

# CAREERS IN INVESTMENT BANKING



INDUSTRY TRENDS AND RANKINGS ★ POSITIONS, RESPONSIBILITIES, AND WORKPLACE CULTURE ★ INTERVIEWING TIPS

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# INSIDER GUIDE

Careers in  
*Investment Banking*

2011 EDITION

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# Investment Banking at a Glance

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# 1

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## AT A GLANCE

### Opportunity Overview

Investment banks recruit undergrads and MBAs for a number of openings that's small even in the best of times. Most go to candidates from top universities, so if you're at a lower-tier school, you need to be especially resourceful and persistent. An internship is essential to breaking into the field. Networking also is key; make use of your alumni network.

- **Undergrads** vie for two-year positions as analysts. If you do well, you might get to stay for a third year, perhaps even abroad.
- **MBAs** compete for fast-track associate slots, and international assignments might be available for those who want them.
- **Mid-career candidates** are recruited by headhunters or hired on an ad hoc basis for positions at various levels. Although relatively few people come into the industry from other fields, it can be done, especially by those who have a technical background in a specific industry and an aptitude for and interest in finance. Otherwise, expect to start at the bottom.

### Major Pluses

- Top pay—even if compensation has declined since the era of innovative securities and the housing bubble
- Excellent opportunity to learn the finance world inside and out
- Chance to build a network of well-connected professionals
- Your life *is* the market—riding a bull is exciting and lucrative.

### Major Minuses

- How many different ways can you say, “Work your tail off”?
- No job security—only the unemployment line has more people who have been fired
- Tedious work, especially at the lower levels
- Big egos and abrasive personalities
- Your life *is* the market—but a bear could put you out of work.

### Recruiting Overview

- Very formal and extremely competitive recruiting process
- It's exceedingly difficult to get in the door these days if you haven't done an internship in the industry.
- The primary channel is on-campus recruiting, but there are opportunities for mid-career hires, non-MBA advanced-degree holders, and candidates from second-tier schools.
- Heavy emphasis on quantitative and analytical abilities
- Hard work is rewarded regardless of race or gender—but white males still dominate the industry.





# The Industry

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## OVERVIEW

► **CUE THE SPEECH** from *Planet of the Apes*: “You maniacs! You blew it up!” The detonation of sub-prime mortgages and other consolidated debt obligations, the resulting credit crisis, and the federal government bailout mean Wall Street—and the investment banks whose risky strategies set the whole thing off—will never be the same again. The Wall Street Reform and Consumer Protection Act, passed in mid-2010, holds even more change for the affairs of big-name investment banks, smaller boutique firms, and investors.

Yet you’re still not discouraged. In fact, you’re intrigued by the intensely competitive, action-oriented, profit-hungry world of investment banking, aka I-banking. You’ve even observed a rise in new hires by Wall Street’s top firms, pointing to the next stage in the country’s economic recovery.

Even with the ongoing economic crisis and the reshaping of corporate structure and government regulation, I-banking will play a significant—and highly remunerative—role in the recovery of global financial markets and in the future of Wall Street, whatever it holds. But the field also has a daunting learning curve, and chances are your first job will be more *Working Girl* than *Wall Street*.

Wall Street is filled with high-energy, hardworking young hotshots. Some are analysts who spend hours hunched behind computers, poring over financial statements and churning out spreadsheets by the pound. Others are traders who keep one eye on a Bloomberg screen, a phone at each ear, and a buyer or seller on hold every minute the market’s in session. A trader will work hand-in-hand with the institutional sales group, whose members hop from airport to airport trying to sell big institutions pieces of new stock offerings. Then there are the analytically minded research analysts, who read, write, live, and breathe whichever industry they follow.

So, where do you begin and how do you focus your job search? Let’s start with an important reminder:

I-banking isn’t one specific service or function. It is an umbrella term for a range of activities:

- Underwriting, selling, and trading securities (stocks and bonds)
- Providing financial advisory services, such as advice on mergers and acquisitions (M&A)
- Managing assets

Investment banks offer these services to companies, governments, nonprofit institutions, and individuals.

**I-banking has a daunting learning curve. Chances are your first job will be more *Working Girl* than *Wall Street*.**

Traditionally, commercial banks and investment banks performed completely distinct functions. When Joe on Main Street needed a loan to buy a car, he visited a commercial bank. When Sprint needed to raise cash to fund an acquisition or build its fiber-optic network, it called on its investment bank. Paychecks and lifestyles reflected this division, too, with investment bankers working like demons for their large bonuses and glamorous lifestyles, while commercial bankers worked 9-to-5 to pull down middle-class wages. The 1999 Gramm-Leach-Bliley Act, a landmark piece of deregulatory legislation, eliminated the separation of investment and commercial banking, enabling firms to engage in both and blurring the lines between the categories. That separation changed once again in fall 2008 as Goldman Sachs and Morgan Stanley, the last two major investment banks left standing after the worst of the financial crisis, became bank holding companies—more like regular deposit-taking commercial banks than their previous risk-taking incarnations. This made them eligible for federal bailout funds.

The action is still centered in New York City and a few other money centers around the world, but

the list of players has grown smaller because of consolidation and a series of hurried—some might say desperate—purchases in 2008. Today, leading banks include Citigroup (whose I-banking arm was until recently known as Salomon Smith Barney), Credit Suisse, Goldman Sachs, JPMorgan Chase, and Morgan Stanley. The fallout from the financial crisis meant that a lot of big names from a few years back are gone, never to be heard from again: Lehman Brothers declared Chapter 11 bankruptcy and was purchased by British firm Barclays; Bear Stearns went to JPMorgan Chase in a fire sale; and Merrill Lynch was snatched up by Bank of America.

## The 1999 Gramm-Leach-Bliley Act, a landmark piece of deregulatory legislation, eliminated the separation of investment and commercial banking, enabling firms to engage in both and blurring the lines between the categories.

It's a volatile time to enter the field. Firms have been bailed out by the federal government and emerged from the financial crisis mostly the worse for wear. There is less tolerance for risk and a greater awareness of federal rules and regulations. At the same time, many corporations have tightened their purse strings, resulting in fewer offerings of new stocks or mergers and acquisitions. The extended market decline hurt the profits of I-banks' brokerage operations—fewer investors, smaller commissions.

However, recent activity indicates companies are just beginning to loosen their purse strings and get involved in the market again, and that will help pave the way for

economic recovery. According to Renaissance Capital, there were 63 initial public offerings in 2009; compare this with 2008, with just 43. Though the total value of 2009 IPOs was less than in 2008—\$21.9 billion versus \$28 billion—the value of the 2008 IPOs fell 33 percent from their initial valuation. The increase in 2009 in companies participating in IPO activity indicates a greater willingness to take risks. Another sign of resurgence: According to the New York State Department of Labor, 6,800 financial-industry positions were added from the end of February through May 2010. After big job losses during 2008, I-banking firms are again looking for new bodies.

Is I-banking a good field for you? One thing is certain: You shouldn't go into it just for the money; the lifestyle is too demanding. To survive in I-banking, you'll need to like the work. An I-banking career can be a tough road. If the market or your industry group is in a slump, or if your firm suddenly decides to get out of a certain segment of the business, you could find a pink slip on your desk. But if you like fast-paced, deal-oriented work, are at ease with numbers and analysis, have a tolerance for risk—and don't mind putting your personal life on hold—then I-banking could be a great career choice.

## THE BOTTOM LINE

› **I-BANKING IS ONE** of the best ways a young person can learn about finance and make good money right out of school. Even if you ultimately decide to reclaim your personal life by pursuing other options, the skills you learn on Wall Street will be valuable in most business careers. But you'll have to put up with some very substantial hardships, including high pressure, long days and nights of hard work, a few difficult personalities, and the expectation—no, the requirement—that all personal plans are subject to the demands of work.

In addition, you'll find that life on the Street is very much at the mercy of the market. A bull market brings more work to do than is humanly possible, but

## Careers in Investment Banking

you'll be rewarded with a paycheck that can sometimes double year to year. A bear market can leave you sitting at your desk with a pile of deals on hold, facing a smaller-than-usual bonus and rumors of layoffs. Still, the field remains an extremely popular destination for undergraduates and MBAs. Indeed, Bank of America, Barclays Capital, Citigroup, Credit Suisse (USA), Deutsche Bank, Goldman Sachs, JPMorgan Investment Bank, Morgan Stanley, and UBS Investment Bank are all on *Fortune's* 2009 list of the 100 most desirable employers among MBAs.

### SEPTEMBER 11, 2001

The terrorist attacks of September 11, 2001, hit the financial industry particularly hard. The boutique investment-banking firm Sandler O'Neill lost 68 of its 177 employees (as well as its entire computer system). The hardest hit company of all was a financial services firm, Cantor Fitzgerald, which lost 658 employees. "Bulge bracket" banks tended to be less severely affected, because most had headquarters elsewhere, but Morgan Stanley had

operations throughout Two World Trade Center, including floors 59 through 74, and lost nine employees. The Deutsche Bank Building, adjacent to the towers, was irreparably damaged and has been demolished. Confidence on Wall Street was greatly diminished; the New York Stock Exchange remained closed for six days after the attacks, and the Dow Jones Industrial Average plunged 684.81 points when it reopened.

## THE BASICS OF INVESTMENT BANKING

› **BEFORE YOU START YOUR HUNT** for that all-important internship, it's necessary to understand what an I-banker does. Here's a basic introduction to I-banking and a view of the most common job opportunities in the field:

The terms *brokerage firm*, *broker-dealer*, and *investment bank* are used interchangeably in popular conversation, but they actually represent different types of companies:

- A **brokerage firm** executes trades, acting as an intermediary between investors and stock exchanges. For this, the firm takes a commission.
- A **broker-dealer** works similarly, except that it also trades for its own account. That means if you purchase a stock, it could be bought through an exchange or from the dealer's own account. You pay the current market price regardless of what the dealer paid for it.
- An **investment bank** is a broker-dealer that provides financing services to corporations, including stock and bond offerings, M&A advice, and some strategic planning.

All of these activities support each other, so let's take a look at them individually.

### CAPITAL RAISING AND UNDERWRITING SERVICES

An investment bank's primary service is to raise capital for corporations, governments, and other institutions by selling those clients' stock, debt, or other financial paper. The bank helps the client determine a reasonable price for the stock or bond issue and then buys the securities and resells them to investors. The investment bank makes its money on the *spread*: the difference between the securities' purchase and resale prices.



## FINANCIAL ADVISORY SERVICES

Investment banks advise companies, government entities, and other institutions about their financial strategies and the most effective use of the financial markets. M&A advice is a high-profile I-bank service; others include assisting companies with their option programs, providing pension-fund managers with up-to-the-minute information and advice on investment strategies, and helping international companies understand how to minimize their exposure to foreign currency exchange risks.

## SALES AND DISTRIBUTION

To be an effective underwriter, an investment bank must have a wide distribution network and a knowledgeable sales force that can consistently find buyers for the stocks, bonds, and other financial instruments it underwrites. The bulk of underwritten securities are sold to institutional investors such as pension funds, money management firms, and mutual funds. The institutional sales force advises and cultivates these large-quantity buyers—a job that requires a lot of traveling, schmoozing, and hand-holding—and executes the sales. In addition to these institutional salespeople, some banks have a retail sales force of stockbrokers and online discount brokerage services. These funnel offerings into the hands of the average investor. However, retail sales are usually transacted by business units completely separate from I-banking.

## TRADING AND MARKET-MAKING SERVICES

To support the institutional and retail sales efforts, most investment banks trade securities in the marketplace. When a firm decides to make a market in a particular stock, it stands ready with its own capital to buy and sell the stock at publicly quoted prices. A firm can make a market either on listed stocks, sold on the exchange floor, or on over-the-counter stocks, sold at its own trading desk. Traders usually focus on one group of stocks at a time, often becoming specialists in a particular industry.

## RESEARCH SERVICES

Nearly all banks have a staff of research analysts that studies economic trends and news, individual company stocks, and industry developments to provide proprietary investment advice to institutional clients and in-house groups, such as the sales and trading divisions. Until recently, the research division also has played an important role in the underwriting process, helping to woo the client with its industry knowledge. In many cases, research analysts' compensation was tied to I-banking revenue. However, the Sarbanes-Oxley Act of 2002, enacted in the wake of Enron and other gargantuan accounting scandals, has discouraged the conflicts of interest that arise when bankers and researchers work hand-in-hand.

In an effort to end the legal scrutiny of their operations, investment banks are attempting to reinforce the separation between their banking and research arms. Some of the separations span continents: Citigroup, JPMorgan, and Morgan Stanley have recently moved some of their research operations overseas.

Also, independent research houses (for example, JMP Securities, Needham & Co., and Sidoti & Co.) have benefited from a settlement between the I-banking industry and regulators, requiring investment banks to spend \$432.5 million during a five-year period to fund independent research.

# EMERGING INDUSTRY TRENDS

## HEDGE FUNDS

After enjoying almost unimaginable success in the early 2000s, hedge funds have suffered in much the same way as the big banks during the ongoing financial crisis, and have taken flak as exemplars of the kind of risky undertaking that triggered the market collapse. When they were first developed in the '50s and '60s, hedge funds were known as conservative investments. More recently, certain hedge funds led the way in pursuing high-risk ventures in the years leading up to the financial crisis. Moreover, they aren't regulated the same way as mutual funds and other traditional methods of investment. They're part of the "shadow banking system" described by Timothy Geithner when he was head of the New York Fed.

The under-regulated risky propositions that many hedge funds got into ended up crippling the credit market, as over-leveraged hedge funds were forced to sell their long-term assets at drastically lowered prices. Still, it's difficult to determine hedge funds' overall role in the onset of the financial crisis: whether they had a causal influence or were merely just bystanders. Goldman Sachs was accused of hiding from investors the fact that a hedge fund, Paulson & Co., was shorting against one of its own products. The case, which led to a record settlement with the SEC, suggests the ways banks and hedge funds can cooperate to exploit the system. The financial reform bill of 2010 requires hedge funds with more than \$100 million in assets to register with the SEC; previously, registration was voluntary. And even though hedge funds still won't be required to disclose holdings and trades, they might nonetheless suffer from investor skepticism about highly leveraged deals.

## GLOBALIZATION

Markets are becoming more global with each passing year. The sustained rise in energy prices, for instance, has been due more to demand from emerging nations

such as India and China than from the U.S. or Europe. A growing number of investors are looking to put money into securities and other investments originating in countries other than their own. I-banking business is increasingly coming from new regions of the globe. In recent years, for instance, some of the largest IPOs in the world have been of shares of Chinese companies such as the Bank of China, China Construction Bank, and China Life Insurance. In response, several banks have opened offices in China.

What does this trend mean for I-banking job seekers? To be prepared for your interviews, understand what's happening in global as well as local markets. And if you come to the table with some international experience, it certainly won't hurt your desirability.

### TIP



To be prepared for your interviews, understand what's happening in global as well as local markets.

## TECHNOLOGY

Technology has changed the securities industry forever. The biggest sign of the times: the 2005 merger of the New York Stock Exchange (NYSE) with Archipelago, an electronic trading platform. Electronic stock exchanges typically work more efficiently than the NYSE's traditional specialist system. Many observers predict that system—and its hallmark, the floor of the NYSE with its bustling swarm of floor brokers—will rapidly become a thing of the past.

But that's not the only change being wrought on the Street by technology. Today a significant chunk of equity trades are transacted using computerized algorithmic trading systems. Typically, these systems are used to allow traders to move large blocks of shares without overly affecting the price at which they're

able to buy or sell them. (Think about it: If you were to announce suddenly your intent to sell hundreds of thousands of shares of a given stock, the price offered by buyers would probably drop just as suddenly. Algorithmic trading breaks up those shares into portions and times the trades of those portions in such a way that prevents the market from knowing how much stock you're trying to move—meaning your stock sale or purchase affects your average price as little as possible.)

In the past, investment banks used algorithms to make proprietary trades for their own accounts, but today they offer clients (usually institutional investors and high-net-worth individuals) access to these programs and run the risk, according to some observers, of becoming glorified investment-software sales channels. Algorithms also prove valuable to banks' research departments. New network technologies also will continue to fuel a business that, as it puts employees in new time zones, increasingly needs to operate around the clock.

### RESEARCH AND BANKING: A REDEFINED RELATIONSHIP

I-banking research scandals in the early part of this decade weakened the link between research analysts' compensation and firms' banking revenue. Researchers now have a smaller role in seeking banking business, resulting in a greater degree of objectivity in their reports. In fact, the SEC requires research analysts to affirm in writing that the recommendations in their reports are truly what they believe, and that they have received no payment for specific research opinions. It also requires firms to provide investors with independent research.

This new degree of separation—the Chinese wall between research and sales—has made it harder for banks to justify the costs of conducting research. Without revenue that is directly or indirectly the result of banks' research departments, research becomes purely a cost center. As a result, banks are more likely

to look to cut costs in research or move it offshore. It also means that researchers may find their workloads increasingly onerous.

