Navigating the New Landscape

Careers in Financial Markets
Your guide to finding a job in securities and banking

2010-11

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Welcome

Welcome to the sixth edition of *Careers in Financial Markets*, from eFinancialCareers.

Investment banking remains a popular career choice among today’s very best graduates and MBAs, so the competition to secure that all-important first foot in the door is intense. The aim of this guide is to offer you real insights into the world of Wall Street and the securities business, and to give you the knowledge you need to stand out.

As you develop your career, we hope eFinancialCareers will be your online companion. We serve the global financial community as the Web’s top site for career management and jobs in the securities, investment banking and asset management fields. Professionals from analysts to managing directors at the world’s leading investment banks, hedge funds, ratings agencies and trading firms rely on us every day.

In addition to job listings, eFinancialCareers provides premier job market and pay analysis, employment advice and a series of tools to help you maximize your career opportunities. One such tool for job seekers is our career guides published in the U.S. and Europe. These unique guides profile the current trends, career paths, top players and skills required for the principal financial professions.

If, having read this guide, you’d like to learn more about the industry, conduct some pre-interview research, or simply post your resume for your next job, come and visit us at eFinancialCareers. Be sure to check out our Campus Connection, which provides news, tips, background and other information especially for business students.

With best wishes for your career,

Mark M. Feffer
U.S. Editor, eFinancialCareers
www.efinancialcareers.com
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How to Use This Guide

*Careers in Financial Markets* is designed to be used in conjunction with eFinancialCareers, where you’ll find up-to-date pay and hiring news, career advice and information on employment trends in the financial markets. This guide will ground you in the securities industry’s different sectors and provide background information on available career paths and the skills you’ll need to be successful.

To be credible at interviews, you have to know the difference between, say, global custody and fund management, or risk management and compliance. That’s why our *Sectors* section reflects the range of professions and skills needed for each area. The *Overview* presents trends and career paths across the industry as a whole and investment banking in particular. *Finding a Job* provides tips for identifying and landing not just your first job, but the right first job, while *Managing Your Career* explores strategies and tactics to help you move steadily up the ladder – and to the top. Finally, our *Diversity* section explores the financial industry’s efforts to attract and retain a diverse work force, from both the employer and employee point of view.

I hope this guide will inform and inspire you for your financial career. And, I hope you’ll use eFinancialCareers as you build your success. If you have questions or comments, please be sure to let us hear from you.

Constance Melrose
Managing Director
eFinancialCareers North America
Each investment bank has its own personality. Some see themselves as cutting edge while others pride themselves on tradition. Some celebrate the art of the deal, while others laud diligence. Many have tens of thousands of employees in locations around the world, while others measure their staffs by the dozen and work out of a single office suite. Despite such differences, most share a common approach to their organization. So no matter where you work, you’ll probably encounter a similar retinue of job titles in similar spots on the organization chart.

**Analyst**

In investment banking, the first rung on the ladder is the analyst. It’s in this position graduates invariably begin their careers. In the language of Wall Street, “analyst” is simply another way of saying “trainee.”

The work analysts do varies from division to division. In corporate finance, they’re the number-crunchers who study a firm’s financial reports and put together “pitch books” – the company and sector research that helps a bank win business. In sales, they hit the phones, calling (relatively unimportant) clients on various (non-crucial) matters. Analysts assigned to the trading floor can’t trade until they’ve passed their regulatory exams. Even once they have, they’re heavily constrained until they prove they’re not going to press the wrong button and lose millions.

Most banks keep analysts in place for three years, then decide whether or not to renew their contracts. Of course at that point, analysts have the option of deciding whether they want to stay on or make their way in another firm.

Analysts being considered for promotion must demonstrate an aptitude for leadership, the ability to present their point of view persuasively – even when it’s contrary to the views of others – and an understanding of the needs and motivations of both their firm and its clients.

**Vice Presidents**

Successful associates move into the role of vice president, and it’s at this level life starts to get exciting. While the title may sound daunting, don’t be deceived: Any large investment bank has scores of VPs in its ranks.

