

Investment Banking

Version 7.17

Contents

What are investment banks?	3
Who are the investment banks?	4
What jobs are available in investment banks?	4
What are the banks looking for?.....	6
How to improve your chances	7
Getting through the selection process.....	10
FAQs.....	12
Alternatives to investment banking.....	13
Events.....	13
Resources.....	14

What are investment banks?

Investment banks work with large organisations, helping them to raise capital investment, providing advisory services and access to the financial markets. The work of investment banks typically involves:

'Market making'

They create liquidity in the financial markets by assuming the risk of holding shares of specific securities (e.g. shares or bonds) to help facilitate the trading of that security – essentially they keep the markets trading.

Mergers & Acquisitions (M&A), restructuring

They advise clients on large scale mergers and acquisitions, or how to restructure to make their company more profitable.

Corporate events / new issues (e.g. IPO or Initial Public Offering)

They help clients raise new capital by creating new securities (e.g. shares or bonds) and helping to creating demand for these. They also underwrite these in the event of smaller than expected sales.

Structuring products

They advise clients such as high street banks, pension funds or life insurance companies on creating financial products based on multiple types of investment, so that the resulting product has the features and expected performance the client needs.

Proprietary trading

They trade the markets using the banks own money, looking to make a profit for the bank.

Who are the investment banks?

Investment banks are generally split into the largest banks (often known as the 'bulge bracket' banks), middle market, and smaller boutique banks, who may specialise in particular services.

Larger banks include Goldman Sachs, Morgan Stanley, JP Morgan, Bank of America Merrill Lynch, Citi, Barclays, Deutsche Bank, HSBC, Credit Suisse and UBS.

Middle market banks include, BNP Paribas, Nomura, Royal Bank of Scotland, and RBC Capital Markets.

Smaller boutique banks include Rothschild, Lazard, Blackstone, First Capital, Investec and many others.

Some banks are also conglomerates, including investment banking among other services that they offer such as commercial banking, retail banking or insurance. Such banks include Macquarie, ABN Amro, Standard Chartered Bank, Société Générale, RBS and Lloyds Banking Group.

Many students continue to be attracted to the perceived high pay, prestige and power associated with a successful career in investment banking. In the global landscape, even with uncertainties relating to Brexit, London remains a pre-eminent financial centre and correspondingly it attracts many excellent students from home and abroad.

What jobs are available in investment banks?

Roles generally fit into one of three key areas of an investment bank. It is however worth noting that these terms are no longer as commonly used as they were, and some banks will have different names to describe the areas of their bank.

1. Front office

This is the client facing part of the bank, with all services, advisory work and trading taking place here. This is split further into what are known as primary markets, and secondary markets.

Primary markets are where investors are buying a security directly from the company issuing it (e.g. buying shares in a company as soon as they are released). In many banks this may be called the 'investment banking division' or IBD. Areas in primary markets include:

- Equity capital Markets (ECM)
- Debt Capital Markets (DCM)
- Corporate Finance
- Private Equity
- Mergers & Acquisitions (M&A)
- Restructuring

Secondary markets are where investors buy and sell equities between themselves, and the company who originally issued them may have no direct involvement or gain from that transaction. Think of it as a second-hand market. In many banks this are may be referred to as 'markets'.

Roles in this area include:

- Sales
- Trading
- Proprietary trading

There are other roles in the secondary markets, some of which may be available in banks depending on the specialisms or sub-divisions of that particular bank:

- Foreign Exchange (often known as FX)
- Wealth Management
- Private Banking
- Corporate Banking
- Investment Management

2. Middle office

Middle office roles are involved in directly supporting the client facing work of the front office. Roles in this area often include:

- Risk Management
- Compliance
- Technology (this will differ across banks)

3. Back office

The back office is all areas of work which are behind the scenes. This includes:

- Operations & Settlements
- Human Resources
- Technology (in some banks)

What are the banks looking for?

Investment banks look for high intellectual capacity, well developed personal qualities, mental stamina and a very clear interest in a career in investment banking. Even with these however, it's a tough industry to break into. Historically, only 2-3% of aspiring students make the grade, however, in the future, one of these could be you!

High academic requirements eliminate many would-be investment bankers. For UK students, typical minimum standards are:

- a 2:1 degree,
- 320 UCAS points.

Besides numeracy and literacy, banks look for evidence of a range of interpersonal skills including communication, leadership and the ability to work well with others. In addition, banks will expect you to have some basic understanding of and demonstrable interest in financial markets

and the wider economy. This kind of knowledge does not have to come from relevant academic studies (although this can be helpful); paying attention to finance and business news as well as current affairs can be a great way to do this. See the resources section later for some useful places to start building your knowledge.

The downside to investment banking is the risk of losing your job. When global markets turn down, banks tend to make redundant many employees recruited under boom conditions. Potential recruits should also gain an understanding of other potential roles so that they can react positively, should opportunities no longer be available in their preferred area.

How to improve your chances

It's important to **start early**. At no point in your university life is it too early to start working towards a career in the City.