### THE END OF THE FINANCIAL SUPERMARKET?

Around the dawn of the 21st century, the trend among big banks was the “financial supermarket” strategy. That was made possible by the passage in 1999 of the Gramm-Leach-Bliley Act; this piece of legislation repealed the Depression Era Glass-Steagall Act, which separated investment and commercial banking activities. In the wake of the repeal, some I-banks purchased retail brokerage and lending providers, and some commercial banks tried to build up their I-banking services via M&As. The idea was to build one-stop

shops where clients could get a full range of financial and investment products and services.

That trend seems to be reversing, partially because of the rising awareness of banks that are “too big to fail.” Citigroup, perhaps the biggest bank of them all, is selling off units and business lines as it attempts to focus on commercial banking once again. Why else are banks jumping off the financial-supermarket bandwagon? Because they haven't been able to perform as well as companies, such as Fidelity, that focus on just one or two core lines of business.

## INDUSTRY PERFORMANCE

› **AT THE TURN** of the century, it was relatively easy to assemble a list of the most important players in I-banking. But since then, industry consolidation and deregulation have resulted in fewer pure I-banking and securities companies and many more diversified financial services companies that include I-banking and securities services among their operations. The following list will give you an idea of some of the major companies engaged in I-banking around the world; for a more accurate idea of the top companies focused primarily on I-banking and securities, check out the league tables. In general, the “bulge bracket”—the group of top firms—is thought to include Citigroup Global Markets, Credit Suisse, Goldman Sachs, Bank of America Merrill Lynch, and Morgan Stanley.

### Investment Banks by 2009 Revenue

COMPANY	REVENUE (\$M)	NUMBER OF EMPLOYEES
Citigroup*	80,285	265,300
Goldman Sachs	51,673	32,500
Credit Suisse (USA)*	49,799.1	47,600
Morgan Stanley	30,070	61,388
JPMorgan Investment Banks	28,100	27,000
Bank of America Merrill Lynch	23,300	9,700
Deutsche Bank Corporate and Investment Bank	15,568	68,849

\* Numbers for parent company Note: Citigroup Corporate & Investment Bank doesn't release numbers for investment banking division. Source: Company websites, SEC filings, Hoovers.com, WetFeet analysis.

## INDUSTRY RANKINGS

› **TO SEE WHO'S** number one in securities underwriting, I-banking insiders look to quarterly league tables, which show overall industry underwriting activity by security type and the ranking/market share of the individual firms as measured by underwriting volume. You can find Thomson Financial's authoritative league tables in *Investment Dealers' Digest*, which publishes and reports on the underwriting volumes and industry rankings each quarter.

To see who is number one in investment research, take a look at Institutional Investor's All-America Research Team rankings, published each fall. Because these come from polls of buy-side analysts and portfolio managers, they're more subjective than the league tables. I.I.'s annual rankings are closely watched and often have a direct impact on an analyst's compensation and/or job security.

Following is a taste of how the firms stacked up in the league table results for the first half of 2010, along with the most recent research rankings available when we went to press. For more details on each firm, check out individual WetFeet Company Insider Guides.

## Global Debt, Equity & Equity-Related, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
Bank of America Merrill Lynch	141,428.0	8.3	354
JPMorgan	132,676.1	7.8	396
Barclays Capital	131,414.0	7.7	322
Deutsche Bank	123,873.7	7.3	400
Citi	85,310.2	5.0	278
Credit Suisse	82,879.0	4.9	294
UBS	80,677.7	4.8	277
Goldman Sachs	76,153.8	4.5	242
HSBC	71,567.1	4.2	233
RBS	67,540.4	4.0	219

Source: Thomson Financial

## Global Common Stock, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
Goldman Sachs	21,448.0	7.7	104
JPMorgan	21,445	7.7	133
Morgan Stanley	18,212.9	6.5	116
Bank of America Merrill Lynch	17,122.3	6.1	105
UBS	16,063.8	5.8	114
Citi	11,958.4	4.3	89
Credit Suisse	11,784.1	4.2	99
Deutsche Bank	10,895.3	3.9	66
Nomura	8,538.0	3.1	34
Barclays Capital	5,711.8	2.1	47

Source: Thomson Financial

## Careers in Investment Banking

### Global IPOs, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
Morgan Stanley	5,926.7	6.3	36
JPMorgan	5,665.1	6.0	40
Goldman Sachs	5,109.1	5.4	31
Nomura	3,858.7	4.1	11
Bank of America Merrill Lynch	3,795.6	4.0	21
Credit Suisse	3,620.9	3.9	39
Deutsche Bank	3,474.3	3.7	21
Haltong Securities	3,128.3	3.3	6
Mizuho Financial Group	2,989.4	3.2	2
UBS	2,917.1	3.1	25

Source: Thomson Financial

### Global Convertibles, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
JPMorgan	4,423.8	12.5	27
Bank of America Merrill Lynch	4,065.1	11.5	19
Morgan Stanley	3,988.3	11.2	12
Credit Suisse	2,740.5	7.7	19
Deutsche Bank	1,939.3	5.5	12
UBS	1,721.4	4.9	14
Citi	1,621.4	4.6	14
Goldman Sachs	1,600.3	4.5	9
Barclays Capital	1,303.1	3.7	9
Jefferies & Co.	1,275.0	3.6	3

Source: Thomson Financial

## U.S. Common Stock, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
JPMorgan	9,872.0	15.6	71
Morgan Stanley	8,399.4	13.3	68
Goldman Sachs	6,197.1	9.8	47
Bank of America Merrill Lynch	5,934.5	9.4	64
UBS	4,457.3	7.1	50
Credit Suisse	4,413.9	7.0	44
Citi	3,894.8	6.2	48
Wells Fargo	3,548.7	5.6	44
Barclays Capital	3,391.9	5.4	41
Deutsche Bank	1,988.2	3.2	30

Source: Thomson Financial

## U.S. IPOs, 1/1/10- 6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE	NUMBER OF DEALS
Goldman Sachs	1,240.7	14.7	17
Morgan Stanley	1,148.4	13.6	16
JPMorgan	849.8	10.0	16
Citi	738.8	8.7	8
Barclays Capital	735.7	8.7	9
Bank of America Merrill Lynch	690.3	8.2	10
UBS	681.1	8.0	8
Credit Suisse	556.0	6.6	11
Deutsche Bank	540.6	6.4	10
Robert W. Baird	221.3	2.6	2

Source: Thomson Financial

## Careers in Investment Banking

### U.S. Convertibles, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS	MARKET SHARE (%)	NUMBER OF DEALS
JP Morgan	3,007.0	19.8	17
Bank of America Merrill Lynch	2,502.5	16.4	13
Morgan Stanley	1,685.3	11.1	6
Jefferies & Co.	1,275.0	8.4	3
Deutsche Bank	1,228.3	8.1	7
Goldman Sachs	1,164.5	7.7	6
Credit Suisse	1,073.8	7.1	7
Barclays Capital	972.0	6.4	5
UBS	942.2	6.2	7
Citi	839.0	5.5	7

Source: Thomson Financial

### Global Debt, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
Barclays	203,660.1	8.2	499
Bank of America Merrill Lynch	196,520.0	7.9	512
JPMorgan	185,201.3	7.4	576
Deutsche Bank	177,643.0	7.1	623
Credit Suisse	121,210.7	4.9	388
Citi	115,689.2	4.6	378
Morgan Stanley	111,963.5	4.5	427
Goldman Sachs	109,080.0	4.4	320
UBS	107,866.6	4.3	365
HSBC	100,382.1	4.0	369

Source: Thomson Financial



## Global Mortgage-Backed Securities, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
Bank of America Merrill Lynch	57,790.2	22.6	37
Barclays	22,608.5	8.8	25
Goldman Sachs	20,725.4	8.1	20
RBS	19,119.8	7.5	25
Deutsche Bank	18,922.4	7.4	31
JPMorgan	17,465.0	6.8	26
Credit Suisse	15,314.8	6.0	21
Citi	14,400.2	5.6	21
Nomura	13,815.2	5.4	18
Morgan Stanley	13,146.2	5.1	20

Source: Thomson Financial

## Global Asset-Backed Securities, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
Barclays Capital	11,257.0	12.1	39
Bank of America Merrill Lynch	11,079.7	11.9	33
JPMorgan	10,072.7	10.8	27
Citi	7,993.7	8.6	26
RBS	7,279.9	7.8	25
Deutsche Bank	6,142.7	6.6	22
Lloyds	4,371.1	4.7	3
Credit Suisse	3,581.5	3.9	16
Morgan Stanley	2,533.0	2.7	8
RBC	2,358.7	2.5	7

Source: Thomson Financial

## Careers in Investment Banking

### All Federal Credit Agency Debt, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
UBS	73,604.5	12.7	465
Barclays Capital	69,405.6	12.0	134
Deutsche Bank	67,097.1	11.6	317
JPMorgan	52,889.6	9.1	225
Bank of America Merrill Lynch	36,978.3	6.4	169
Citi	36,206.8	6.3	166
Goldman Sachs	32,369.2	5.6	140
Morgan Stanley	30,739.2	5.3	192
First Horizon	21,113.5	3.7	485
Credit Suisse	19,459.9	3.4	121

Source: Thomson Financial

### U.S. Investment-Grade Corporate Debt, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
JPMorgan	46,702.0	14.7	123
Bank of America Merrill Lynch	41,836.1	13.1	128
Barclays Capital	28,626.8	9.0	85
Citi	27,542.4	8.6	83
Morgan Stanley	25,466.7	8.0	64
Deutsche Bank	25,235.7	7.9	72
Goldman Sachs	24,840.1	7.8	71
Credit Suisse	23,368.4	7.3	58
UBS	13,935.8	4.4	44
RBS	12,441.0	3.9	37

Source: Thomson Financial

## U.S. Mortgage-Backed Securities, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
Bank of America Merrill Lynch	56,873.4	26.1	37
Barclays Capital	23,269.1	10.7	24
Goldman Sachs	20,725.4	9.5	20
RBS	18,116.9	8.3	24
JPMorgan	15,564.4	7.2	25
Deutsche Bank	14,729.9	6.8	22
Credit Suisse	14,274.4	6.6	18
Citi	13,618.2	6.3	19
Morgan Stanley	11,289.9	5.2	17
Nomura	10,243.1	4.7	15

Source: Thomson Financial

## U.S. Asset-Backed Securities, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
Bank of America Merrill Lynch	11,431.6	17.6	33
JPMorgan	10,047.1	15.5	27
Citi	7,968.9	12.3	24
Barclays Capital	7,852.3	12.1	35
RBS	6,052.4	9.3	21
Deutsche Bank	5,948.0	9.2	21
Credit Suisse	4,032.6	6.2	17
Morgan Stanley	2,250.9	3.5	6
Wells Fargo	1,770.7	2.7	9
Goldman Sachs	1,178.8	1.8	4

Source: Thomson Financial

## Careers in Investment Banking

### Global High-Yield Debt, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
JPMorgan	17,946.0	13.7	102
Bank of America Merrill Lynch	16,496.0	12.6	113
Credit Suisse	12,654.6	9.7	54
Citi	10,268.9	7.9	57
Goldman Sachs	10,050.6	7.7	54
Deutsche Bank	9,521.0	7.3	63
Barclays Capital	8,352.5	6.4	60
Morgan Stanley	7,854.4	6.0	43
UBS	5,815.3	4.5	42
RBS	5,710.2	4.4	34

Source: Thomson Financial

### All International Bonds, 1/1/10–6/30/10

BOOKRUNNER	PROCEEDS (\$M)	MARKET SHARE (%)	NUMBER OF DEALS
Barclays Capital	143,820.9	8.7	325
JPMorgan	129,299.2	7.8	383
Deutsche Bank	127,449.2	7.7	427
Bank of America Merrill Lynch	113,981.4	6.9	342
HSBC	91,103.4	5.5	279
Credit Suisse	90,250.6	5.4	265
UBS	80,899.0	4.9	225
Citi	76,096.6	4.6	227
BNP Paribas	74,802.6	4.5	269
Morgan Stanley	65,400.7	3.9	187

Source: Thomson Financial

## M&A Advisory: Worldwide Announced, 1/1/10–6/30/10

FINANCIAL ADVISER	PROCEEDS (\$B)	MARKET SHARE (%)	NUMBER OF DEALS
Goldman Sachs	213.4	20.0	157
Morgan Stanley	189.9	17.8	177
Deutsche Bank	182.2	17.1	120
JPMorgan	168.1	15.8	143
Credit Suisse	159.6	15.0	131
Bank of America Merrill Lynch	144.7	13.6	99
Lazard	135.3	12.7	126
Citi	130.2	12.2	86
Barclays Capital	124.6	11.7	66
UBS	111.9	10.5	116

Source: Thomson Financial

## M&A Advisory: Any U.S. Involvement Announced, 1/1/10–6/30/10

FINANCIAL ADVISER	PROCEEDS (\$B)	MARKET SHARE (%)	NUMBER OF DEALS
Goldman Sachs	150.7	24.7	99
Credit Suisse	133.0	21.8	86
Morgan Stanley	131.3	21.5	113
Deutsche Bank	121.4	19.9	66
JPMorgan	117.4	19.2	83
Bank of America Merrill Lynch	113.6	18.6	80
Citi	107.3	17.6	51
Barclays Capital	99.2	16.2	49
Lazard	71.6	11.7	54
UBS	67.6	11.1	59

Source: Thomson Financial

## Careers in Investment Banking

### U.S. Long-Term Municipal New Issues (AT1), 1/1/10–6/30/10

MANAGING UNDERWRITER	PROCEEDS (\$B)	MARKET SHARE (%)	NUMBER OF DEALS
Citi	29.2	14.4	217
Bank of America Merrill Lynch	28.9	14.3	239
JPMorgan	23.3	11.5	194
Morgan Stanley	19.6	9.7	158
Goldman Sachs	13.8	6.8	86
Barclays Capital	12.4	6.1	89
RBC	7.1	3.5	299
Morgan Keegan	7.0	3.5	326
Wells Fargo	6.4	3.2	213
Siebert Branford & Shank	4.0	2.0	26

Source: Thomson Financial







# The Companies

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## THE BIG PICTURE

› **THE ONGOING FINANCIAL** crisis will have long-lasting impact on Wall Street and the investment banking world, including the consolidation and elimination of some of the industry's longest-tenured and most illustrious names. The convergence that started in the early 1990s pales in comparison to the tumultuous period that began in mid-2008: Lehman Brothers declared bankruptcy and was swept up by Barclays; Bear Stearns collapsed and was acquired, for cheap, by JPMorgan Chase; Merrill Lynch was purchased by Bank of America. Since then, Wells Fargo has purchased Wachovia in a government-forced sale.

In addition to the changes among the industry's big names, even the definition of *investment bank* has changed somewhat. In order to accept federal bailout funds under the Emergency Economic Stabilization Act, Goldman Sachs and Morgan Stanley had to reclassify as bank holding companies. Though both firms still perform the functions of a traditional investment bank—underwriting, selling and trading securities, providing M&A advice and the like—they are subject to restrictions and regulations unlike during their previous incarnations. With other long-time investment banks now operating under an arm of a larger bank holding company—J.P. Morgan with JPMorgan Chase, Merrill Lynch with Bank of America—the era of the stand-alone investment bank is over, and a new era has begun on Wall Street.

Even after the economic crisis and the shuf-

fling of traditional economic powers, many of same firms remain at the top of the heap. These largest companies comprise the bulge bracket: according to current consensus, Bank of America Merrill Lynch, Barclays Capital, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and UBS. Among these are the firms that were deemed “too big to fail” during the worst of the economic crisis and received bailouts from the federal government: Bank of America Merrill Lynch, Citigroup, Goldman Sachs, JPMorgan Chase and Morgan Stanley; UBS obtained a bailout from the Swiss government.

Outside of the bulge bracket are boutiques, regionals, and smaller, foreign-based companies. Boutiques are niche firms that focus on a particular industry, such as technology, or a financing vehicle, such as municipal bonds. Regionals, as the name implies, focus on financing and investment services in a particular geographic region. Smaller firms based outside of the U.S. are beginning to gain a foothold here and are a growing presence in the league tables each year.

The financial and personnel figures on the following pages come from a variety of sources, including SEC filings, corporate reports, and the proprietary business information site Hoover's, and have been analyzed by WetFeet staff. Also, for companies headquartered in Europe, the conversion from Euros and Swiss francs to dollars is based on August 5, 2010, exchange rates.

## MAJOR PLAYERS

# BANK OF AMERICA MERRILL LYNCH

4 WORLD FINANCIAL CENTER  
250 VESEY STREET  
NEW YORK, NY 10080  
PHONE: 212-449-1000

[www.ml.com](http://www.ml.com)

Now the I-banking arm of Bank of America, Merrill Lynch came close to ending up on the Wall Street scrap heap alongside Lehman Brothers and Bear Stearns. The government-forced sale to Bank of America helped the firm stay alive amid

### ▶ KEY NUMBERS

#### FINANCIALS

**2009 revenue:**  
\$23,300 million

**1-year change:**  
284.9%

#### PERSONNEL

**Number of employees:** 62,000  
**1-year change:**  
3.3%

the sub-prime mortgage collapse near the end of 2008. Still, the deal was widely regarded as a dud, and Bank of America CEO Kenneth Lewis lost his job over it. Bank of America has returned to profitability, though, and has beaten Thomson Reuters' revenue projections. Merrill Lynch's performance, in particular,

has helped to outweigh the bank's continued losses in home loans.