In corporate finance, vice presidents manage the day-to-day affairs of associates and analysts, and usually have more frequent contact with clients. Those working in sales, trading or research often have their own book of customers, more flexible risk parameters when trading, or their own list of companies to research. Because sales people and traders operate on their own, exceptionally talented trading-desk VPs can make more money than their firm’s managing directors.

At this level, career transitions are more difficult. So, many VPs will stay in place for longer than the typical three years. Those who don’t progress at one bank often jump to another, where they can join at the next rank: director or executive director.

**Director or Executive Director**

For directors and executive directors — the titles are used interchangeably — the top rung of the ladder is within reach. These men and women are the right hands of investment banking’s leaders, the managing directors. In corporate finance, executive directors help MDs handle relationships with client companies. In sales and trading, they call bigger and more important clients and place ever larger trades.

**Managing Directors**

At the upper echelons of the investment banking hierarchy are the managing directors. These are the rainmakers who work directly with clients and bring in business. As happens in any pyramid structure, few of those who started as analysts will make it to this level. One large bank promotes only 6 to 8 percent of its directors to managing director each year. At Goldman Sachs, the ratio of employees to managing director is roughly 16 to 1 (as of April 2009).

At the end of the day, individual performance, revenue generation and client service are keys to moving up in the investment banking world. How long should it take? It’s not unreasonable for a hungry new analyst to become a managing director by his or her early thirties.
The Brave New World
The recent financial crisis continues to reshape the investment industry

The global financial crisis and the recession and legislation it spawned placed an exclamation mark on Wall Street’s characteristically tumultuous hiring cycles.

During the financial bull market that ended in 2008, the world’s leading financial institutions combed U.S. campuses to recruit hundreds of students each into summer internships and permanent entry-level jobs. Global banks courted top students with lavish dinners, gave them weeks to respond to a job offer, and might even hire a sought-after candidate’s spouse to help ease the stress of relocating. Students who possessed top grades, extracurricular leadership roles or Wall Street internship experience could expect offers from as many as seven or eight banks.

The crisis upended that happy situation. Beyond sweeping away top-tier names like Lehman Brothers and Bear Stearns, it also wiped out hundreds of thousands of bankers’ jobs as every institution on the Street slashed payrolls to avoid the same fate. For awhile, major banks gave the cold shoulder to campus applicants too.

Now that the industry is regaining financial strength, career opportunities face fresh challenges (along with some fresh opportunities in sectors including compliance, law and public service) stemming from the crisis’s political aftershocks – primarily, the far-reaching congressional overhaul of bank regulation known as the Dodd-Frank Act of 2010.

And Then There Were Five
All of this translates into fewer job and internship opportunities within Wall Street’s most avidly pursued niches, investment banking and trading. For one thing, the number of large employers has shrunk. The disappearance of Lehman Brothers and Bear Stearns during 2008 leaves just five U.S. “bulge-bracket” banks, where there had been seven. A third bulge-bracket institution, Merrill Lynch, was acquired by Bank of America.

Fortunately, the Class of 2011 can look forward to a warmer reception from employers than the past two years’ classes faced. After a sharp pullback in 2009 campus hiring, Wall Street firms extended notably more offers for permanent jobs and summer internships in 2010. Both top-tier and lesser institutions also resumed hiring more experienced professionals than they let go. That long-awaited upturn in industry-wide employment bodes well for the coming campus hiring period.

Besides roiling financial institutions’ work forces and hiring patterns, the crisis also shook up the industry’s relationship with government. Taxpayer-funded bank bailouts and radically expanded government-run lending programs funneled several trillion dollars of capital and credit to the industry’s largest players. In the aftermath, new laws and regulations prompted major financial institutions to overhaul compensation policies – mainly by converting a portion of traditional year-end cash bonus payments into stock that an employer holds for a few years and can take back if the employee does something wrong in the interim.

Regulatory Reform and Your Career
In the U.S., the Dodd-Frank Act, which became law in July, restricts banks’ involvement in a number of activities that employ many market professionals. Affected areas include proprietary trading, derivatives, and bank-owned hedge fund and private equity businesses.