In your first year

You can begin to explore the firms, the vocabulary and the roles. For example: who are the major players, what are the meanings of *bonds*, *equities* and *derivatives*; what are the differences between a *bull market* and a *bear market*; what does *vanilla* mean in an investment context; what are the functions of *sales* and *trading* departments; how do your personal skills match those required in the various jobs?

A few specific things you can do:

- Look for relevant experience in your Easter or summer vacations, several firms offer brief opportunities to learn about their work. Apply early – closing dates for summer internships may be before the end of December of that academic year.
- Become a member of an investment club to discuss building a virtual portfolio of investments. The University of Manchester has a society MUTIS (Manchester University Trading & Investment

Society) that you can join, and you could sign up to an on-line organisation for virtual trading such as Bullbearings.

- Start to read the business pages of a newspaper, The Economist (available in the Careers Library), and/or a suitable website, such as efinancialcareers.com.

In your second/penultimate year

You should catch up with any of the activities and specific actions described above and, in particular, form a better idea of the roles which would be of most interest on joining a firm.

Specific things to do:

- The **most important** action you can take is to apply for internships. Many firms recruit the majority of graduates from their previous year's interns. Apply early – well before application closing dates which occur from November. Bear in mind that most firms process applications on a first come, first served basis.
- Attend employer presentations in October and November. These will help to consolidate your understanding of firms, especially of their strengths and what makes them unique. Take the opportunities to network (keep a note of names/roles). This experience/ information will be invaluable for decision making, for writing applications and in interviews.
- Undertake challenges which enable you to develop your initiative and leadership skills, such as volunteering and the Manchester Leadership Programme. See www.manchester.ac.uk/stellify for more information.
- Apply for a mentor through the Manchester Gold programme. Some of our mentors work in investment banking and related areas, and they can be a great source of advice and information on getting into banking. Manchester Gold opens for applications in October. Visit www.manchester.ac.uk/careers/manchestergold for more information.

In your final year

At this stage you should decide on a short list of firms and on the jobs that best match your personal abilities and aspirations. Investment Banks expect you to have an idea of the various and diverse functions within their organisations and, for those you favour, how your skills match the specific requirements of the roles.

If you are starting from scratch (which you may well be if you are an international student on a one year course), you should take every opportunity to develop yourself into a good candidate for recruitment by the banks. Take action from the beginning of the first semester to assimilate background material. If English is not your first language, take positive steps to mix with native speakers to improve your ability to do yourself justice in interview. Remember that overall, these institutions are looking for talented graduates like you, but specifically those who are prepared to do the necessary research and preparation.

Specific things to do:

- Closing dates for applications occur as early as October. It is **important** to get hold of a schedule of closing dates and to apply to firms as soon as you can. In the past eFinancialCareers.com has published a list. In any case, information can readily be obtained from banks' own websites, directories and CareersLink www.manchester.ac.uk/careerslink
- Attend as many employer presentations as you can during the autumn. All the larger Investment Banks seek to recruit promising University of Manchester graduates and to this end send teams to make presentations and to meet potential applicants. Details of dates, times, venues and how to book a place are given on CareersLink, and see the 'Events' section later in this guide for some of the main events to look out for. Bear in mind that in addition to informing you about the individual banks, these events give opportunities to make personal contacts which can be useful at a later step in the recruitment process.

Getting through the selection process

Investment Banks recruit in a similar way to other large organisations.

CV and covering letter: Some banks will request application by CV and covering letter. As with any other application, it's vital that your application is targeted to that bank and the role you are applying for. A clear motivation for applying needs to be included in your covering letter. Spelling and grammar must also be correct.

1 page CVs: Some banks require (or simply prefer) CVs to be a maximum of 1 page, rather than the UK norm of 2 pages. This is particularly common with US banks. Do your research to find out whether your chosen employer prefers a one or two page CV. See our guide to 1 page CVs: www.careers.manchester.ac.uk/applicationsinterviews/cv/industry

Application Forms: Tips for successful applications:

- Correct spelling, punctuation and grammar are crucial.
- It is important to answer questions both precisely and concisely.
- Early application, well before closing dates, gives you the best chance.
- Overall one in six passes on to the next stage of the recruitment process.

Psychometric tests are common. Numeracy is crucial to survival in a bank; numeracy tests are common and can be very selective, so that only 50% succeed. Practice can improve scores to some extent and sample tests are available on the Careers Service website or through the Careers Service in The Atrium on the 1st floor of University Place. However, those not pursuing a numerate degree should be reassured that knowledge of higher mathematics is required only in specialist roles and is not looked for in these tests.

www.manchester.ac.uk/careers/applicationsinterviews/psychometric

First Interviews are normally competency based. Competencies sought are likely to include: communication; teamwork; proactiveness; assertiveness; and leadership. Additional questions will relate to knowledge of some of: the industry, the specific company, the area of interest, relevant markets or deals, and motivation – most of which can be learned from the banks’ websites or financial news sites. Three to four percent of original applicants will go on to the Assessment Centre stage.