The fallout from the purchase hasn't finished settling yet. The state of New York announced in June 2010 that it was suing Merrill and Bank of America for losses in the state's pension fund.

For good and for ill, Merrill Lynch has come a long way since it was the first Wall Street firm to establish nationwide branch offices and the first to advertise on television; it became known as "the firm that brought

Wall Street to Main Street." It has offices in 36 countries and territories.

With many senior executives originating from the lowest brokerage ranks, Merrill Lynch exhibits less white-shoe attitude than other firms. Merrill Lynch's criteria for new hires are based more on skills than personality, and that means it's less concerned than some with its employees' image and behavior. "While it doesn't look like a Grateful Dead concert, individuality is tolerated at Merrill," says an insider.

That said, Merrill Lynch doesn't want self-obsessed people who aren't able to work on a team. "We generally reject people who are egocentric," an insider says. "Those individuals might actually be the most intelligent and qualified people, but if they have those characteristics, they won't be successful in our culture."

### [HIGHLIGHTS]

- Merrill Lynch's performance is credited with bolstering Bank of America's \$4.7 billion for fiscal 2009.
- The company was sued by the SEC in 2009 regarding statements to shareholders concerning bonuses. The company later agreed to pay \$33 million in compensation and admit that shareholders were misled.
- Merrill Lynch was purchased by Bank of America in 2008 for \$50.3 billion in stock.

# CITIGROUP GLOBAL MARKETS INC.

388 GREENWICH STREET  
NEW YORK, NY 10013  
PHONE: 212-816-6000

[www.citigroup.com](http://www.citigroup.com)

Only a few years ago, Citigroup was the largest company of its kind in the world. Though it's still a financial services titan, it has emerged from the financial crisis weakened.

With a presence in more than 120 countries and total assets of \$1.9 trillion, Citigroup's range of services

## ▶ KEY NUMBERS

### FINANCIALS

**2009 revenue:**

\$80,285 million

**1-year change:**

55.5%

### PERSONNEL

**Number of employees:**

265,300

**1-year change:**

-17.8%

Note: Numbers are for Citigroup; the company does not release figures for Citigroup Global Markets Holdings.

includes I-banking, commercial banking (mainly through subsidiary Citibank), financial planning, retail brokerage, and private banking for high-net-worth individuals. Its I-banking arm, Citigroup Global Markets, descended from Salomon Brothers, is one of the biggest bulge-bracket I-banking operations, and is first among its peers in terms of I-banking revenue. Its equity research group employs more than 300 research analysts and covers about 2,600 companies. Its brokerage business descended from Smith Barney, and makes Citigroup the number two retail brokerage in the country. And, its corporate and consumer lending businesses are mammoth in scale and global in reach.

Citigroup has had its fair share of hardship since the turn of the century. Its vast operations were hurt by

the U.S. bear market, the collapse of technology companies, and the Argentine economic crisis. In the early 2000s, the bank laid off nearly 20 percent of its staff. Its reputation and pocketbook also were hurt by a series of scandals. In 2002, it paid the largest sum—\$300 million—among 10 firms that settled with the SEC regarding deceiving investors. And something similar happened in June 2010: Citigroup coughed up a \$75 million SEC fine to settle claims that it failed to disclose its holdings of subprime mortgages. In the face of these hardships, CEO Vikram Pandit has worked to streamline company operations, trim costs, and expand core businesses while divesting noncore businesses.

## [HIGHLIGHTS]

- In 2010, Citi paid a \$75 million penalty to the SEC to settle claims that it withheld information from shareholders regarding holdings of subprime mortgages. Gary L. Crittenden, former CFO and Arthur Tildesley Jr., former head of investor relations, paid fines of \$100,000 and \$80,000, respectively.
- In 2010, the company announced the closing of 330 branches of its consumer finance business as it aims to find a buyer for CitiFinancial.
- In 2009, the company reorganized into two separate units: Citicorp for retail and investment banking, and Citi Holdings for brokerage and asset management.

# CREDIT SUISSE (USA), INC.

11 MADISON AVENUE  
NEW YORK, NY 10010  
PHONE: 212-325-2000

[www.credit-suisse.com/us](http://www.credit-suisse.com/us)

Credit Suisse (USA) was rechristened Credit Suisse Investment Banking Division in 2006 and reorganized into three distinct operation groups: Investment Banking, Private Banking, and Asset Management. While it has been rebranding, it has been expanding and focusing on emerging markets in Latin America,

## KEY NUMBERS

### FINANCIALS

**2009 revenue:**  
\$13,259.3 million  
**1-year change:**  
1536.3 percent

### PERSONNEL

**Number of employees:** 10,899  
**1-year change:**  
not available

Financials are for the entire company; Credit Suisse USA doesn't release financials for its investment banking division.

Credit Suisse (USA) has a worldwide reputation for excellence in M&A, equity underwriting, sales and trading, I-banking, and investment research.

Although the bank's performance has lagged behind its competitors in the first half of the decade, it emerged from the global economic crisis in better shape than its main Swiss rival, UBS, and without accepting any

where it acquired a majority stake in Brazilian asset manager Hedging Griffio; and in Asia, where it bought a 30 percent stake in Korean firm Woori Asset Management.

The firm is the result of the 1997 merger of investment bank First Boston and European commercial bank Credit Suisse. In 2000, it acquired Donaldson, Lufkin & Jenrette, a leader in underwriting high-yield bonds with a golden reputation in research. With 57 offices in 27 countries,

bailout funds. The firm's better-than-expected results during the worst of the crisis can be attributed in part to its strong performance in I-banking.

Credit Suisse is an ideal place for job seekers who want the breadth of opportunities of a large organization and the entrepreneurial excitement of a firm that continues to forge ahead. Undergrads are hired as analysts in fixed-income sales, trading, and research; asset finance; leveraged finance; liability management; real estate finance and securitization; equities sales, trading, and research; I-banking; information technology; finance, administration, and operations; and alternative capital (for example, hedge funds, private equity, and fundraising for fund managers).

## HIGHLIGHTS

- The company's Open Perspectives program, designed to provide LGBT MBA exposure to the financial industry, won the 2010 Award for Workplace Equality Innovation from the Human Rights Campaign.
- During the second quarter of 2010, the parent company made 600 hires for its investment-banking unit.
- The company changed its compensation methods for top employees, starting with 2,000 employees in the United States in 2009. Top executives will receive a greater portion of their total compensation in the form of their monthly cash salaries, and bonuses will be split evenly between cash and stock.

# DEUTSCHE BANK SECURITIES INC.

60 WALL STREET  
NEW YORK, NY 10005  
PHONE: 212-250-2500

[www.db.com](http://www.db.com)

Deutsche Bank Securities (DB Securities) is part of the Deutsche Bank Corporate and Investment Bank Group Division (CIB). In the 1990s, following the trend of European-backed banks such as Credit Suisse and UBS, DB Securities rapidly built a global

## KEY NUMBERS

### FINANCIALS

**2009 revenue:**  
\$24,845.7 million  
**1-year change:**  
487.4 percent

### PERSONNEL

**Number of employees:** 77,053  
**1-year change:**  
-4.2 percent

Note: Numbers are for Deutsche Bank's Corporate and Investment Bank division, which includes DB Securities. Conversion from euros to USD based on 8/5/2010 exchange

platform through acquisitions. Today DB Securities offers clients I-banking, sales and trading, brokerage, financial advisory, and investment products.

Parent company Deutsche Bank AG has gone through some difficult times of late. For a number of years, it struggled to increase revenue. Although one of the world's largest financial institutions, the company is only beginning to establish a strong U.S. brand. It has taken significant steps to cut costs, including stock buybacks, the sale of peripheral operations, and layoffs, particularly in the technology sector.

DB Securities has been making a concerted effort to increase its share of U.S. I-banking and capital markets. It has recently focused on growing areas such as technology, telecom, media, energy, health care, and leveraged finance.

The firm has an entrepreneurial and unstructured atmosphere, says an insider. Management encourages employees to take initiative and opens its doors to those who do. "There's nothing strange about an analyst walking into a managing director's office to talk," says one insider. It makes for an appealing corporate culture—people tend to stay a long time at DB, and even some who leave end up coming back.

DB Securities hires undergraduates into global banking, global markets, technology, operations, controlling and finance, risk management, HR, and private wealth management. Undergraduates apply for analyst positions starting in September each year; check the Deutsche Bank website for more information.

## HIGHLIGHTS

- The company added 414 new hires, including 98 directors and managing directors, during the first six months of 2010.
- In 2010, the company paid \$7.5 million in a settlement with the Financial Industry Regulatory Association concerning misleading statements to investors regarding mortgage-backed securities.

# FBR CAPITAL MARKETS

1001 19TH STREET NORTH  
ARLINGTON, VA 22209  
PHONE: 703-312-9500

[www.fbrcapitalmarkets.com](http://www.fbrcapitalmarkets.com)

In 2006, Arlington Asset spun off FBR Capital Markets to take over its I-banking, institutional brokerage, and fee-based asset management services. It took FBR public with a 2007 IPO with an initial market capitalization in excess of \$1 billion, then liquidated its stake in the company in 2009.

## ➔ KEY NUMBERS

### FINANCIALS

**2009 revenue:**  
\$292.2 million

**1-year change:**  
60.6 percent

### PERSONNEL

**Number of employees:** 595

**1-year change:**  
4.7 percent

The original firm was founded in 1989 as Friedman Billings Ramsey Group with an initial investment of \$1 million—the only major U.S. investment bank formed in the past several decades. Today, FBR makes about \$1 billion in revenue annually, and is a top-ten U.S. investment bank.

The recent economic crisis stalled the firm's activity. In 2008, it reduced its staff by 25 percent. It has since rebounded somewhat, resulting in 5.4 percent job growth in 2009.

In addition to underwriting, the firm engages in M&A advisory and private placements. It focuses on eight industries: consumer; diversified industrials; energy and natural resources; financial institutions; health care; insurance; real estate; and technology, media, and telecommunications. FBR makes markets in 980 securities and researches 380 companies.

In terms of asset management, FBR concerns manage a family of eight mutual funds, along with hedge

funds and funds of funds. The bank's private wealth management group offers a broad range of services to high-net-worth investors, institutions, and foundations, with particular expertise in addressing liquidity and financial planning issues for owners of privately held companies.

## [HIGHLIGHTS]

- Seven of FBR Capital Markets' research analysts received top-five rankings in the 2010 Forbes.com Blue Chip Analyst Awards, including two number-one rankings.
- Chairman and founder Eric Billings stepped down as CEO in 2009 and was succeeded by Richard Hendrix, formerly president and COO.
- The company reorganized its Investment Banking department in 2009, integrating its Capital Markets group into Investment Banking and creating a third practice area, Corporate Advisory Services.

# THE GOLDMAN SACHS GROUP, INC.

200 WEST STREET  
NEW YORK, NY 10282  
PHONE: 212-902-1000

[www.gs.com](http://www.gs.com)

Goldman Sachs's new headquarters in lower Manhattan might still have its shiny finish, but the firm's reputation has become somewhat tarnished. During the financial crisis, it remained the gold standard for Wall Street and enjoyed a strong performance in 2009, but

## KEY NUMBERS

### FINANCIALS

**2009 revenue:**  
\$51,673 million

**1-year change:**  
-3.5 percent

### PERSONNEL

**Number of employees:** 32,500

**1-year change:**  
-5.7 percent

the firm is combating the perception that it has lost a step. The latest blow is a \$550 million settlement with the SEC, the largest ever paid by a financial services firm, regarding statements to investors about collateralized debt obligations linked to subprime mortgages. The settlement was approved by the U.S. District Court at roughly the same time disappointing second-quarter profits were announced; earnings were down 82 percent, and the firm missed analysts' estimates for the first time in five years.

Still, the firm remains the most prestigious name in American I-banking, dating back to at least 1999, when it became the last bulge-bracket bank to go public and raised \$3.7 billion in the process. It is known for its cohesive corporate culture, with an online network where more than 10,000 current and former employees can stay in touch. This atmosphere translates into results: Goldman Sachs is consistently at or near the top of the I-banking league tables. Particular industry

strengths are in telecommunications, financial services, energy, technology, and health care.

The firm has been publicly lauded for its workplace. MBAs perennially rank Goldman Sachs as one of the most desired places to work, and it's foremost among financial services firms. Once in the door, people still love the firm—it's a mainstay among Universum's rankings of the 100 Best Companies to Work For (published in *Fortune*)—in no small part because of its high percentage of minority and female staff, its generous outreach efforts to ensure employee well-being, and its 360-degree performance reviews, which mean that managers are evaluated by their subordinates.

## HIGHLIGHTS

- The company paid a \$550 million settlement to the SEC in 2010 concerning misleading statements to investors regarding collateralized debt obligations linked to subprime mortgages.
- The company had a record profit of \$13.4 billion during the 2009 fiscal year.
- The company repaid \$10 billion in bailout funds in 2009.



# JEFFERIES GROUP, INC.

520 MADISON AVENUE, 10TH FLOOR  
NEW YORK, NY 10022  
PHONE: 212-284-2300

[www.jefferies.com](http://www.jefferies.com)

After surviving the worst of the financial crisis in better shape than many larger firms, the Jefferies Group enjoyed considerable success in 2009, with 46 percent growth in revenue and nearly 400 jobs added. It continues to stand out as one of the country's top midsize investment banks.

## KEY NUMBERS

### FINANCIALS

**2009 revenue:**  
\$2,472.7 million  
**1-year change:**  
46.9 percent

### PERSONNEL

**Number of employees:** 2,628  
**1-year change:**  
15.7 percent

Founded in 1962, Jefferies serves small- and middle-market corporate clients. Originally focused on institutional trading, it is developing a formidable M&A department. Other areas include research and asset management (it has about \$3 billion in assets under management). But it's probably best known for its high-yield debt underwriting, as well as its trading operations. Jefferies makes markets in more than 6,000 securities globally and trades securities of about 8,500 companies.

Jefferies has expanded existing business areas, including M&A, capital-raising, and corporate restructuring, largely by picking up talent laid off by the bulge-bracket banks. Today it employs about 550 investment bankers and more than 150 research professionals who cover about 1,200 companies globally in roughly 40 industries. (Three-quarters of the companies it covers have market capitalizations of less than \$5 billion.) With 600 employees in sales, trading and execution, the company

is able to serve more than 2,000 institutional investors.

The growth has fueled impressive statistics: In 2009 Jefferies ranked as the number-one M&A adviser in energy, aerospace, and defense in North America. It took second place in media and Internet deals of less than \$1 billion in Western Europe, and it placed third in technology deals of less than \$1 billion in North America and Western Europe.

## HIGHLIGHTS

- Jefferies' Equity Research Group received 27 analyst awards from three surveys: *The Wall Street Journal Best on the Street 2010 Analyst Survey*, *The Financial Times/StarMine* annual analyst awards survey for the United States and Europe, and the 2010 *Forbes/Zacks Best Brokerage Analyst* survey.
- In 2010, the company announced plans for developing full-service equity research, sales and trading offerings in Hong Kong, India, Japan, Singapore, Korea and Taiwan.

# JPMORGAN CHASE & CO.

270 PARK AVENUE  
NEW YORK, NY 10017  
PHONE: 212-270-6000

[www.jpmorganchase.com](http://www.jpmorganchase.com)

JPMorgan Chase has weathered the worst of the financial crisis and emerged in better shape than many of its rivals. CEO Jamie Dimon has come through looking smart and decisive, guiding the firm to record profits. The bank does not occupy the top spot in any single business. Instead, the

## KEY NUMBERS

### FINANCIALS

**2009 revenue:**  
\$28,100 million  
**1-year change:**  
1,270.8 percent

### PERSONNEL

**Number of employees:** 222,316  
**1-year change:**  
-1.1 percent

Note: Financials are for the investment banking arm of JPMorgan Chase. Personnel figures are for the parent company.

chairman and CEO of JPMorgan since 2006. Under his leadership, the company has gone on to distinguish itself as a leader in I-banking (number one in I-banking fees for two years running, according to Bloomberg), financial services for consumers and businesses, financial-transactions processing, asset and wealth management, and private equity.

company has ridden to the top spot through solid performance across all of its business areas, raking in \$7.2 billion from its investment management division in 2009.

The firm has come a long way since its genesis through a series of mergers that began in 2000. Through all of the bank's various incarnations, its investment-banking division has retained the original JPMorgan name. Dimon was CEO of Bank One in 2004, when it was bought by JPMorgan Chase, and he has been

The company's subsidiaries include JPMorgan Private Bank and institutional investment manager JPMorgan Asset Management (with \$1.3 trillion in assets under management). JPMorgan Chase also owns about 45 percent of mutual fund company American Century and has a stake in Chase Paymentech Solutions, a transaction-processing joint venture with First Data. In 2005, the firm spun off private equity investment arm JPMorgan Partners, which divided into two companies, CCMP Capital and Panorama Capital.

The bank is one of the first to have outsourced significant securities research functions overseas to analysts in Hong Kong, India, and Singapore. The move, a growing trend, saves money and allows JPMorgan Chase to present clients with freshly crunched numbers first thing each morning in Europe and the U.S.