The changes might not affect near-term opportunities for new graduates, because the law gives institutions a few years to fully comply. What’s more, proprietary trading, hedge funds and private equity generally don’t employ entry-level people.

On the other hand, the new law is leading banks and hedge funds to expand in-house compliance and legal teams. It’s also fostering job growth within clearing houses and trading exchanges, which are gaining business handling various kinds of financial derivatives contracts that used to trade privately among dealers (known as “over-the-counter”).

Finally, the blizzard of new regulations means thousands of new jobs will be created within financial regulatory agencies including the Securities and Exchange Commission, Commodity Futures Trading Commission, Federal Deposit Insurance Corp. and Federal Reserve.

Other business segments and functional departments that gained stature during the downturn continue to hold up well. They include restructuring and managing distressed assets, credit risk management, algorithmic trading systems, private wealth management and retail financial advisors.

So don’t despair: Yes, the landscape has changed and, yes, competition for certain roles is tougher than it was before. But Wall Street’s still in business, and it’s looking for smart people to lead it into the future.
A New Dawn
Entering a reinvigorated campus hiring market

If you’ll be graduating or seeking a summer internship for 2011, peers who hit the job market a year or two ago may envy you. The global financial crisis that blotted out most Wall Street hiring has lifted and banks are back on campuses in force.

But don’t punch the air just yet. While the financial industry has been flexing its hiring muscles of late, there’s an ever-present risk that market conditions might roll over and torpedo the job outlook. More important, competition for slots in investment banks’ analyst programs and internships is fierce. Even in good times, leading global banks and hedge funds have their choice of top-ranked students at the most prestigious universities. So you’ve got your work cut out for you, even if you attend a so-called “target” school.

In fact, although the odds of success are better now, the path that will carry you to an investment banking job is no different than it would be in a bear market. Let’s start with the tangible assets recruiters look for in students:

- A near-4.0 GPA from a painfully selective college.
- A related major such as finance, business, accounting, financial engineering or economics.
- Making the effort to understand the business strategy of each employer you interview with.
- Alumni to champion your cause.
- Leadership experience in extracurricular groups.
- Stellar communication skills.
- Prior internships in investment banking.
- Division I athletic experience.
- A relative in the business.

In fact, although the odds of success are better now, the path that will carry you to an investment banking job is no different than it would be in a bear market. Let’s start with the tangible assets recruiters look for in students:

- Major in a relevant field. High level math and information technology coursework are proof you have what it takes to estimate risk or price securities.
- Join the business club and volunteer so much they make you president. To improve communication skills, join the Toastmasters Club or take a public speaking course.

Start building alumni relationships the day you arrive on campus. Alumni won’t hire you just because you went to their school, but they may talk to you about company culture, make sure your resume gets seen and steer you to the right classes and internships. Join professional associations and go to live events and informational interviews.

Spend the summer in an investment banking or a related internship, not counseling kids at Camp Wikiwacky.

As for relatives in investment banking – you’ve either got them or you don’t. If you do, make use of them.

Up Your Odds
Then there are the intangible assets that can put you above the competition:

- Likeability and charisma.
- Organizational skills.
- Your energy and effort levels.
- Devoting time to job seeking.
- A quiet brand of confidence that reflects emotional maturity – not bravado.
- A realistic attitude about the challenges you’ll face.

If you’re not well-liked by many, try to figure out why not and fix your flaws before you job hunt. Ask your bluntest friend how you come across. Do a practice interview at the career center and beg them to be harsh.

The single most effective thing you can do to stand out during interviews and campus events is to study up on the companies and the people you’re about to meet. Start at the company’s Web site, read annual reports and news stories, then dig deeper with networking conversations. Pay attention to culture and the differences between individual firms. Be ready to discuss current company issues, who you are, what you want to do and what’s in it for them if they hire you. Be humble and portray yourself as someone who knows some things but still has a lot to learn. This takes a lot of time and energy. So starting your freshman year, schedule a regular day and time for job hunting. Log your research and networking efforts. File flattering memos from your internships and copies of brilliant work.

