different firms. To help you make a start in researching potential Investment Banking career areas you may like to consider how much risk taking (appropriate for a Trading role), how much persuasion (appropriate for Sales role), how much analysis (appropriate for a Research role) you would like to deal with in your work. Selling a bond or equity new issue to an US Institutional Fund Manager requires great confidence and persuasive ability both on the phone and face-to-face.

All the below areas require further research via the 'Additional Resources' links at the end of this document and indeed in the 'Financial Career Master Resources Guide' Insight document. University Alumni are also a great potential research pool to access. Note: You will need to stipulate which business stream you are applying to for Internships and Graduate Programme applications.

Sales & Trading: 1 of the 2 most competitive areas to gain entry into. Ironically banks are not expanding in this area post the financial crisis due to smaller trading balance sheets and increasingly onerous regulation. Traders specialise in sectors within Equities, Bonds, Foreign Exchange or Commodities. You will need strong maths skills, be able to make rapid decisions and handle significant pressure.

Corporate Finance including Mergers & Acquisitions: also 1 of the 2 most competitive areas to gain entry into. You will work in a Client or Product team delivering strategic advice for large corporate clients. You will need to be highly numerate, have excellent interpersonal and networking skills and be a team player! The first year will be the hardest working year of your career.

Research: You will spend your time focusing on a sector of the Equity, Fixed Income, Foreign Exchange or Commodity markets generating investment analysis and recommendations for the bank's clients using robust analysis, conviction and integrity. Strong maths and written capabilities are needed as well as an ability to 'get into the weeds' of a company.

Operations: It is chiefly concerned with processing the trades made via Sales & Trading. With a large Investment Bank making 40,000 global trades a day it is a bigger job than it sounds given the speed and complexity of today's markets. However it is a less competitive area to enter than the Front Office.

Risk Management: The role looks to minimise and monitor the bank's risk in the face of market crashes, client default, IT failure, even terrorist attack. You will need to have a passion for statistical analysis, be able to use complex mathematical models and be a good problem-solver. Risk Management is another expanding Investment Banking sector.



Compliance & Regulation: The sectors are closely related involving liaising with regulators, making sure the bank complies with the many new rules and regulations, helping train employees and keep an eye out for questionable trading! You need to like exploring and interpreting the meaning of wording, be comfortable working with large documents often involving many internal meetings. It is another significantly expanding Investment Banking sector right now.

Finance: Like at any large company monitoring the firm's profitability, it involves producing financial statements and liaising with external auditors requiring excellent numerical skills often using complex mathematical models interacting with other parts of the institution.

Human Resources: Investment Banks, like any large company, have thriving Human Resource departments to deal with personnel hiring, performance reviews, remuneration and more. Gaining Human Resource experience gives you a very transferable skill set across multiple industries.

Information Technology: Large banks employ hundreds of IT personnel given so much trading requires split-second information and trades more and more take place via electronic trading systems rather than over the telephone. A large global bank will spend hundreds of millions of dollars on Information Technology. Again, IT skills and experience are extremely transferable.

Internships: To understand the Investment Banking application process and timings see other Financial Career Insight Series documents but worth noting that many banks consider internships as an 'extended application process' and use it as their main recruitment method. In some companies 80% of their graduate trainees come from interns. Most large banks offer formal internship programmes to penultimate students in the summer. This remains fiercely competitive requiring early semester one application. Note: First year students have the opportunity to apply for mini internship 'Spring Weeks' requiring application almost as soon as you arrive at university! – see the 'Investment Banking Spring Weeks' Insight document.

To apply for an Investment Bank graduate programme without an internship is possible as long as you have some compelling work experience in its place.

Quick Tips:

- Apply early; the sector is known for its early start and closing dates. Some schemes close in early November. See the 'Graduate, Internship, Spring Week Application Deadlines' Insight document
- Targeting Tier 2 Investment Banks starts to increase your chances of success.
- Have a rigorously developed and formatted CV. See the 'Financial Market CVs' Insight document.
- Start to follow the financial markets via Opening City Doors fortnightly [Market Update](#) and blog '[The Daily Shot](#)' – you will need this information at interview.
- Investment Banking is known as the 'Sell Side'; Investment Management the 'Buy Side'.



- Be familiar with all Financial Career Insight documents.

Additional Resources relating to this topic:

[Careers in Financial Markets from eFinancialCareers](#)

[Inside Careers](#)

[Targetjobs](#)

[You Tube: Hunting Guide: Paul McCormick Helps Students Find Financial Jobs](#)