## HIGHLIGHTS

- The company was named Best Investment Bank, Best Equity Bank and Best Debt Bank by *Global Finance* magazine in 2010.
- The company made a strong recovery with \$11.7 billion in earnings in 2009, more than double its profit in 2008.
- The company paid back \$25 billion originally given through the Emergency Economic Stabilization Act in 2009.

# LAZARD LLC

**U.S. Headquarters:**  
30 ROCKEFELLER PLAZA  
NEW YORK, NY 10020  
PHONE: 212-632-6000

[www.lazard.com](http://www.lazard.com)

Lazard traces its roots back to 1848, when three French brothers started Lazard Frères, a dry goods company in New Orleans. In 2005 the firm ended an era when it went public—the last of the major Wall Street partnerships to do so. In December 2006 the firm completed a second equity public offering.

## KEY NUMBERS

### FINANCIALS

**2009 revenue:**  
\$1,638.4 million  
**1-year change:**  
-0.8 percent

### PERSONNEL

**Number of employees:** 2,294  
**1-year change:**  
-5.7 percent

Before it went public, Lazard spun off two subsidiaries: Lazard Capital Markets and Lazard Alternative Investments. Capital Markets handles equity research, sales and trading; fixed income and convertible sales and training; and underwriting services. Alternative Investments is a merchant bank whose activities include venture capital investments in technology companies.

Together, Lazard Capital Markets and Lazard Alternative Investments form a full-service investment bank, operating in securities origination, sales and trading, research, and I-banking, and other areas. The bank's greatest strengths are in M&A and corporate restructuring. It has advised on quite a few significant M&A deals in recent years, including the merger of the New York Stock Exchange and Archipelago Exchange, Bank One and JPMorgan Chase, and Pfizer and Warner-Lambert.

In addition, it has recently been adviser to a number of big debt-restructuring deals, including those of WorldCom (\$38 billion), Parmalat (\$27 billion), and Daewoo (\$50 billion). Many fewer companies declared bankruptcy in late 2009 and early 2010, though, and Lazard's profits from restructuring were greatly reduced in the first half of 2010. These circumstances could point to improvements in the U.S. and global economic environments. But Lazard CFO Mike Castellano foresees another restructuring cycle beginning in 2012.

Lazard is known for its entrepreneurial, nonhierarchical culture. For more hands-on management or a clear career path, other places might be a better fit for you.

## HIGHLIGHTS

- Lazard advised the federal government on an IPO for the government's stake in General Motors in 2010.
- The company co-sponsored a conference with the Brookings Institution in 2009 called *The Next American Economy: Transforming Energy and Infrastructure Investment* and pushed for investment in energy and infrastructure.
- Chairman and CEO Bruce Wasserstein passed away in 2009; Kenneth M. Jacobs replaced him. Steven J. Golub, who served as interim chief executive after Mr. Wasserstein's death, returned to his previous role as vice chairman and chairman of the financial advisory group.

# MORGAN STANLEY

1585 BROADWAY  
NEW YORK, NY 10036  
PHONE: 212-761-4000

[www.morganstanley.com](http://www.morganstanley.com)

Morgan Stanley has finally returned to profitability after having trouble during the economic crisis, though it trails several of its big-name peers, particularly Goldman Sachs and JPMorgan Chase, in earnings, and it missed out on a generally high-performing year for the

Street in 2009, recording its first annual loss. In the first half of 2010, under James Gorman, who took over as CEO early that year, the company saw gains in equities trading, which helped buoy the company through a period that proved rocky for other investment banks.

When Gorman took over, he said he planned to run a “steadier, more diversified bank...with less megatrad- ing and more advisory work for clients.”

The firm was formed in 1935 in the wake of the Glass-Steagall Act, which forced commercial banks to cease underwriting and other I-banking activities. That’s when Henry Morgan and Harold Stanley left JPMorgan and established a separate I-banking firm. In 1997, Morgan Stanley merged with Dean Witter Discover, getting access to that company’s extensive retail brokerage business. It was an uneasy marriage: Cultures clashed between the elite investment firm and the retail brokerage once owned by Sears. Morgan Stanley dropped the name Dean Witter from its retail

division in 2001, and in 2009, transferred its retail operations to Morgan Stanley Smith Barney, a joint venture with Citigroup.

Today Morgan Stanley has more than 600 offices in 30 countries. Like other big investment banks, it’s making inroads in emerging financial powerhouse countries. Its joint venture with China Construction Bank in 1992 made it one of the first foreign banks with a presence in China.

The firm remains tough to enter, and some of its division are the opposite of warm and collegial. “You’ll find some ‘me first’ kind of people who won’t put their projects aside to work with you,” says one insider.

## [HIGHLIGHTS]

- John Mack stepped down as CEO in 2010 but remains chairman; James P. Gorman took over as CEO.
- The company merged its wealth management operations with Citigroup’s in 2009 to form a new firm called Morgan Stanley Smith Barney.
- Citigroup filed a lawsuit against Morgan Stanley regarding alleged failure to pay \$245 million due under a credit default swap agreement in 2006.

## KEY NUMBERS

### FINANCIALS

**2009 revenue:**  
\$30,070 million  
**1-year change:**  
-51.7 percent

### PERSONNEL

**Number of employees:** 61,388  
**1-year change:**  
34.2 percent

# PIPER JAFFRAY COMPANIES

800 NICOLLET MALL, SUITE 800  
MINNEAPOLIS, MN 55402  
PHONE: 612-303-6000

[www.piperjaffray.com](http://www.piperjaffray.com)

Located in Minneapolis, Piper Jaffray is the number one technology underwriter and has a wider global reach than other non-New York firms.

Piper Jaffray traces its roots back to 1913, when Harry Piper and Palmer Jaffray founded a commercial paper brokerage house. In 2003, the bank was spun off as an independent, publicly held company. After reducing its U.S. holdings through the 2006 sale of its Private Client Services branch to UBS, it expanded its presence in Asia through the purchase of Goldbond Holdings, a Hong Kong-based investment bank.

Piper Jaffray's equity business is focused on seven sectors of the economy: alternative energy, business services, consumer, financial institutions, health care, industrial growth, and technology. Its public finance business is principally focused on five sectors of the tax-exempt market: state and local governments, real estate and housing, health care, education, and hospitality.

Piper Jaffray is headquartered in Minneapolis, and has 107 offices in 23 states, as well as in London and Shanghai. If you join, you'll probably end up a long way from New York. The upside: The work environment is more easygoing and the work/life balance more humane than the Wall Street norm. "The pay is similar,

the hours are better, and the workplace isn't cutthroat," says a Minneapolis insider.

Other sources pointed to a different kind of culture at Piper Jaffray. "What I found to be unique in the I-banking industry at Piper Jaffray was that they strongly believed that family was number one," one insider said. "There's the understanding that if it's your daughter's birthday, someone will cover for you."

## [HIGHLIGHTS]

- In 2010, the FT/StarMine Global Analyst Awards recognize nine of the company's senior research analysts in the health-care, consumer, technology and telecommunications sectors. They received a total of 11 awards.
- The company changed its executive compensation plan in 2009: execs now take more of their compensation in salary, and less in bonuses, than before.
- In 2009, the company announced purchase of Advisory Research, Inc., an asset management firm mainly focused in equity strategies with \$5.5 billion in assets under management.

## ➔ KEY NUMBERS

### FINANCIALS

**2009 revenue:**

\$460.9 million

**1-year change:**

33.5 percent

### PERSONNEL

**Number of employees:** 1,054

**1-year change:**

.8 percent

# UBS INVESTMENT BANK

299 PARK AVENUE  
NEW YORK, NY 10171  
PHONE: 212-821-3000

[www.ubb.ubs.com](http://www.ubb.ubs.com)

UBS Investment Bank is part of UBS AG—the world’s largest private bank. The parent company is based in Switzerland, giving UBS Investment Bank a wealth of valuable international connections. The company was strongly affected by the subprime mortgage crisis,

## KEY NUMBERS

### FINANCIALS

**2009 revenue:**  
\$39,932 million  
**1-year change:**  
-52.7 percent

### PERSONNEL

**Number of employees:** 65,233  
**1-year change:**  
-16.1 percent

*Note: Numbers are for the parent company; UBS does not release numbers pertaining to its I-banking division. Conversion from Swiss francs based on 8/3/2010 exchange rate.*

as well as producing economic, strategy, and derivative research. The I-banking group employs 15,000 people and advises clients on M&A, strategy reviews, and restructuring. It’s known for expertise in cross-border M&A and capital-raising strategies. The fixed income, rates, and currencies group employs more than 2,000 professionals and operates in major markets around the

world. UBS is especially strong in foreign exchange.

UBS fosters a more relaxed atmosphere than that of most Wall Street firms. “It’s the most European, laid-back culture you’re going to get on the Street,” says one insider. “It was business casual far before the dot-com era. It’s not all type-A people, and it’s not cutthroat. We work together, not against each other.”

Good employees move up quickly. With smaller deal teams than at most of the big firms, competition for key positions is minimized. There’s plenty of responsibility for those who want it, and that means a fast promotional track. “There’s more head and elbow room, which means there are fewer people fighting over deals at your level and there’s a lot more responsibility to the levels above you,” says one insider.

## HIGHLIGHTS

- The company passed a mandatory “stress test” in 2010 and revealed its holdings of government bonds, including those of troubled governments in Greece and Portugal.
- The company reached a \$19.4 billion settlement with the SEC in 2009 to buy back bonds from investors who have alleged fraud against the company.
- The Swiss government sold its 9 percent stake in UBS at a profit of more than \$1 billion in 2009, a net gain of 32 percent.

## OTHER FIRMS

Allen & Company	New York	<a href="http://www.alleninvestments.com">www.alleninvestments.com</a>
Alliance Bernstein	New York	<a href="http://www.alliancebernstein.com">www.alliancebernstein.com</a>
Brown Brothers Harriman & Co.	New York	<a href="http://www.bbh.com">www.bbh.com</a>
Canaccord Genuity	Toronto	<a href="http://www.canaccordgenuity.com">www.canaccordgenuity.com</a>
Unterberg Capital	New York	<a href="http://www.unterberg.com">www.unterberg.com</a>
CIBC World Markets	Toronto	<a href="http://www.cibcwm.com">www.cibcwm.com</a>
Commerzbank	Frankfurt	<a href="http://www.commerzbank.com">www.commerzbank.com</a>
Cowen & Company	New York	<a href="http://www.cowen.com">www.cowen.com</a>
Daiwa Capital Markets America	Tokyo	<a href="http://www.daiwauusa.com">www.daiwauusa.com</a>
Evercore Partners	New York	<a href="http://www.evercore.com">www.evercore.com</a>
Greenhill & Co.	New York	<a href="http://www.greenhill-co.com">www.greenhill-co.com</a>
HSBC	London	<a href="http://www.hsbc.com">www.hsbc.com</a>
JMP Securities	San Francisco	<a href="http://www.jmpsecurities.com">www.jmpsecurities.com</a>
Keefe, Bruyette & Woods	New York	<a href="http://www.kbw.com">www.kbw.com</a>
KeyBankMarkets Inc. (formerly McDonald Investments)	Cleveland	<a href="http://www.key.com">www.key.com</a>
Macquarie	Sydney	<a href="http://www.macquarie.com">www.macquarie.com</a>
Merriman Curhan Ford & Co.	San Francisco	<a href="http://www.merrimanco.com">www.merrimanco.com</a>
Morgan Keegan & Co.	Memphis, Tenn.	<a href="http://www.morgankeegan.com">www.morgankeegan.com</a>
Needham & Co.	New York	<a href="http://www.needhamco.com">www.needhamco.com</a>
Nomura Holdings	Tokyo	<a href="http://www.nomuraholdings.com">www.nomuraholdings.com</a>
Oppenheimer & Co.	Toronto	<a href="http://www.opco.com">www.opco.com</a>
Prudential Equity Group	New York	<a href="http://www.prudential.com">www.prudential.com</a>
Ragen MacKenzie	Seattle	<a href="http://www.wellsfargo.com/ragen_mackenzie/about">www.wellsfargo.com/ragen_mackenzie/about</a>
Raymond James Financial Services	St. Petersburg, Fla.	<a href="http://www.rjf.com">www.rjf.com</a>
RBC Wealth Management	Minneapolis, Minn.	<a href="http://www.rbcwm-usa.com">www.rbcwm-usa.com</a>
Robert W. Baird & Co.	Milwaukee, Wisc.	<a href="http://www.rwbaird.com">www.rwbaird.com</a>
Roth Capital Partners	Newport Beach, Calif.	<a href="http://www.rothcp.com">www.rothcp.com</a>
Ryan Beck & Co.	Livingston, N.J.	<a href="http://www.ryanbeck.com">www.ryanbeck.com</a>
Sanders Morris Harris Group	Houston	<a href="http://www.smhgroup.com">www.smhgroup.com</a>
Sandler O'Neill + Partners	New York	<a href="http://www.sandleroneill.com">www.sandleroneill.com</a>

## Careers in Investment Banking

Sidoti & Co.	New York	<a href="http://www.sidoti.com">www.sidoti.com</a>
Stephens Inc.	Little Rock, Ark.	<a href="http://www.stephens.com">www.stephens.com</a>
Stifel Financial Corp.	St. Louis, Mo.	<a href="http://www.stifel.com">www.stifel.com</a>
Sun Hung Kai & Co.	Hong Kong	<a href="http://www.shkco.com">www.shkco.com</a>
SunTrust Robinson Humphrey	Atlanta	<a href="http://www.suntrustrh.com">www.suntrustrh.com</a>
SWS Group	Dallas	<a href="http://www.swsgroupinc.com">www.swsgroupinc.com</a>
TD Securities	Toronto	<a href="http://www.tdsecurities.com">www.tdsecurities.com</a>
Wedbush Securities	Los Angeles	<a href="http://www.wedbush.com">www.wedbush.com</a>
Wells Fargo	San Francisco	<a href="http://www.wellsfargoadvisors.com">www.wellsfargoadvisors.com</a>
William Blair & Co.	Chicago	<a href="http://www.williamblair.com">www.williamblair.com</a>
WR Hambrecht + Co.	San Francisco	<a href="http://www.wrhambrecht.com">www.wrhambrecht.com</a>







# On the Job

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## OVERVIEW

› **IS EVERYTHING COMING** into focus? Before you say yes, understand that although the services provided by investment banks are relatively standard, different firms can have significantly different market niches and client bases. It's especially easy to get confused when you start paging through the corporate brochures because every firm has a slightly different way of organizing and marketing its activities. One company's *capital markets* will be another's *sales and trading*.

Keep in mind that although most investment banking organization charts look complex, there are essentially three major professional divisions to a full-service investment bank:

- I-banking
- Sales and trading
- Research

The specific tasks for each division, as well as the skills and personalities of the people who work in them, are very different. You'll hurt yourself if you walk into the interview cubicle without some idea of whether you want to structure deals, trade financial products, or do research. If you pursue and are hired for a position that you're not a good fit for, work will make you miserable. We'll take you on a brief tour of a few of the basic jobs within a typical investment bank.

## CORPORATE FINANCE

› **THE CORPORATE FINANCE** group (frequently known as *banking* or *CorpFin*) serves sellers of securities. The sellers could be *Fortune* 1000 companies that are looking to raise cash to fund growth, or they could be private companies that are looking to go public. Think of CorpFin as a financial consultant to corporations. This is where CEOs and CFOs turn when they're trying to figure out how to finance their operations, structure their balance sheets, or how best to move ahead with plans to sell or acquire a company.

The activities of the CorpFin department can range from providing pure financial advice to leading a company through its first equity issue, or IPO. As a result, industry or product knowledge is key; many investment banks divide their corporate finance departments into industry subgroups such as technology, financial institutions, health care, communications, entertainment, utilities, and insurance, or into product groups such as high-yield, private equity, and investment-grade debt.

As a whole, CorpFin does any or all of the following:

- Underwrites equity offerings. Translation: The investment bank buys all of the shares of stock for sale from a corporation or government entity and then sells them on the market to investors.
- Underwrites fixed-income (debt/bond) offerings
- Helps firms analyze their financial needs
- Helps firms devise and implement financial strategies (for example, structuring their balance sheets and proceeding with funding initiatives)
- Determines valuations for offerings (for example, what the opening price for the stock should be)

**In CorpFin, industry or product knowledge is key; many investment banks divide their corporate finance departments into industry subgroups such as technology, health care, and communications.**

### WHO DOES WELL

I-banking jobs in corporate finance require critical, detail-oriented thinking. If you have a knack for crunching and using numbers to understand patterns

that influence business, you're going to be valuable to a company. You should also enjoy and excel at solving problems and be able to think critically about the numbers you're working with.

CorpFin jobs also require excellent people and communication skills because you'll be working on a team and building solid relationships with clients.

The career isn't only for MBAs. Lawyers can be a good fit, as can experienced candidates with strong experience in a given industry. But, with rare exceptions, some kind of advanced degree is required, and so is sales ability because it's necessary to sell banking business to potential clients.

### TIP



Whether you're a grad student or an undergrad, try to get an I-bank internship—it's the best way to secure an offer.