When all this work pays off and you finally get an offer, don’t even think about jerking them around. Respond ASAP.
Breaking into investment banking has always been difficult. Drawn by the field’s high pay and the potential for international travel, thousands of soon-to-be graduates apply for the few hundred openings offered by each of the largest banks in a typical year.

But recent years proved anything but typical. As a financial collapse of historic proportions forced Wall Street to re-invent itself, even experienced investment bankers were challenged to find work. Now a measure of normalcy has returned, and campus recruiting and hiring is in style once again.

To be sure, the lineup of potential employers differs from three years ago. There are fewer top-tier institutions in existence. But other institutions that survived the crisis – including foreign-based and mid-size banks along with boutiques that focus on one niche such as M&A or trading – may pick up some of the slack.

Your best bet for breaking into investment banking remains landing a spot in a training program via on-campus recruitment. “Goldman Sachs, (Bank of America) Merrill Lynch, Morgan Stanley, JPMorgan and Citigroup still have investment banking practices, and they’ll all have analyst programs in the future,” says David Schwartz, a financial services recruiter at DN Schwartz & Co. in New York.

Start Early

While not everyone enters investment banking through campus recruitment, it’s the route taken by between 80 and 90 percent of the students hired. In addition to on-campus events, banks use online applications and in-person interviews to seine waves of candidates. If you want to secure your spot on Wall Street, start acquiring coursework, extracurricular activities, social skills and relevant internships as early as possible. Groundwork laid in those areas during your freshman and sophomore years will help you during the on-campus process when you’re a senior, advises Dr. Phil Gardner, director of the Collegiate Employment Research Institute at Michigan State University.

Indeed, the search for your banking job should start the first week of your freshman year. Check with your school’s career center to see which banks make campus recruitment visits and learn how to sign up for events. If the school doesn’t draw investment bank recruiters, does it draw large commercial banks? Ask which professors have investment banking ties and sign up for their classes. Read your professors’ journal publications, stop by the office to discuss them and offer to do any task – no matter how menial – to support their current research projects. Don’t just join student banking and finance clubs, volunteer for a committee and move into a leadership position. Next, visit the cooperative education office to check on internships. Find mentors on and off campus, and seek their advice on choosing the right classes for the track you want to get on.

Surviving Application Forms

With thousands of applicants seeking positions, it’s not surprising investment banks use the Internet as the starting point in the application process – or that their online forms eliminate over 50 percent of applicants. “You have to be a top-notch, A student,” Schwartz says. A GPA below 3.5 will likely knock you out, unless there are mitigating factors like being the captain of a Division I Champion team. Still more are knocked out by behavioral questions such as “Describe a situation in which you displayed leadership skills to influence the outcome of an event.” Your answers must be detailed, concise and demonstrate a skill used in investment banking. Ask professors, alumni, career center pros and fellow students for feedback on your replies.

In the worst case, your job search could be ended by overly brief answers, spelling errors, skipped questions and posting replies from one bank’s application form to another’s without editing.

If you’re at a high-profile college, your application is going to be noticed. If you lack an Ivy League pedigree, seek alumni help. “Boston College has a very tight, very active alumni group on Wall Street that cares about the kids who come out of BC,” Schwartz says. “If a BC student calls and says they’re really interested in becoming an analyst, the alum will keep an eye out and make sure their application is given due consideration.” However, he notes, “There’s never a guarantee an alumnus can get you in.”

While you should get your application in as early as possible, before you submit online, there’s one more thing to do: Get rid of anything inappropriate that you’ve posted on your own social networking sites, and ask your friends to remove anything about you from their pages, as well. That would include pictures of you drinking, partying, smoking,
less than fully dressed (no bare chests even for men) or doing anything you wouldn’t want shown on a Today Show segment your grandmother was watching. Google yourself to make sure you haven’t missed anything.