Second Interviews or **Assessment Centres** involve senior people from the function to which you are applying. The good news is that over half of those remaining have, in the past, cleared the last hurdle.

More technical insight is likely to be sought in interview. Typical questions may include: the relationship between interest rates and bond prices (Fixed Income Sales), how the FTSE is trading today, how to value a company, or interest rates and the price of FX options (FX trading). Other questions may amount to mathematical conundrums, such as the oft quoted “what is the angle between the hands of a clock at (a specific time)”. It’s important to remember the most of the questions will not be of this type, so in preparing ensure you focus more time on answering the basics, such as why you are interested in that bank or that role, and being able to give examples of particular skills you have used.

Interviewers will look for passion and enthusiasm for Investment Banking. These can be demonstrated, not only by your insight and level of research into roles and companies, but also through your real life experiences, especially work placements and internships.

In group discussions team building skills are assessed. Presentations require candidates to identify salient points, present strong arguments and to stick to their views under challenge.

You can find lots of advice on applying for jobs, interviews, psychometric tests and assessment centres at:

www.manchester.ac.uk/careers/applicationsinterviews

FAQs

- **Is Brexit affecting opportunities in investment banking?**

At the time of writing (July 2017) some banks have announced that they are making contingency plans against the possibility that post Brexit there are barriers to accessing the single market – which would affect banking services. Some banks are therefore moving some staff or increasing staffing levels at other locations inside the EU. It is unclear how much this may affect opportunities at graduate level, however staffing changes announced to date are generally small scale, in the hundreds rather than thousands.

- **Do Investment Banks recruit international students?**

The major banks are international organisations and as such are often keen to recruit a proportion of graduates with first hand knowledge of other countries, worldwide, and their languages. Normally they are able to obtain any necessary work visas.

- **Is a Finance based degree a prerequisite of recruitment to Investment Banking?**

Provided that applicants have the necessary personal qualities and can demonstrate an interest in finance, their degree discipline is not particularly relevant to many roles in investment banking.

- **If I don't have an internship, can I still apply for graduate roles at investment banks?**

Securing an internship in investment banking is very important as a way to secure a place with them after graduation. Previous surveys of recruiters have shown that investment banks can recruit up to 75% of their graduate intake from former interns. Even if your internship is not with the same bank, having some experience in the sector or in another area of finance would be a great benefit to your chances.

Alternatives to investment banking

While many students have heard of investment banking and may feel drawn to apply to the more well-known firms, there are also other opportunities which you might consider, roles such as:

- Wealth Management
- Investment Management
- Stockbroking
- Private Banking
- Corporate and retail banking
- Insurance and Pensions
- Accountancy & Tax
- Actuary
- Financial Advice

The Careers Service website has a section for careers in finance where you can explore investment banking and these other options in more detail at: www.manchester.ac.uk/careers/whichcareer/finance.

Events

- **Getting started in Investment banking** – small group sessions to help get you started and answer your questions. Held in October each year, check CareersLink for dates.
- **The Big Careers Fair Day 1 (held in October each year)**
An opportunity to meet dozens of employers at one event, including investment banks and other finance employers.
www.manchester.ac.uk/bigcareersfair
- **Meet the Professionals (Finance & Consulting)** – meet alumni working in finance and consulting roles, find out what it's really like and get advice on how to pursue a career in these areas. Usually held in October or November, check CareersLink for dates.

- **Employer presentations** – many investment banks and other finance employers hold career events, particularly during the autumn. Check CareersLink for dates.

Resources

- **Careers Service website – Which Career: Finance**
Find out more about careers in investment banking and the wider range of career options in finance
www.manchester.ac.uk/careers/whichcareer/finance.
- **eFinancial Careers - Careers in Banking and Finance**
Information on getting into banking, the roles and requirements, job vacancies, internships and closing dates.
www.eFinancialCareers.co.uk
- **Inside Careers: Banking Securities & Investments**
Available to take away and on reference in the Careers Service Library. Also available online:
www.insidecareers.co.uk
- **The Unofficial Guide to Banking**
A simple, honest and impartial overview of careers in banking
www.unofficialguidetobanking.com
- **Finimize**
An app for your smartphone which helps you keep up to date with Today's financial news in under 3 minutes
www.finimize.com
- **TARGETjobs**
An inside look at careers and interviews at the top investment banks.
<http://targetjobs.co.uk/career-sectors/investment-banking-and-investment>

- **Askivy**
A knowledge-base created by industry professionals.
www.askivy.net
- **Investopedia**
A great resource to better understand the terminology and concepts used in the investment banking industry
www.investopedia.com/university
- **Money Week**
A Youtube channel with videos explaining concepts used in banking and investing, for example how to calculate the value of a company
www.youtube.com/user/MoneyWeekVideos
- **Individual Bank websites**

Books & guides:

Search the careers library catalogue with keyword “investment”
www.manchester.ac.uk/careers/library . Some titles such as “The technical interview guide to investment banking” are held by the University Library.

This publication is copyright The University of Manchester and may not be produced wholly or in part for commercial or non-commercial purposes without prior permission.