## Sample Project

When a private company's growth demands an influx of cash, management will often turn to an investment bank to develop a financing strategy. By selling a portion of its stock to the public in an IPO, a private company can raise a significant amount of capital without increasing its debt burden.

As an analyst or associate, your role in the process begins once the bank has been invited to pitch its services. First, you and your deal team (senior bankers from your group, plus the appropriate research analyst) put together a *pitch book*. This includes a preliminary valuation of the company and a description of how the bankers will make its stock most attractive to investors. If your firm is selected as an underwriter, you and your fellow analysts and associates will do most of the legwork to finalize the valuation, prepare and submit the prospectus to the SEC for review, and coordinate activi-

ties with the company's lawyers and other underwriters during the process. You'll also accompany management on the *road show*, which is a sales trip around the country to pitch the offering.

After the market has closed on the day before the offering, the deal team will gather for a conference call with the other underwriters and company management to decide on the final price for the offering. The next morning, the stock begins trading—and that evening the deal team gathers with the client for celebratory closing dinner at a posh restaurant.

## JOB TIPS

The CorpFin department generally hires a significant number of MBAs and undergraduates to develop financial models, create the offering memorandum (an important document that can run 200 pages), and facilitate the process of due diligence. If you're hired into one CorpFin industry group, think of your relationship with that group as dating rather than marriage. Don't necessarily plan to spend your career with the group—or even two or three years. Market trends are ever-changing, and so are the compositions of specific industry groups.

# MERGERS AND ACQUISITIONS

› **MERGERS AND ACQUISITIONS** can be one of the most demanding groups to work for. The group provides advice to a company that is buying another company or is itself being acquired. Even though the work might seem glamorous, the process leading up to a headline-grabbing, multibillion-dollar acquisition can involve a Herculean effort: crunching numbers, doing due diligence, and working out the deal's complicated structure. Often, the M&A team also will work with a CorpFin industry group to arrange the appropriate financing for the transaction, which is usually a debt or equity offering. All of this often happens on a tight

## Careers in Investment Banking

timeline and under extreme secrecy. M&A is often a subgroup within corporate finance, but in some firms it is a standalone department.

M&A groups will:

- Advise firms on merger and acquisition strategies
- Determine target company valuations
- Help the target of a hostile acquisition arrange a defensive strategy
- Conduct due diligence on a target or acquiring company (for example, examining the financial results and other business factors that will affect the value of an acquisition)
- Negotiate price, terms, and conditions of an acquisition or merger
- Work with the other company's advisory team and the lawyers to structure the deal

### INSIDER SCOOP

“You have to really like spending time in front of your computer with Excel.”

### WHO DOES WELL

Like corporate finance, M&A requires detail-oriented thinking, a knack for using numbers to understand business patterns, problem-solving skills, an ability to think critically about numbers, and excellent communication and people skills.

Also like corporate finance, lawyers, MBAs, and experienced candidates with specific industry knowledge make good M&A candidates. Undergrad and grad students should try to get an internship—it's the best way to secure an offer.

With rare exceptions, an advanced degree (MBA or other) is virtually required to progress in this career.

### Sample Project

IBM sees an opportunity to strengthen its hardware business by acquiring an innovative developer of communications software. It approaches an investment bank to get advice on the potential deal. The bankers help

secretly value the target company's assets and its potential value to IBM—a figure that might be enhanced by opportunities to link with IBM hardware and by Big Blue's marketing muscle. The M&A group then develops IBM's acquisition strategy and makes contact with the target company. Once the offer is made, the target company will consult its investment bankers to evaluate IBM's proposal, determine various strategies for defending against or negotiating with IBM, and work out a deal that will be in the best interest of its own shareholders. After some back and forth, the sides agree on a price (usually a combination of stock and cash), sign the documents, and become one. Meanwhile, the advisers take their own hefty fees to the bank.

### JOB TIPS

The M&A department usually recruits under the CorpFin or I-banking umbrella, though within the group you might find further specialization along industry lines. The work here tends to be intense and very deal-focused, and the hours are unpredictable. “You might be staffed on five transactions and not much is happening,” says an insider. “Then one turns live and you have to cancel your weekend plans. Or you could be very busy, and the next day work gets pushed back a week and suddenly your weekend is free.” The job provides an excellent introduction to the high-stakes, high-power push and pull of the corporate world. Insiders tell us personal ambition is a big success factor in M&A. “While you can learn the technical skills like accounting and modeling,” says one first-year associate. “it's not so easy to learn how to be driven and to take responsibility, to own the deal.” If you're depressed by the thought of spending three or more weeks of your life crunching numbers for a deal that never happens, look for another job.

## PUBLIC FINANCE

› **PUBLIC FINANCE IS** similar to corporate finance except that instead of dealing with corporations, it works with public entities such as city and state governments and agencies, bridge and airport authorities, housing authorities, and hospitals. Although the basic services (financial advisory and underwriting) and the financial tools (bonds and swaps, but no equity) are similar to those used for private-sector clients, numerous political and regulatory considerations must be assessed in the structuring of each deal. A particular key issue involves how to get and maintain tax-exempt status for the financial instruments the client will use.

The public finance group will:

- Advise public entities on capital-raising strategies
- Advise public entities on portfolio management
- Arrange project finance
- Help municipal entities restructure their debts
- Determine a valuation for a debt/bond offering
- Underwrite tax-exempt notes, bonds, derivatives, and other municipal securities

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**Public finance is like corporate finance, but with municipalities and state governments for clients.**

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### WHO DOES WELL

Public finance jobs require an ease with numbers, excellent analytical ability and, because you'll be spending a lot of time with clients, solid communication skills. People with experience working in or with government are especially good candidates, as are lawyers. An internship is the best point of entry for inexperienced candidates.

### Sample Project

Let's say the city of San Francisco wants to give the 49ers football team a new stadium. The city invites a number of I-banking firms to help it determine the lowest-cost financial structure to pay for the project. Each firm researches the financial, political, and regulatory issues involved in raising the necessary cash; develops a strategy for raising the funds through tax-exempt instruments; and prices the deal. It then prepares a proposal, including a profile of the strategy and its cost, as well as reasons for choosing the presenting firm for the deal. Once a bank is chosen to execute the financing, it will prepare all the necessary financial and regulatory documentation and work with other departments in the bank to shop the offering.

### JOB TIPS

Public finance specialists tend to spend more time with each other than with the rest of the people in the bank. Municipal positions were hot in the '70s and '80s when firms could earn fat underwriting fees for their work. However, as competition heated up and clients became more sophisticated, bank fees fell, causing the public finance business to become more of a marginal activity for many banks on the Street.

## SALES AND TRADING

› **JOB OPPORTUNITIES IN** sales and trading—an investment bank's distribution arm—differ from those in the I-banking divisions. Think of sales and trading as you would the sales force for any corporation. This group is responsible for selling all of the financial products—stocks, bonds, and their derivatives—sponsored by the I-banking department. As such, it serves as the vital link between the sellers (corporations and government entities) and the buyers (investors). Depending on the firm, the buyers could be pension funds, mutual funds, insurance companies, hedge funds, other asset managers, high-net-worth individuals, or private investors. Salespeople and traders are frequently lumped together, but they perform different functions.

## Careers in Investment Banking

### WHO DOES WELL

Sales and trading jobs have many overlapping skill set requirements, such as verbal communication, sales, and a facility for numbers. But the people who do well in each area are not identical. For example, salespeople have to be good at building relationships with a variety of personality types; traders only have to be good at building relationships with other traders. Salespeople have to be good at giving presentations; traders have to be good at making snap decisions based on constantly changing information. Sales jobs typically require a lot more travel than do trading jobs. People in both careers have to be aggressive and self-starting. They also will have to take exams to become licensed in their area of specialty; most salespeople have to pass the Series 7 exam.

Unlike I-banking careers, it's not as important to get a graduate degree to move up the ladder in sales or trading.

### SALES

Sales professionals typically have a list of institutional clients to whom they pitch new offerings, offer portfolio management advice, and sell securities. The sales department could be divided by account size, security type (debt or equity), geography, or product line. The department is also typically divided into large institutional, middle market, and retail (or private-client services) sections. In other words, a salesperson who manages a high-volume institutional account would not likely handle a smaller, low-volume buyer as well. Groups could be further divided based on the complexity of a bank's financial products, such as government securities, corporate securities, asset-backed securities, futures, options, foreign exchange, and derivatives. A salesperson works largely on commission and can make major bucks, especially with some of the high-volume accounts.

Sales pros typically perform the following:

- Develop strong relationships with institutional investors
- Meet with economic and equity research departments to discuss economic and industry trends and their impact on the markets

- Work with the I-banking department to market new debt and equity issues
- Assist and advise clients in developing and executing investment strategies
- Watch company/industry/economic/political news and market activity, and advise clients about the likely impact on their portfolios
- Attend company presentations and research conferences, typically with clients
- Arrange meetings between clients, research analysts, and company management

### Sample Project

You're sitting at your desk when suddenly the live news feed on your computer flashes an article about a *Fortune* 1000 company that has been in merger talks with a rival. Now, it has fired its CEO and replaced him with a highly respected industry veteran and current board member. You immediately get on the phone to four of your major institutional clients who own big chunks of the company's stock. You tell them the turn of events indicate that merger discussions driven by the old CEO seem to be a non-issue now.

Two of your clients had been expecting a buyout and decide to sell a portion of their shares. The third wants more information about the new CEO's likely plans, so you bring in a research analyst who covers the company for a conference call. The fourth client wants to maintain his position unless there's a further drop in the stock price.

### JOB TIPS

Along with corporate finance and trading, the sales area typically hires the largest number of MBAs and undergraduates. As you progress up the ranks, you'll typically get more (and more important) clients to manage. The job offers the possibility of big bucks—and a lot of stress. Because salespeople are essentially account managers, they're the ones who have to take the heat from an irate client whose portfolio is dwindling. It's not easy keeping all of the people happy all of the time, especially in a down market.



## TRADING

Traders are responsible for taking positions in the market through purchases and sales of stocks, bonds, and other securities. Trading functions are typically divided by the I-bank's product lines. During market hours, all trading floors are loud, high-energy environments. Traders must juggle several phone lines, scan computer screens flashing headlines and quotes, and respond to orders from salespeople—all while executing trades with precise timing. The firm's capital is on the line, and every second can be worth millions. It's not a job for the meek or easily offended.

Traders typically:

- Develop a solid knowledge of market, company, and industry information. “A good trader is constantly on top of what's going on,” says one insider.
- Evaluate market activity and supply/demand indications from salespeople and clients
- “Make markets”—maintain a position in a stock the firm has underwritten, quote bid-and-ask prices, and buy and sell at those prices
- Advise salespeople, clients, and research analysts on market activity and pricing for different stock and equity issues
- Put major trades together by negotiating with salespeople/clients and other dealers
- Perform valuation analysis of derivatives, convertibles, or baskets of stocks
- Manage the firm's investment risk

## Sample Project

The life of a trader is less project-driven and more market-driven than other I-banking functions. For instance, let's assume you're at an equity trading desk responsible for trading the stocks of lumber companies. If you're good at your job, you're constantly reading news about the economy and the real estate and stock markets. You're also good at picking up the phone and scouting what's going on behind the scenes in government and industry.

From your reading, you've noticed anecdotal evi-

dence that indicates a slackening demand in some regions for homebuilding services. During your daily morning phone call with the research analyst covering the homebuilding companies you trade for your bank, you find out that her industry contacts have reported on lower demand in recent weeks. You also know that this afternoon, new-housing starts will be announced; this is a closely watched number, and the current consensus on the Street is that today's number is going to be a high one.

## INSIDER SCOOP

“My advice? Go into trading! Even when the market goes down, there's always trading!”

You know that a lower-than-expected number will send the lumber sector tumbling. You think the problem through, do some risk analysis, and decide the odds are good that the housing-starts number will not come in as high as expected. So you take medium-sized short positions for your bank in the few companies showing the greatest signs of weakness.

Later in the day, during a trading lull, you're on the phone with a buddy at another desk about how much better the Knicks are going to be this season when the new housing-starts figure flickers across the computer screen in front of you. The number is lower than expected.

Immediately, the phones in front of you are ringing with sell orders for the companies you trade. You say goodbye to your buddy, smile to yourself, and pick up a phone, knowing that as the market for lumber stocks tumbles you'll be able to close out your short positions at a sizeable profit for the firm—and a sizeable positive impact on your bonus.

## Job Tips

While the market is in session, the action on the trading floor of an exchange never stops. It's dominated by clean-cut twenty-somethings in business suits, most of

## Careers in Investment Banking

them with their sleeves rolled up and talking on several phones at once. Most exchanges have different departments, or *desks*, focusing on different types of securities. While the market is open, every trader is pretty much tied to his or her desk, which is an inch away from the next guy's and jam-packed with multiple computer screens. But don't worry: Not every day is a hectic nightmare. Fridays in August will find the floor more concerned with Nerf balls and sports scores than frantic trades. And after the market closes and all orders have been reconciled, your job is generally done. Unlike your colleagues in other areas banking, you're almost guaranteed your personal time.

### RESEARCH

› **EVERY FULL-SERVICE INVESTMENT** bank has a research department that provides analytical support for I-banking, sales, and trading activities. Research might seem less glamorous than some of the other departments, but these analysts' industry knowledge (think Mary Meeker, the "Queen of the Net," at Morgan Stanley) can often be the most important factor in winning a new CorpFin client or convincing Fidelity to buy shares in an unknown company's IPO. Investment banks regularly lose and gain business as a result of the annual rankings of research analysts that come out in *Institutional Investor* magazine.

Research departments are generally divided into two main groups: fixed-income research and equity research. Both types can incorporate several different efforts, including quantitative research (corporate financing strategies, specific product development, and pricing models), economic research (economic analysis and forecasts of U.S. and international economic trends, interest rates, and currency movement), and individual company research. It's important to understand that these are sell-side analysts, who, in effect, sell or market stocks to investors. Buy-side analysts work for the institutional investors themselves.

An equity research analyst will become an expert

on a particular group of companies in software, semiconductors, health care, oil and gas, or some other industry group. Unlike CorpFin, which is focused on the deal, research is responsible for maintaining a relationship with corporate clients long after the deal is done. Researchers meet regularly with a company's management, analyze the company's position relative to its competitors, and provide investors and the sales and trading departments with recommendations about the company's stock (usually rating the stock according to some system, such as *strong buy*, *buy*, or *hold*).

### Research is responsible for maintaining a relationship with corporate clients long after a deal is done.

Depending on the number of companies in his universe, the analyst is responsible for writing one or two reports every quarter on each company, updating interested clients on the company, and following market trends that could affect the company's performance. Insiders tell us that those who hope to rank well in the *Institutional Investor* research team ratings tend to cover a small number of companies in great depth. When you hear on the news that "Microsoft exceeded Wall Street's expectations," newscasters are referring to the average of the earnings estimates published by all research analysts who follow Microsoft.

Research analysts listen to presentations from the management of companies they follow, run the new information through their financial models, and relay the information, along with their predictions about the companies' future performance, to investors and the sales force. Companies usually report earnings after the market closes for the day, so analysts must rush to prepare investment recommendations for their clients

before the market opens the next morning. Their predictions are tested four times a year, when companies release quarterly results. For several weeks beforehand, the research department works especially long hours. (Insiders refer to these periods as *reporting* or *earnings seasons*.)

The research analyst position involves:

- Meeting with a company's management and analyzing/modeling its financial statements and operations
- Providing as quickly as possible written and oral updates on market trends and company performance to sales and trading
- Attending or organizing industry conferences
- Talking with salespeople, traders, and investment bankers about company or industry trends, and recommending positions on stocks
- Developing proprietary pricing models for financial products
- Making presentations to clients on relevant market trends and economic data, and offering investment recommendations and forecasts
- Staying on top of emerging new companies in the industry

## WHO DOES WELL

Research is a detail-oriented and analytical career. You have to be able to study a topic from all possible angles. If you require a lot of external stimulus to get you through the workday, you're better off looking into other career tracks in I-banking. Research could be up your alley if you can interact effectively with clients, bankers, and traders; if you enjoy and are good at analyzing data and figuring out puzzles; and if you can make persuasive arguments orally and in writing.

It's even better if you have all of those skills plus deep knowledge of a particular industry. For example, a biochemist interviewing for a position analyzing companies in the biotechnology and pharmaceutical industries might find his resume at the top of the pile. As with a number of other positions in I-banking, many lawyers fit well into this career.

## SAMPLE PROJECT

Merck announces it has requested FDA permission to begin clinical testing of several anti-stroke medications. The research analyst who covers the pharmaceutical industry calls contacts at Merck and the FDA and makes a preliminary assessment of the likelihood that Merck will receive final approval for the drug. Based on this analysis and the prospect that this could blossom into a \$300-million-a-year business within five years, the analyst issues a buy recommendation on the stock.

The analyst writes a report, including information about the drug and the impact a green light from the FDA would have on Merck's business. Before the market opens the following day, the report will be distributed to institutional clients and the sales force. During the daily morning conference call, the analyst also will share her findings and predictions with traders and salespeople, recommending they encourage their clients to purchase the stock.