### Meeting Prep

If you’re at a top-tier university, you’ll likely do a first-round interview or be invited to attend on-campus presentations followed by networking receptions. But before attending any event, or starting your networking efforts, be sure to prepare, says Lara Berkowitz, associate director, finance careers, for the London Business School. Remember that even information chats are interviews. “Read up on the sector, the company, look at investment banking models, pitch books, and research. Learn to talk the talk, know why you want to do what you want to do and how you’re going to sell yourself,” she says. “Know how you’re going to keep the conversation going.”

Practice sessions and other programs offered by your school’s career counseling center can help prepare you for more formal on-campus interviews, which are designed to test your skills and probe your personality. Usually, you’ll face a panel of junior staffers from the business to which you’ve applied, along with a human resources professional (see Ace The Interview on page 13). Portray yourself as a team player and a leader, with technical and company-related knowledge.

If you succeed, your next step is a second-round interview at company headquarters. If you make it that far, you’re a champ: At this point, about 400 of 10,000 applicants are still standing. Of those, between half and two-thirds will receive the coveted offer of a full-time job.

### If You Don’t Make the Cut…

So, what do you do if you’re one of the many students who don’t make it through the campus recruitment process? “If you haven’t found anything by spring, expand your search, be flexible, but still have in your mind very specific goals, and continue to be proactive,” recommends Barbara Hewitt, senior associate director of career services at the University of Pennsylvania’s Wharton School. “Think more broadly about other skills you have and where else can you use them.”

While you may not land the exact position you wanted, you can set yourself up to take another run at your dream job in a few years. One option is to find a slot in another department, such as operations. “When people did that in the past, it wasn’t terribly effective,” notes Viv Dykstra, a director and co-founder of Graduate Solutions, a London-based graduate-recruitment consulting firm. “But some experience is better than none, and some work is better than none.”

Another option is to increase your skill set by continuing on for a master’s degree in a high demand area, such as quantitative analysis or financial engineering. Fluency in one of the languages spoken in emerging markets — including Russian, Chinese, Arabic or Nordic languages — can also help land you a position, says Diane Morgan, director of the London Business School’s career services department.

Morgan also suggests developing transaction-related skills by finding deal-oriented work. “Asset management start-up companies are coming to us looking for students with research, modeling, forecasting and company evaluation skills,” she says. “Some of the roles with the smaller startup asset managers and hedge funds are unpaid, but you’re getting experience.”

Or, land a compliance position at a regulator and aim to return to the private sector within a few years.

It may make sense to get industry expertise and then return for your master’s in business administration in a few years. “Learn about a particular industry and use that knowledge combined with an MBA to move over into banking,” Hewitt suggests. “Finance is a skill that every organization needs, so you don’t have to work in financial services to use those skills.” Hot industries right now include pharmaceuticals, health care and alternative energy.

If you’re completely enamored with banking, perhaps you can stay in the sector by working in another niche. Regional commercial banks tend to recruit from Midwestern schools and tend to be conservative, but they can be great places to work. Financial services sales, including insurance and financial planning services, are another option.

As a last resort, students who don’t find any work should be prepared to do an internship that will eventually lead to a permanent spot, says Dykstra.
Q&A

Donna Mastroianni, Director, Corporate Recruiting
Marsh & McLennan Companies, Inc.

What advice would you give recent graduates about navigating today’s job market?

Undergraduates, when searching for a job, should think in terms of their next job rather than their last one.

When I meet with a student who wants to be a valuation analyst in M&A, I advise them to think of the first job that will lead them to that last one. The valuation analyst job is an end, but it’s important for students to think about the means to get there.

When I’m interviewing someone, I’m interested in what that person can contribute to the firm. We have great jobs and a great environment. You will learn along the way, but what we want and need are active contributors.

In a tight job market, both undergraduate and graduate students should consider expanding their focus: not so much their occupational skills, but the view on where they can put them to use. People looking for careers in finance tend to focus on financial institutions. I’m not sure that they think about the global consumer product or pharmaceutical companies. Toyota, for example, manages a tremendous portfolio of assets. My advice is that as markets pick up, students stay true to their occupational goals, but think more broadly about the industries they are targeting.

What information from a resume makes a candidate stand out for you?

Our campus recruiting initiatives are targeted toward corporate finance hiring. In this space, I’m looking for a pattern in an individual’s career path that demonstrates a consistent interest in finance.

In an interview, what are some things that will stand out for you?

It’s a combination of the hard skills that the individual garnered through their business school training and their communications skills. Their energy level is very important to me. I’m looking for individuals who are very enthusiastic about corporate finance.

Can you cite specific qualities in a candidate’s background that impress you?

In the campus recruiting I do, I’m mainly looking at individuals who are enrolled in business school. Therefore, I have the luxury of seeing about five to seven years of business experience and their previous undergraduate successes.

The candidates I’m interested in have been associated with firms that are leaders in their space. I’m looking for individuals who have been promoted within one company. People who’ve been associated with global firms, multi-brand firms, and people who had the opportunity to work on some plum projects. It’s important that candidates distinguish between their day-to-day work, and the project work they’ve been able to do for their group, on their resume.

I also look at their prior academic accomplishments – their GPAs, how they scored on their GMATs and any project awards that they’ve won in school.

Are there any particular questions that you like to lob at interviewees?

As a recruiter, there seem to be some typical things that people ask about when things are going well in someone’s day-to-day job: Tell me about a project that you worked on and how it went.

But I also like to ask about experiences where things haven’t gone so well. Tell me about a time when you didn’t make the deadline. Tell me about a time when you coordinated a project that didn’t go very well. The answers to those questions are very telling about an individual’s style.

How can you tell if somebody is going to be a good match with Marsh & McLennan’s corporate culture?

I pose a set of behavioral questions, probing for a pattern of behavior that demonstrates whether someone is able to size up a situation and adapt to it, and become successful.

I ask: Tell me about a time you encountered a policy that you didn’t agree with, and what you did about it. This offers great insight into a person’s ability to assess a situation, and respond in a way that will effect positive change at the organization.
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All About Internships

You’d never buy an interview outfit without trying it on first, to see whether it fits well and becomes you. But many people jump onto a career path without considering whether it’s the right one. Having an internship lets you try a profession on for size.

Corinne, the director of investor relations and marketing at a Connecticut-based hedge fund, is a perfect example. In college, she double-majored in finance and art history. Her first internship was at a major auction house. But she realized her path there would be stunted. So she took on business-related internships with employers large and small, public and family-owned, and found her niche. Without an internship, she says, “you’re not prepared for the responsibility and independence.”

What’s more, interning at a bank for at least one summer often serves as admission ticket to a permanent job offer before graduation. Many employers use internships as a pipeline for recruiting permanent hires. “We continually look to our internship pool as a way to diversify our workforce and build our bench,” says April Vassau, recruiting associate at Piper Jaffray & Co., a middle-market investment bank and institutional securities firm. This year Piper Jaffray will hire 40 interns, of which half will work in investment banking. Upon graduation, some 75 percent of Piper’s banking interns may be hired full-time.

Susquehanna International Group hopes all its summer hires will eventually join the team full-time, says Lauren Laver, head of college recruiting for the trading firm based in Bala Cynwyd, Penn. “We are definitely hiring for interns for trading and technology positions,” Laver says.

Current students can expect more plentiful finance internship opportunities than two years ago, when banks and other institutions had scaled back campus interviewing and hiring in response to the financial crisis. “Finding an internship in the finance sector is definitely easier now than it was over the past couple of years,” says Monica Wilson, acting co-director of career services at Dartmouth College. “Firms are hiring interns in larger numbers, with an eye on previewing potential entry-level talent for the future.”

Still, landing an internship remains competitive. To shine in the application process, Wilson advises researching both the industry and the individual organization thoroughly and learning how to effectively communicate your relevant skills and experiences to prove you’re a perfect fit for a particular employer. Following the stock market, reading financial news and completing relevant coursework are additional must-dos for the internship search.