## JOB TIPS

The research field tends to be a relatively specialized group within an investment bank. Because the department usually hires for the long term rather than for two- to three-year positions, there are fewer openings than in banking. Those whom are hired generally start as associates and move up to become senior analysts after a couple of years.

A research associate must live and breathe her covered industry. Associates generally work long hours, conducting research and working on financial models for an analyst who could be on the road, meeting with company management, or making marketing presentations to institutional clients. One insider tells us that the associates at his firm pull all-nighters on a weekly basis.

Although research departments hire people from a wide variety of backgrounds, they especially appreciate those with financial-analysis skills or experience in a particular industry. PhDs, take note: The research department might be your best bet for breaking into banking.

The job has its inherent inequities. A lucky analyst

## Careers in Investment Banking

will get a good industry right off the bat. A mediocre analyst with a good industry will have an easier time collecting a nice bonus than will a good analyst covering a dog of an industry—one that's unpopular with investors and shows no promising business prospects

### SUPPORT FUNCTIONS

› **ALTHOUGH RESEARCH, SALES** and trading, and I-banking comprise the core activities of an investment bank, a number of other areas supporting the bank's main activities could be of interest to you. They are:

- Controlling
- Information technology
- Operations

### CONTROLLING

The controlling function oversees the financial details of an investment bank from the micro level, such as making sure trades are booked accurately, to the macro level, such as setting budgets for all the departments of the bank. It keeps track of the bank's finances, overseeing profit-and-loss reports and balance sheets for everything from individual departments and trading desks to the bank as a whole. It advises senior management on the financial state and performance of all the areas of the bank, as well as on ways to lower costs, manage risk, and increase financial performance. It also forecasts financial performance and budgetary needs, and delivers information to external entities such as shareholders, creditors, tax authorities, regulatory authorities, and the bank's auditors.

At lower levels, people in the controlling function are generally assigned to a specific department or sales or trading desk. They conduct activities such as producing daily P&L reports, checking the accuracy of bookings, creating reports that assess risk, and updating balance sheets. At higher levels, people in the controlling function oversee multiple areas of the bank, develop annual business plans and budgets, and advise

management on overall business strategy, risk management, and reporting processes.

A controller in an investment bank requires the following skill set:

- Often, a bachelor's degree or better in economics, accounting, or a related field
- Strong analytical and problem-solving skills
- Strong attention to detail
- Excellent communication skills
- Facility with numbers and an understanding of accounting
- Demonstrated interest in or understanding of I-banking

### INSIDER SCOOP

"Research has an extreme requirement for trust and discretion. I'm frequently privy to knowledge of upcoming events that will have a dramatic effect on stock prices. There's a huge temptation to tell your cousin. Of course, you can't do that."

### INFORMATION TECHNOLOGY

Information technology is playing an increasingly bigger role in international I-banking, and many firms are investing people and capital to develop next-generation systems. This translates to new opportunities for IT experts. Technologies vary from internal sales and trading and accounting systems to corporate intranets, online trading systems, and big enterprise systems that manage everything from customer relationships to human resources. Investment banks employ software engineers, system administrators, Web developers, database administrators, and the like to fill these roles. Often, an IT specialist will work closely with the specific department or departments that use or are developing technology in his area of expertise. Many banks now offer internships to IT types; this is the best way to get a foot in the door.

The specific skills required for I-banking IT positions vary according to the specific role, but most require:

- A bachelor's degree or better in a technology field

- Strong analytical and problem-solving skills
- Certification in or experience with the specific technology on which the job is focused
- Attention to detail
- Solid communication skills
- The desire and ability to update your tech skills continuously
- Demonstrated interest in and understanding of I-banking

### INSIDER SCOOP

“You have to be a senior vice president before you start going home at a reasonable hour.”

### OPERATIONS

At the highest levels, people in operations help decide how to structure the bank so it performs at the highest possible level, advising management on things such as where the bank should be based, who its vendors should be, which technology systems can optimize the bank's various businesses, and what its employment policies, business processes, and accounting practices should be.

At the lower levels, people in operations are responsible for activities such as transaction processing, handling account transfers, balancing daily entries, and other administrative functions. Lower-level operations professionals are generally assigned to a specific product, department, or sales or trading desk for which they handle the clearing and settlement of trades and funds transfers, accurately record security positions, and ensure the bank meets regulatory requirements. They might also play a role in improving systems and processes for their department, product, or desk.

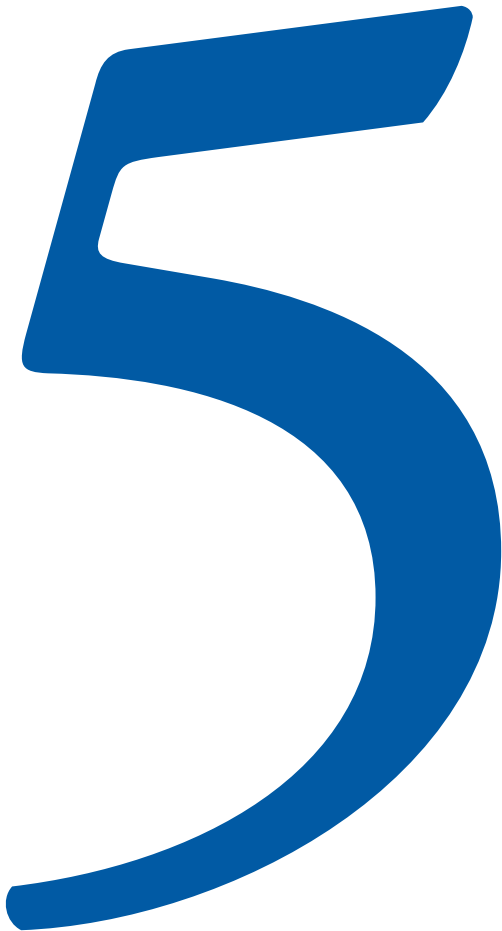
Requirements include:

- Bachelor's degree or higher
- Strong analytical and problem-solving skills
- Strong attention to detail
- Excellent communication skills
- Facility with numbers and an understanding of accounting
- Demonstrated interest in and understanding of I-banking



# The Workplace

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## Careers in Investment Banking

### LIFESTYLE

› **IF YOU TALK** to people in the industry about what they really do, you'll find that the life of an investment banker is more mundane and more demanding than Hollywood filmmakers would have you believe. No matter what area of an investment bank you join, you'll need to work hard. But the particular nature of your commitment will vary according to the department you've joined.

#### TIP



Your ability to adapt to the company culture can determine whether you sink or swim, so think carefully about what aspects of the job matter most to you before you dive in.

Work in trading generally revolves around the daily cycle of the market and is relatively predictable. Corporate finance, however, revolves around the deal of the moment, and can be completely unpredictable. When a deal is hot, everybody on the team will be expected to put plans on hold and grind away until the work is done. Before the champagne corks start popping, there's a lot of heavy-duty quantitative analysis and extensive back-and-forth with attorneys.

However, there are indications that this 24/7 culture is slowly shifting. Many banks hired women in the '80s and '90s only to have a number of them retire when they had children and couldn't handle the job's relentless demands. An increasing number of men, too, are asking for more flexibility in their schedules in order to take care of children or aging parents.

In response, some banks are making efforts to hold on to their highly trained talent. Morgan Stanley has a human-resources person whose full-time job is to enable employees to make internal transfers. And Goldman Sachs has launched its New Directions ini-

tiative, which offers guidance to women who want to return to a career in finance. It also has its Returnship program, which puts returning employees through eight weeks of intern-like training.

### CULTURE

› **INVESTMENT BANKS ARE** filled with young, hardworking, intelligent people. They are also filled with arrogant, master-of-the-universe know-it-alls—so be prepared for the possibility of a few nightmare colleagues who try your patience. Still, corporate culture varies from firm to firm and group to group. Some firms, such as Goldman Sachs, are renowned for their team ethic; they are also sticklers for conformist behavior. Others have more of a star system: You shine on your own, or get the hell out. Such an environment is often labeled *entrepreneurial*—a word that has a very different meaning within a huge corporate structure than it does at a hungry startup.

A number of the big players, including Goldman Sachs and Morgan Stanley, have long been known as elitist, white-shoe firms, while Merrill Lynch is known as the firm that brought Wall Street to Main Street.

### HOURS

› **PEOPLE WHO WORK** on the Street tend to exaggerate how much time they actually spend working. For example, one insider claimed to work 110-hour weeks regularly—which works out to nearly 16 hours per day, seven days a week. Exaggeration aside, the young minions of I-banking do spend a lot of time grinding away.

Within a bank, the hours vary depending on the department, the time of year, the amount of new business a firm is generating, and the market cycle. I-banking/corporate finance employees work the longest hours. Eighty-plus hour weeks are the rule, and most people spend at least one weekend day at the office. Nearly all employees can tell war stories about periods they virtually lived out of a briefcase and didn't



see the insides of their own apartments for days on end.

Equity research may be a little less onerous, but still demands a lot of hours. “I pull very few all-nighters,” says an insider. “But you have to be a senior vice president before you start going home at a reasonable hour.”

On the sales and trading side, the market drives the hours. You arrive well before the morning bell to review news and overnight developments, and then work intensely until the closing bell. The trading day usually finishes shortly after the markets close. As a result, it’s possible to make plans to get together with friends in the evening. According to our insiders, this makes for about a 60-hour week.

### INSIDER SCOOP

“My attitude going in for the first three years is that I want to be working long hours and learning as much as I can. I don’t consider 90-hour weeks bad.”

A note for those interested in doing their sales and trading out of a West Coast office: You’ll need to be up and running by 5:00 a.m. at the latest (though you’ll usually be out the door by 2:00 p.m. or 3:00 p.m.). The hours can be worse if you’re trading from a European desk or Asian desk.

## WORKPLACE DIVERSITY

› **THE I-BANKING STEREOTYPE** is the WASP male who attended a prep school and has an Ivy League degree. The stereotype is—and isn’t—true. “You don’t see a lot of black people and you don’t see a lot of Latinos, but there are a lot of Asians,” says an insider. “But all of the top people are white men.” Still, firms have an interest in changing, though most are evasive about specifics.

Three factors are leading the change:

- Firms have realized they can be more effective if they

look more like their clients, and more and more *Fortune* 500 companies have diverse management teams.

- Many departments at investment banks are meritocracies, particularly at lower levels and on trading desks.
- There is a glass ceiling, but it’s getting higher. Wall Street is more open now regarding gender and other diversity issues than at any time in its history. If you bring in the clients, make winning stock picks, generate commissions, and get deals done, your gender, sexual orientation or ethnicity shouldn’t hold you back.

## TRAVEL

› **TRAVEL REQUIREMENTS** IN I-banking can be significant, especially on the banking side of the business. Unlike management consulting, in which a consultant could take the same flight to Kansas City every Monday and the same flight back home every Thursday for six months, most people in I-banking tend to make shorter, less predictable trips. People in corporate finance, for example, might travel to visit prospective client offices or facilities. Or, they might go on road shows, during which a team of bankers and client executives hit as many as 20 cities in a period of eight to ten days to pitch an upcoming issue. Salespeople and traders visit clients, and research analysts visit companies and institutions around the globe. Get yourself a passport; more than one investment bank employee, including one trading assistant we know of who had to transport IPO papers, has been ordered to be on the next flight to London.

The good news? You’ll get to stay in nice hotels, your firm might pay for business class, and you will collect so many frequent-flier miles that you may never pay for a plane ticket again. One research analyst tells us that in one year he put 100,000 miles on his frequent-flier account for one airline and 50,000 on another. “And that was with no travel to Asia and almost none to Europe.”

## VACATION AND PERKS

› **VACATION? ARE YOU** kidding? Actually, it's rumored that most investment banks do offer employees at least two weeks of vacation a year. However, you'll have a hard time taking it all. Moreover, no matter where in the world you go, you can expect to have to check your voicemail multiple times a day and be ready to take the first flight back to New York at a moment's notice. You might start warning your significant other right off the bat.

Do you relish the thought of upgraded flights, free takeout dinners at the office, and a prepaid limo back to your apartment at 3:00 a.m.? These are regular perks in the world of I-banking. But don't expect a luxurious office. "It's amazing to me that you can go into the office of someone you know is making more than \$1 million a year and it's no bigger than that of an insurance agent," says an insider who made the switch from another industry. Employees can set up any investment or other type of financial account with the firm without the usual fees; in fact, you're usually required to do so.

## COMPENSATION

› **ALL RIGHT, LIKE** any good banker you want the bottom line. Exactly how much are these guys going to pay you to sign your life away? We'll get to the numbers in a minute. But first, three things to keep in mind:

- First, salaries at investment banks, even for nonprofessional staff, almost always consist of a base salary plus a fiscal year-end bonus.
- Second, bonuses are determined at the end of each year and are based on the performance of Wall Street, as well as the performance of your firm, your department and your contribution to them. After considerable volatility during the past two years, bonuses are rebounding, and the recently passed Wall Street reform bill doesn't look like it will change that.

- Third, base salaries tend to be relatively low at the entry level and bonuses are discretionary. As a result, your take-home pay from year to year can go through swings of more than 100 percent, based on the company's performance, or the performance of your division in particular. At the outset, you can't do much more than hope for a big bonus, but keep in mind that market fluctuations take an even bigger toll on the bonuses of higher-ranking employees.

One other useful point: Firms often have different methods of calculating employee bonuses. Some allocate a portion of profits to departments along a fixed formula. Others divvy up the proceeds according to performance. Others use a commission structure based on revenue instead of profit. Some firms are more generous than others, and any company can change its compensation policy.

A final note: I-banking opportunities exist outside the bulge bracket and outside New York. But if you go to work for a boutique or regional bank, don't expect your compensation to match that of your bulge-bracket peers.



## SUMMER HIRES

Undergrad interns earn an average of about \$5,000 a month, sometimes with a housing allowance or signing bonus. The price tag for this juicy summer salary is often your social life; some interns report working 70 hours to 80 hours a week.

## TRAINING

▶ **GIVEN THE HIGHLY** technical nature of jobs in an investment bank, training programs are critical. Many resemble a mini B-school experience, with case studies, work projects, lessons, and post-case discussions all designed to help new employees better understand how the bank functions. Some banks conduct their programs, which could last from a few weeks to several months, in a highly structured classroom setting. Others start people off with a few classes and then let them do on-the-job learning.

## The Series 7 general securities license is required for most I-banking professionals.

Some firms take a generalist approach to training: They give you experience in as many divisions as possible to help discover which might be the best fit. Others take a specialist approach, starting you off in one group and focusing most of your training in that area; if you're not happy after a few months, you can ask to try something else.

Your training will almost surely include help in preparing for the Financial Industry Regulatory Association (FINRA) licensing exams. The basic Series 7 general securities license is required for most people who will be involved in selling securities, including corporate finance and research professionals, salespeople, and traders. Take this seriously; you could be given a

limited number of chances to pass. Keep in mind: Your fingerprints will be taken and checked by the FINRA as part of the registration process. We know of a mutual fund employee who lost her job when her prints were taken and it turned out she had been convicted of felony shoplifting; she lied on her job application, saying she had never been convicted of a crime.

## CAREER PATH

▶ **A DEGREE FROM** a top university can help you get a foot in the door at an I-bank. But everything after that depends on your performance and endurance—it doesn't matter whether you went to Harvard or Podunk U. In fact, many people with second-best academic credentials reach the top of the heap. "The people who came out of second-tier schools and worked hard enough to get a spot with a firm are often the hungriest," says a former banker. People who work hard and perform at, or past, expectations, can expect to move from associate to VP to managing director in about four to eight years.

### ▶ TIP



Although it's common for people to move around the industry, insiders recommend that new MBAs spend several years with their first firm to establish a track record.

Others, though, will step off the career path. They'll put in enough time to collect a bonus or two, and then leave (or get fired from) the job. This hardly indicates failure: I-banking experience can open many doors to future opportunity. "You certainly have a great Rolodex when you're done," says one insider. "You can go work with a company, with venture capital, with funds on the buy side, or you can go off and write a novel."

# THE INSIDE SCOOP

## WHAT'S IN IT FOR YOU?

### Experience

The world of high finance is, like New York City itself, fast-paced, high-energy, and go, go, go. It's no place for loafers or the sensitive, hesitant, or meek. Insiders tell us that the experience you gain in I-banking comes at twice the speed of many other professions. That could be because investment bankers put in twice as many hours as those in other professions, but other factors are involved. There might be times in your first year that you're juggling four projects for four different people at once. "You work with lots of different personalities, fight a lot of fires, and get a crash course in time management," one insider says. Furthermore, you might have the opportunity to meet and interact with the CEOs and CFOs of major public corporations. Be on your best behavior. It's not uncommon for an impressive young investment banker to be recruited into a client's finance or business development department.

### Education

Many insiders tell us that the education and skills you gain in I-banking are invaluable. There is no better way to learn about finance, the inner workings of Wall Street, and how the business world generally works. When you read a headline stating that IBM is acquiring a hot new software company, you can be sure a team of I-banking analysts is grinding out spreadsheet models to tell IBM how much it should pay and what return it will get on the investment. Those analytical skills, in conjunction with the introduction I-banking gives you to the world of finance, provide a great launching pad for almost any career path you might ultimately choose.

### Money

Okay, let's face it. You're not considering a career in I-banking because you want to save the world. If you're an undergraduate or MBA steeped in debt, or you want to be at the top of your peer group in terms of salary, I-banking is a good choice. Even with big-city rents

and restaurant prices, you'll almost certainly build up a hefty savings account. The consulting industry presents an interesting comparison: It offers similar starting salaries and bonus packages in the first two years, but then compensation for consultants starts to plateau. Good investment bankers usually continue up a steep salary curve.

## INSIDER SCOOP

"First-year analysts deal with hazing, practical jokes, and the worst assignments. Second-year analysts delegate their own grunt work to the first-years and horde the more challenging work. And management often doesn't manage. You don't move up the ranks of an investment bank because you're a good manager, but because you work hard, understand finance, and bring in deals."

## WATCH OUT!

### Hours

We can't emphasize it enough: Working at an investment bank means your time is no longer your own. Unless you're a salesperson or trader, you'll be like being a doctor on call: working 60–80 hours a week, canceling vacations, receiving phone calls between 4:00 a.m. and 6:00 a.m. You'll have logged off your computer, ready to head home at a decent hour, when a superior will add an urgent item—due before his 8:00 a.m. flight—to your to-do list. So you log back on, order dinner, and settle in for the night. In the banking business, your life comes second to your job.

### Three Ps

I-banking revolves around the three Ps—power, politics, and personalities. Most of the investment bankers you'll work with will be hardworking, goal-oriented, and young. When you have a lot of motivated competitive types jockeying for their shares of the year-end bonus pot, political skirmishes are bound to erupt.

## The Work

It might be sacrilegious to say this in the company of corporate recruiters, but insiders tell us the work you do as an investment banker isn't always interesting. Don't be blinded by dreams of a Wall Street job filled by constant excitement, glamour, and wheeling and dealing. All insiders tell tales of coma-inducing spreadsheet work that would threaten analysts' lives if they weren't jolted back to reality by the endless blinking of their voicemail lights. In most offices, the assistants go home at 5:00 p.m. or so, and whom do you think handles copying and faxing after that? Not the senior managing directors, that's for sure.



# Getting Hired

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## RECRUITING OVERVIEW

► **IF YOU WANT** to get into I-Banking, you've got to be hungry for the job. Wall Street firms see a lot of flashy pedigrees, but you'll really stand out if you demonstrate you're committed to the field—and willing to work hard in it. Make landing an internship a top priority. Not only does it give the bank a chance to check you out, it's the best way to show you're serious about the industry.

Don't walk into an interview unprepared. Know how the bank works and what it's been doing. There is too much competition out there to risk looking ignorant.

## WHO GETS HIRED?

► **ALL INVESTMENT BANKS** are looking to hire the best, the brightest, and the most motivated candidates they can find. Regarding undergraduates, banks usually look for people with a background in accounting, finance, or economics—not only do those majors teach many of the basics, they show that a candidate is actually interested in the industry. However, if you're an engineer or a liberal arts major from a top school, or if you have experience in a hot industry such as pharmaceuticals or technology, you might have a shot at Wall Street.

Most I-banking graduate hires come from MBA programs. But banks also take people with advanced degrees in economics, law, math, computers, and other less obviously related fields. Although it is less common, the industry also takes on a certain number of lateral shifters—people moving into the field mid-career whose capabilities and previous work experience offer elements that a bank might find compelling. Most of these hires start on entry level with the MBA recruits, but people with wide industry experience or specific skills (or a Rolodex full of powerful connections) might be able to fill a specialized function higher up within the corporate structure.

## THE RECRUITING PROCESS

► **THE I-BANKING RECRUITING** process begins with the scheduling of a first-round interview. All of the bulge-bracket investment banks recruit analysts and associates from top colleges and universities across the country, usually in the fall for MBAs and in the winter for undergrads. Research the firms and find out who's hiring and who's laying off. Five of Wall Street's largest firms—Bank of America Merrill Lynch, JPMorgan Chase, Citigroup, Goldman Sachs, and Morgan Stanley—added jobs in the first quarter of 2010.

Typically, banks make most campus hires for their I-banking departments, such as corporate finance or M&A; although some MBAs get hired for sales, fewer hires are made for sales and trading, and fewer yet for research, though MBAs stand a chance if they have the right skills and demonstrated interest in the field. If you attend a school at which the big firms recruit, sign up for an on-campus interview. Firms typically fill their schedules through a combination of closed- and open-schedule interviews; if you're signing up under an open schedule, it's best to cast a wide net and do as many as you can. If the firm you want isn't scheduled at your school, check the website; many hold open houses on-site for interested students. You might have to travel but it can be worth it. In fact, the company's career site will be loaded with useful information. Make it your first stop.

### SHAKE THE TREES

Looking for a way in? You need to get your name and face known to insiders. Shake the trees for contacts. Ask your professors for names of alumni. Hit up relatives and old

friends for help—and don't worry if they haven't heard from you in a couple of years. Do whatever it takes to get to the people inside. They're the ones who know where the jobs are.



## THE INTERVIEW CYCLE

Regardless of your specific interests, your first-round interview will typically be a traditional 30-minute resume review and informal get-to-know-you session. Many firms send alumni to campus for the first-round interviews—that means your interviewer will know your school and its workings. Recruiters want you to communicate two points very clearly:

- Why you want to go into I-banking
- Why you want a job with this particular firm

It can't be said enough: Do your homework about the firm before your interview. Know where the company is expanding, what kinds of deals it has recently made, and what the media are saying about them.

If you make it through the initial round, you'll be invited to second-round interviews in New York. (If you're applying to a regional office, that's where the interview will be.) These are half- or full-day affairs often held on a Saturday (called "Super Saturday"), during which you'll be grilled by at least six people with varying degrees of seniority. Sometimes you'll be interviewed one-on-one, other times two-on-one. Some firms sit you in a conference room while the interviewers cycle through. Others will send you out to meet your interviewers on their turf, whether it's the trading floor or the analyst pit. Don't bother packing a sandwich; an analyst or associate will probably take you to lunch. Some firms also conduct third-round interviews before extending their offers.

### TIP



Be ready to present a strong case for what you have to offer and why you're interested in the bank you're courting.

## BEYOND THE IVIES

What happens if the firm you're targeting doesn't recruit at your school or if you aren't in school at all? Well, your job is going to be a little tougher, but try this: Use your alumni network to identify a colleague within the firm, and then get a meeting. Ask lots of thoughtful, informed questions, demonstrate your commitment to an I-banking career, and then ask for the alum's advice about your job search. This person can serve as your advocate, perhaps persuading the appropriate recruiting manager to watch for your resume and find you a spot in the

interview cycle.

The name of the game when you're not recruited is to find any way to make your resume stand out from the thousands of others that investment banks receive every week. It's important to get in sync with the firm's recruiting schedule, so be sure to start contacting alumni early in the fall. Most firms fill their new-hire rosters by early spring. One tip: FBR Capital Markets in Virginia and Piper Jaffray in Minnesota are two rapidly expanding firms that recruit outside the Ivies.

## Take the Bull by the Horns

Some I-banking insiders have told us if you're serious about getting a job on Wall Street and the big firms don't recruit at your school, your best bet is to go to them. "Take fate into your own hands and go to Wall Street," says an insider who, using this strategy, garnered seven Wall Street offers. It might cost you a few bucks in flights and hotel overnights, but this is the big leagues—it's worth the investment. Schedule a job-hunting trip to New York during the recruiting period, and set up as many appointments as you can with your target firms. Making the effort to arrange interviews and visit the firms on your own demonstrates your commitment to landing a job on Wall Street; anyone can send in a resume, but relatively few go the extra mile.

## Careers in Investment Banking

One insider tells us he made regular trips to New York from a nearby school for informational interviews, choosing his targets strategically. “The same five people get calls every week” he says. “Instead, try for that senior person who most people don’t know about. You want that person to write ‘good guy’ on your resume and forward it to HR.” The information-gathering process helped prepare him for actual job hunting. “By the time you have your first real interview you’re much more polished. You’ve been asked those questions ten different times. You have a battle-tested response.”

Extra initiative also will be required of all candidates who want to work at one of the smaller boutique banks. For the most part, smaller firms don’t have the recruiting budgets to support an extensive on-campus recruiting program, so contact them on your own.

### TIP



Be nice to everyone you meet, do a knockout job, and make it clear you don’t want to be a receptionist or mailroom clerk forever.

One possible tactic: starting in a clerical position and moving up. Be nice to everyone you meet, do a knockout job, and make it clear you don’t want to be a receptionist or mailroom clerk forever. I-banking is a meritocracy, and a lot of firms encourage ascent. They also like the idea of well-scrubbed, nicely dressed college graduates answering the phones. The strategy is more likely to work in smaller and regional firms than in the majors, and also more in trading than corporate finance.

### Honesty is the Best Policy

Whatever you do—don’t lie. Get caught and you’ll do irreparable damage to your potential Wall Street career. “We once had a guy who claimed he was a Navy SEAL,”

says a recruiter. “We checked it out because it seemed so interesting. It turned out he had never even been in the military. Needless to say, we didn’t hire him.”

Your recruiter will ask you what other firms you’re interviewing with. Don’t drop names unless you really have interviews set up. Finance is a small world; it’s easy for an interviewer to check your claim with a colleague at the rival bank. And don’t exaggerate your language skills: if you claim to know Japanese, you could easily find yourself in an interview with a native speaker.

## INTERVIEWING TIPS

► **BE WELL PREPARED** for that first-round interview. Insiders tell us it’s obvious when candidates are prepared: They come off poised and committed. Even before you sign up, be sure of what kind of job you’re seeking, whether it’s in corporate finance, sales and trading, or research. It’s true that the content of first-round interviews will be similar no matter what, but a lack of focus will hurt you.

A great way to learn which area of I-banking turns you on most is to participate in a day-on-the-job program. When the banks visit your school, ask about it. Or ask insiders if you can shadow them for a day. Most of the major Wall Street firms have regional offices where you can spend a day observing traders, bankers, or researchers at work. Even if you don’t live near a city where a major bank is represented, visit a smaller bank to get a sense of the job itself. Taking the time to do a day on the job will be highly informative for you and it will demonstrate to your recruiter that you’re serious about your job search.

When your recruiter casually asks, “So, which other firms are you interviewing with?” it isn’t a trick question. But here’s a bad answer: “Well, of course an M&A job with your firm is my first choice, but I’m also talking to Goldman Sachs about a trading job and Credit Suisse about a job in the research group.” Remember, focus is important. Pick one area of concentration and

stick with it. And be careful which competitors you cite. “You’ve got to build momentum for yourself,” says an insider. “If you answer with names they’ve never heard of, they wonder if you’re just grabbing at whatever’s out there. You need to know the hierarchy of the firms and what it means when you answer that question.”

Your recruiters will be looking for a skill set matched to the job you’re pursuing. In corporate finance interviews, recruiters will focus on your analytical skills and experiences. Before your interview, walk through your resume and identify an experience or two that required your supreme powers of analysis—even if it was just writing an investment plan for your summer job earnings. “Even if you’re an undergrad without previous experience in the financial industry, emphasize the analytical aspects of those things you have done,” says one insider.

Interviews for sales and trading jobs will seek to evaluate your people skills, particularly those related to negotiation and relationship building. Demonstrate your ability to persuade. Expect to be asked questions regarding your sales experience and negotiations you’ve been involved in.

### TIP



**Showcase your assets.** Investment banks are aggressively expanding their foreign operations, so play up any overseas work or foreign language skills. If you’re talking to a firm with an office in Brussels and you speak French—let the recruiter know. And if you have experience in a hot industry, such as technology or health care, tell the interviewer how your experience can benefit the firm.

All candidates should be prepared to discuss how to value a company. Know which numbers to look for. If you’re an MBA, elementary concepts such as discounted cash flow and the weighted average cost of capital should be as familiar as the back of your hand. Undergrads won’t be expected to perform quantitative

Olympics at an MBA level, but they should be familiar with the basic concepts of valuation. Have a look at *WetFeet’s Beat the Street®* and *Beat the Street® II* Insider Guides for a succinct, how-to overview of these and other interview questions.

The recruiting process places special demands on liberal arts majors. They definitely have a shot at a finance job, but banks are far more used to taking on economics and finance majors. Play offense. Talk about the life experiences that have helped you develop your analytical skills.

## GETTING GRILLED

► **WE INTERVIEWED INDUSTRY** insiders and asked them what questions an I-banking job candidate can expect—and prepare for—before an interview. Here are several representative questions. Be prepared and you’ll have an easier time with the unexpected material as well.

- What most excites you about a corporate finance/research/sales/trading job?
- Why do you want to work for this bank versus our competitors?
- What do you think of Ben Bernanke and Timothy Geithner?
- Who is our competition in our major product lines?
- Tell me about a couple of stocks you follow.
- Sales/trading: Pretend that I’m a portfolio manager for Fidelity. Explain to me why I should buy the latest IPO the firm has underwritten.
- Research: You’ve just been hired as our firm’s new XYZ industry analyst. In two weeks, you’re scheduled to address a growth-stock conference on industry trends. How are you going to prepare?
- Corporate finance: In a merger discussion, Moon Microsystems says Plum Computing is worth \$23 per share; Plum says \$34 is more like it. How would you arrive at a valuation?
- Tell me about your leadership experience.

## Careers in Investment Banking

- Tell me about a high-stress situation you've been in. How did you handle it? What could you do better the next time?
- What did the stock market do last week?
- What do you think of the Fed's shift in monetary policy?
- In which areas is our firm the strongest? The weakest?
- What other banks are you interviewing with?
- What career opportunities are you exploring other than I-banking?
- What made you choose this firm over other firms?
- What is a typical career path in the (corporate finance/sales/trading/research) department?
- How much of an analyst's/associate's time is spent pitching new business?
- Is there a formal mentoring program for new analysts/associates?
- If I were a CEO, why would I choose your firm to take my company public?

## GRILLING YOUR INTERVIEWER

› **YOU KNOW IT'S** coming: that moment when the interviewer turns to you and says, "Okay, do you have any questions for me?" Ostensibly an opportunity for you to learn about the company and the recruiting process, it's also an opportunity for the interviewer to learn how much you know about the firm, how well you've prepared for the interview, and whether you're really interested in working for the firm. The following are good generic questions that will fit most I-banking interviews. However, you'll want to think of additional ones that apply specifically to the company with which you're interviewing. One important reminder: If you've already covered any of this material in your interview, don't revisit it. You'll appear inattentive and unfocused.

Another word to the wise: We've grouped our questions according to our sense of relative risk. Those in the "rare" section are meant to be boring and innocuous, while those in the "well-done" section will help you put the fire to your interviewer's feet. But beware: They might also turn you to toast!

### RARE

- What kind of person are you looking for? (This question can let you know what personal characteristics you should emphasize.)
- What makes a person successful in this business?

### MEDIUM

- Beyond the league tables, what differentiates your firm from others?
- How is an analyst/associate assigned from the generalist pool to a project?
- Can I request specific teams, industries, or product groups?
- How well do the firm's different divisions work together?
- How long does it take most people here to become managing directors? What's the path? Are there specific benchmarks you have to hit?
- What are the firm's biggest challenges and opportunities in the next two years?
- What aspect of your job do you find most frustrating?

### WELL DONE

- How has increased consolidation in the industry affected your firm positively and negatively?
- If the company has merged: What new business has resulted from the merger? How well have the two cultures mixed?
- If the company has not merged: Do you think the company needs to acquire or merge with a competitor in the near future?
- How committed is the firm to building its XYZ business? (Investment banks are known to eliminate entire departments when they underperform against expectations. If you happen to work for one of those departments, that means bye-bye.)

- How would your firm fare relative to the competition if interest rates suddenly skyrocketed? If oil prices plummeted?
- What percentage of the managing directors are female or minority?



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## INVESTMENT BANKING LINGO

To become an investment banker, you'll need to talk the talk. What follows is by no means a complete list of the terms you'll encounter on Wall Street, but it's a good start.

### Bakeoff

A meeting in which groups of Hermès-tied-and-scarved bankers (with analyst minions trailing behind, furiously scribbling into their Treos) parade into a company's boardroom to pitch their underwriting or advisory services as the only choice for the company's upcoming deal. Also known as a beauty contest.

### Bulge bracket

The top five to ten full-service investment banks on Wall Street. The name derives from the top bracket on a tombstone ad in *The Wall Street Journal* (see *tombstone*, below).

### Bloomberg

Also known as *Pandora's Box* or the *black box*. This funky little computer, used daily by almost every investment banker, is a one-stop shop for a very wide range of company, economic, and market news, provided you can learn its idiosyncratic navigational commands. Bloomberg (the name of the company that sells the service) was one of the first providers of real-time stock quotes, news feeds, and economic reports. It was developed by Michael Bloomberg, now mayor of New York. Increasingly, other online services are encroaching on its turf, but some banks still prefer Bloomberg's "closed" system and encourage using it in conjunction with other Internet resources.

### Buy side and sell side

Buy side refers to institutional buyers of securities, mutual funds, and pensions—in other words, your clients. At an investment bank, you're working on the sell side, providing research and selling securities to investors.

### Chinese wall

The boundaries that separate research, corporate finance, and sales and trading, with the aim of preventing transmission of inside information. The wall could be physical (different departments on different floors of the same building) or simply procedural (a series of procedures to control the flow of documents). When a research analyst is finally told of a deal, usually right before it's announced to the public, the analyst is "brought over the wall" and now restricted from commenting on the stock. (See *insider trading*, below.)

### Comps

Spreadsheet models that compare the vital financial statistics of companies within an industry. A comp of the athletic-shoe industry would compare Nike, Reebok, and Converse. Also known as comparable company analysis and competitive pricing analysis, comps help bankers value a company's financial position relative to others in the same industry, comparing such data as stock prices, earnings, and financial ratios. An analyst can expect to run comps, generally in Microsoft Excel, for just about every deal.

### CYA

Cover Your Ass.

### Deals

The process and completion of a security issuance or a merger or acquisition. The number of deals completed in a year is one of the most important measures of success for a bank and an individual banker.

### Derivatives

A financial instrument with no inherent value other than what it derives from some other underlying asset. For example, one type of derivative is an interest rate cap. Let's say a company has a floating rate loan. To manage its interest rate risk, the company might purchase a 7 percent interest rate cap from the issuer for \$200,000. The issuer of the cap assumes the risk of an



increase in interest rates above 7 percent. If rates exceed 7 percent, the issuer pays for the excess cost owed by the company. If rates stay below 7 percent, the issuer pockets the whole \$200,000. Other types of derivatives include swaps and reinvestment products.

### Due diligence

A process in which bankers and their lawyers sit down with management and their accountants and ask them every question they can think of that could uncover possible risks in a deal. (See *CYA*, above.)

### Dutch auction

A highly objective process for selling an offering. Interested investors place bids indicating the number of shares they want and the price they'll pay. The deal closes at the lowest price at which all the shares would be sold. Bid too low and you don't get any shares; bid too high and you risk driving up the price more than necessary.

### Face time

The time after 8:00 p.m. when you choose to stay at work—even though you don't have anything particular to do—just because others, particularly senior others, will be there.

### Hedge fund

Describes a private investment partnership. Unlike mutual funds, which are sold to the public, hedge funds aren't regulated by the SEC and cannot advertise. Consultants who specialize in hedge funds review and disseminate the information to potential investors. A share of profits/losses is allocated to all partners based on their percentage ownership; the general partner is paid an additional incentive fee.

### High-yield

Bonds to which Moody's or Standard & Poor's gives low ratings. They produce high yields, unless they go into default. Also called junk bonds.

### Insider trading

Acting on information to which you're privy, for profit. Imagine, for example, you were part of the team advising IBM in its acquisition of a publicly traded software developer. Knowing that IBM would be offering a 30 percent to 50 percent premium above the going market price for the company's stock, you buy shares of the company and sell them a month later after the deal goes through, making a tidy profit. Unfortunately, this is illegal, and if you're caught, you could be banned from the securities industry for life, fined, and/or thrown in jail. (See *Chinese wall*, above.)

### Investment banker

A term used by outsiders only. If you're in the business, you're a *banker*, as opposed to a *commercial banker*.

### Investment-grade

Low-risk bonds, as determined by Standard & Poor's (AAA to BBB) or Moody's (AAA to Baa). Both Standard & Poor's and Moody's provide independent credit ratings, research, and financial information to the capital markets. (See *high-yield*, above.)

### IPO

Stands for initial public offering, which occurs when a privately owned company sells shares of stock to the public for the first time and the shares are then publicly traded through a stock exchange.

### LBO

Stands for leveraged buyout, which occurs when a corporation is purchased at a low price, its assets are sold off at a much greater value, and the bank in charge makes a handsome profit.

### LTM

Stands for "last 12 months." For example, a senior banker could say to you, "Get me the company's LTM revenue and earnings numbers."

## Careers in Investment Banking

### Lucite

Brand name for a durable clear plastic; also refers to versions of tombstones encased in Lucite that are distributed to members of a deal team. Lucites are highly coveted knick-knacks among bankers, and different firms compete to see which can create the cleverest designs.

### M&A

Stands for mergers and acquisitions.

### Make the quarter

When a publicly held company meets or beats an analyst's quarterly or annual earnings estimates.

### Municipal bond

Debt issued by local or state government body; "muni" for short. Usually the interest is exempt from federal (and sometimes local and state) taxes.

### NASD

Stands for National Association of Securities Dealers, which is the parent company of the NASDAQ stock market. NASD is responsible for operating and regulating NASDAQ and other over-the-counter securities markets. (See *NASDAQ*, *OTC*, below.)

### NASDAQ

A decentralized network of competitive market makers or firms that stand ready to buy or sell securities at publicly quoted prices.

### OTC

Stands for over-the-counter securities, which aren't traded on an organized exchange. A broker-dealer will make a market for OTC securities.

### PE multiple

Stands for price-to-earnings multiple: an important ratio that can tell you if a stock is overvalued or undervalued relative to its historical performance and to other

firms. To get it, divide the market price of a share of common stock by the earnings per share of common stock for the past 12 months. A forward PE uses estimated earnings in the denominator.

### Printer

A company that prints financial documents for a deal. Young bankers and lawyers spend a lot of time here before a deal, checking and rechecking the progress of a prospectus or proxy statement.

### Pitch book

A slide presentation or bound stack or deck of bullet-point pages and charts. Calling officers (the top two or three levels of bankers) take it to meet with a potential corporate client. The pitch book analyzes the client's industry and makes a case for the bank as best suited to handle the client's deals. The upside of putting one together is you'll learn a lot about a company and an industry. The downside: It can be dull, repetitive work. An initiation rite for analysts.

### Red herring

The preliminary prospectus on a deal, noted in red ink along the side of the front cover. Once a firm is cleared by the SEC to "print the reds," a road show starts. (See *road show*, below.)

### Road show

A sales trip around the country (and sometimes other countries) with the upper management of a company during the month or so before the company's securities issue. During the road show, the company management, investment bankers, and research analysts on the deal team will visit institutional investors to pitch the offering.

### Secondary offering

When a publicly traded company offers more stock on the market after its IPO. Also known as a *follow-on*.

### Share of voice

The amount of credibility a securities analyst has with respect to a particular stock, usually earned by making accurate calls on the stock's price movement. The analyst with the most share of voice is often called the ax on a stock.

### Synergy

This is what happens when two companies, neither of which can reach its full potential on its own, become well-positioned strategic partners.

### Tombstone

Big box advertisements in Section C of *The Wall Street Journal* declaring, "Company X completed the issuance of X hundreds of millions of shares/dollars/debt," and then listing all of the investment banks involved in the deal. The size and grouping of the bank names show the level of involvement each had on a particular deal.

### Wallpaper

Worthless securities. The issuing company has gone bankrupt or defaulted.

### White-shoe

Anachronistic but still often-used characterization of firms that see themselves as upper crust and above distasteful activities such as hostile takeovers. The term comes from an old Ivy League tradition of wearing white buck shoes in the summer.

## RECOMMENDED READING

### *Barbarians at the Gate: The Fall of RJR Nabisco*

The ultimate inside story of the largest takeover in history, this book also provides an insightful look at the culture and personalities of Wall Street. Ross Johnson, CEO of RJR Nabisco at that time, needed a new PR agent after this book came out.

Bryan Burrough and John Helyar (Collins, 2003)

### *Bombardiers*

A black comedy about life on a trading desk, this story cuts mighty close to the bone. Bronson worked as a fixed-income sales analyst at First Boston's San Francisco office.

Po Bronson (Penguin, 1996)

### *Chasing Goldman Sachs: How the Masters of the Universe Melted Wall Street Down...And Why They'll Take Us to the Brink Again*

Not a takedown of the venerable firm, but rather the story of how other firms haphazardly followed Goldman's successful model, ultimately leading to the financial crisis, the federal bailout and continuing uncertainty on Wall Street.

Suzanne McGee (Crown Business, 2010)

### *Freefall: America, Free Markets and the Sinking of the World Economy*

A thorough examination of the conditions that led to the financial crisis that began in 2007. It's written by a Nobel laureate and a leading scholar on market failure.

Joseph Stiglitz (W.W. Norton, 2010)

## Careers in Investment Banking

### *Heard on the Street: Quantitative Questions from Wall Street Job Interviews*

This book is indispensable if you're a PhD or other job candidate vying for a quantitative position (for example, derivatives analyst) on Wall Street.

Timothy Falcon Crack (Timothy Crack, 2002)

### *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance*

At 720 pages, this is a surprisingly readable history of J. Pierpont Morgan and his empire, which still operates as the modern firms Morgan Stanley and JPMorgan Chase. This book is also a history of investment banking in Europe and the U.S. Highly recommended for anyone interviewing with one of the houses of Morgan as well as anyone interested in financial history.

Ron Chernow (Grove Press, 2000)

### *Liar's Poker: Rising Through the Wreckage on Wall Street*

This fun, easy read provides tremendous insight into the culture of Salomon Brothers and the culture of Wall Street during the boom of the '80s. (Much has changed since, but the personality types remain exactly the same.) You'll also learn a fair amount about how investment banking works.

Michael Lewis (Penguin, 1990)

### *Liquidated: An Ethnography of Wall Street*

An anthropologist, whose first job after college was on Wall Street, offers her perspective on the culture of Wall Street, from outlooks on bonuses and job security to how the economic collapse and ongoing difficulties may have changed things.

Karen Ho (Duke University Press, 2009)

### *Monkey Business: Swinging Through the Wall Street Jungle*

This book takes readers behind the scenes at Donaldson, Lufkin & Jenrette (absorbed in 2000 by Credit Suisse First Boston), depicting the ridiculous lengths that

entry-level grunts on Wall Street can go in coping with long hours, stress, and despotic managers; fitting in with their peers; and standing out in the eyes of those who can advance their careers.

John Rolfe and Peter Troob (Warner Books, 2000)

### *The Predators' Ball: The Inside Story of Drexel Burnham and the Rise of the Junk Bond Raiders*

Today, Michael Milken is a philanthropist, raising money to fight prostate cancer. This is the story of Milken before he was enjoined from working in investment banking—when he was hot and investment banking was about junk bonds and raids. A nice slice of the '80s.

Connie Bruck (Penguin, 1989)

## ONLINE RESOURCES

The Web is loaded with information on investment banking and the securities industry: plugging the term *investment bank* into a typical search engine produces more than 1 million hits. Most of it is aimed at individual investors. But here are some finance sites that are worth a job seeker's look.

### Finance Site List

[www.cob.ohio-state.edu/fin/journal/jofsites.htm](http://www.cob.ohio-state.edu/fin/journal/jofsites.htm)

It's hard to imagine there could be a more comprehensive list of finance links than this one, maintained by the *Journal of Finance*. It's neatly categorized, too, which makes it manageable.

### Careers in Business

[www.careers-in-business.com](http://www.careers-in-business.com)

This site provides descriptions of job opportunities in investment banks, some salary information, and industry trends. Careful with the data, though—they're a bit outdated. The site includes a career reference section, which directs you toward help with cover letters, resumes, interviewing, and so on.

## The Options Group

[www.optionsgroup.com](http://www.optionsgroup.com)

The Options Group is a global executive search and consulting firm for the financial markets and technology services industries. Options Group has placed 2,000 mid- to senior-level professionals since 2000.

## Securities Industry and Financial Markets Association

[www.sifma.org](http://www.sifma.org)

A new industry trade group resulting from the merger of The Securities Industry Association and The Bond Market Association. Download the *Securities Industry Briefing Book*, which offers a history of the capital markets and a summary of the markets' performance last year.

## Thomson Reuters

[http://thomsonreuters.com/products\\_services/financial/](http://thomsonreuters.com/products_services/financial/)

The firm that compiles data for the underwriting league tables. You can find the latest month's tables here along with commentary.

## Investor Words

[www.investorwords.com](http://www.investorwords.com)

Does some of that industry jargon still have you confused? Try looking it up on this online glossary of finance.

## Knowledge @ Wharton: Finance and Investment

[knowledge.wharton.upenn.edu/category.cfm?cid=1](http://knowledge.wharton.upenn.edu/category.cfm?cid=1)

This online journal, put out by the Wharton School of Business, offers timely content regarding news and issues of interest to people on the Street.

## Investopedia.com Financial Dictionary

[www.investopedia.com/dictionary](http://www.investopedia.com/dictionary)

This site provides an extensive dictionary of terms used by the investment community. If you want to sound like an insider and use terms such as “guns and butter

curve,” “big uglies,” and “Bo Derek,” this is a good site to check out.

## McKinsey Quarterly: Financial Services and Corporate Finance

[www.mckinseyquarterly.com/category\\_editor.aspx?L2=5](http://www.mckinseyquarterly.com/category_editor.aspx?L2=5)

The *McKinsey Quarterly*, a product of one of the pre-eminent strategy consulting firms in the world, offers in-depth analysis of news and issues of interest to bankers and potential bankers.

## WetFeet Online Resources

[www.wetfeet.com](http://www.wetfeet.com)

Visit our site for related career and industry profiles, interviews with recruiters in the industry and real people in investment banking jobs, articles, and more.

## Finance and Business Publications

Most major business publications can be found on the Web. Some are free—*Euromoney* is a great source. Some offer current issues free but charge for archive searches, and others require paid membership to access any part of their sites. *The Wall Street Journal Interactive Edition* is one that requires a membership but is definitely worth paying for. You get a personalized version of the *Journal*, plus access to *Barron's Online*, *SmartMoney* interactive, the *WSJ* career site, the Dow Jones publications library, and the *WSJ* online business glossary.

- The Wall Street Journal Interactive Edition: [www.wsj.com](http://www.wsj.com)
- Bloomberg Businessweek: [www.businessweek.com](http://www.businessweek.com)
- The Economist: [www.economist.com](http://www.economist.com)
- Euromoney: [www.euromoney.com](http://www.euromoney.com)
- Financial Times: [www.ft.com](http://www.ft.com)
- Forbes: [www.forbes.com](http://www.forbes.com)
- Fortune: [www.fortune.com](http://www.fortune.com)
- Institutional Investor: [www.dailyii.com](http://www.dailyii.com)
- Investor's Business Daily: [www.investors.com](http://www.investors.com)









## >> The WetFeet Story

WetFeet was founded in 1994 by Stanford MBAs Gary Alpert and Steve Pollock. While exploring their next career moves, they needed products like the *WetFeet Insider Guides* to guide them through their research and interviews. But these resources didn't exist yet—so they started writing! Since then, millions of job seekers have used the *WetFeet Insider Guides* and WetFeet.com to research their next career move.

In 2007 WetFeet became part of Universum Communications, the global leader in employer branding. Thanks to the integration of WetFeet into the Universum group, WetFeet products are now used by job seekers all over the world. In addition to our *Insider Guides* and WetFeet.com, we produce *WetFeet* magazine, which features career advice tailored to undergraduate students.

## >> The WetFeet Name

The inspiration for our name comes from a popular business school case study about L.L. Bean, the successful mail-order company. Leon Leonwood Bean got his start because he literally got his feet wet: Every time he went hunting in the Maine woods, his shoes leaked. One day he set out to make a better hunting shoe, doing such a good job that his friends lined up to buy pairs of the boots. And so L.L. Bean was born.

The lesson we took from the Bean case? Well, it shows that getting your feet wet is the first step toward achieving success. And that's what WetFeet is here for: To help you get your feet wet and take the right steps toward ever-greater career goals, whatever they may be.



## »» Intensely competitive, action-oriented, and profit-hungry, investment banking is

a larger-than-life world where deals—and fortunes—are made and lost by the day's closing bell. It's a great place to learn the ins and outs of corporate finance and develop analytical skills that will prove useful throughout any business career. But investment banking has a steep learning curve; chances are you'll start out in a job that involves more spreadsheets than swift stock trades. Wondering if you've got what it takes to thrive in I-banking? You've come to the right place.



Illustration by mckibillo

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- ★ WHAT INVESTMENT BANKS REALLY DO—FORGET ALL THE CORPORATE PR
- ★ HOW THE GLOBAL ECONOMIC CRISIS CHANGED WALL STREET AND WHAT THAT MEANS FOR TODAY'S JOB SEEKERS
- ★ INDUSTRY PERFORMANCE AND HOW THE MAJOR PLAYERS HAVE FARED IN RECENT RANKINGS
- ★ PROFILES OF THE LEADING FIRMS, INCLUDING FINANCIAL HIGHLIGHTS
- ★ OPPORTUNITIES IN CORPORATE FINANCE, MERGERS AND ACQUISITIONS, PUBLIC FINANCE, SALES AND TRADING, AND RESEARCH
- ★ INTERVIEWING TIPS FROM INSIDERS AND RECRUITERS
- ★ WHAT INSIDERS CONSIDER THE PLUSES—AND THE MINUSES—OF AN INVESTMENT BANKING CAREER, FROM LIFESTYLE AND CULTURE TO TRAVEL AND HOURS

WetFeet has earned a strong reputation among college graduates and career professionals for its series of highly credible, no-holds-barred Insider Guides. WetFeet's investigative writers get behind the annual reports and corporate PR to tell the real story of what it's like to work at specific companies and in different industries. [www.WetFeet.com](http://www.WetFeet.com)