When Citigroup selects summer interns (rising college seniors) and summer associates (students between their first and second years of graduate school, 90 percent of whom are MBA candidates), it looks for “people who can articulate an interest in the financial markets,” says Eileen Stephan, Citi’s head of graduate recruitment.

You’ll have “a leg up,” she adds, if you identify internship opportunities early.

Barbara Hewitt, senior associate director of career services at the University of Pennsylvania’s Wharton School, offers an additional tip: “Whenever you can, get people to put in a good word for you. It makes it that much easier when you can get recommended.”

Keep Your Eyes Open

When seeking your internship, cast a wide net. “Understand that there’s a variety of positions within financial services,” says Stephan. “We look for people with a variety of backgrounds for positions in human resources, risk management, sales and trading, etc. This industry welcomes students with varied and interesting backgrounds.”

And once you’re in the door, keep a mental checklist:

- Do you like the work?
- Are the other employees’ interests and skills similar to yours? Be curious (but not pushy) about their backgrounds and responsibilities.
- Is the work environment comfortable or lacking?
- If you don’t feel you have enough to do, ask, politely, for more.
- Always be enthusiastic and professional.
- If you’re in a new city, try to network with other students and alumni from your school. As you hone your existing skills and acquire new ones, you just might meet someone who can help you find a permanent job.
Landing Your First Job

You’ve studied the theories, honed your skills through internships, caught leads with your network, and now you’ve finally got a chance to convince an actual employer you’re ready for the real world.

How, exactly, do you do that? By knowing who you are, what you want and what you can offer. Although that sounds simple, it results from a long process that, if skipped, often ends up with someone always being a candidate - and never an employee.

The key is to view yourself from the employer’s perspective. As you write your resume, ask yourself if each item is presented in a way that demonstrates your value to the employer. When you network, be sure your elevator speech mentions what you can do for the company that hires you. Remember – it’s not about you. It’s about the employer’s needs. “You have to be focused and know what you have to offer a company,” says Phil Gardner, director of the Collegiate Employment Research Institute at Michigan State University.

Even in the best of times, banks are highly selective about who they’ll invite to join their team. When business is soft and institutions ease up on student recruitment, there’s less chance that those with majors other than math, finance and economics will be hired, says Viv Dykstra, a former investment banking recruiter turned graduate recruitment consultant.

Beyond good internship experience, you’ll also need to do a mammoth amount of research so you know what’s going on in the markets generally, and can describe why you’re interested in joining a particular firm.

Academically, the better your GPA, the better your chances of landing the job. “Don’t ever forget you need that GPA at a certain level to be attractive to certain employers,” says Manny Fernandez, managing partner of KPMG’s Dallas office.

However, academics alone won’t land you an offer. Your goal should be to strike a good balance between academic credentials and interpersonal skills such as leadership and teamwork, Fernandez says.

If you’ve worked your way through school, explain that briefly in your resume, along with items that showcase your leadership roles on and off campus. “If you integrate those words into your resume, and show how you’ve taken on responsibility and have been able to complete tasks, employers will look at you as someone who can grow to be a great contributor,” Fernandez points out.

That what-I-can-do-for-you attitude needs to show up in all your networking communications, as well. “Use your connections, alumni, parents, peers already in the market, Facebook and LinkedIn,” Gardner says. “And in doing that, say not what you’re looking for, but what you can offer a company. The message has to be what you have to offer, not what you want.”

Right Pedigree

How do you show value? By having a solidly built foundation. Did you take classes that led to a major relevant to Wall Street? Did you intern in investment banking? “If you graduate from college and all you’ve done is scoop ice cream or painted houses, you’re not going to convince a hiring manager to hire you over everyone else,” says David Staiti, a principal with Winter, Wyman & Co. in New York.

Can you explain why banking is the right career for you? Have you networked with alumni working where you want to work? “A lot of people think they can jump haphazardly into the Wall Street world,” Staiti says. “They think it will be glamorous and they’ll make a lot of money. It’s not all glitz and glamour. I talk to people who are about to graduate and they don’t seem to have any idea about what the job entails and the hours that will be involved.”

To make sure investment banking is the right career, have candid conversations with your business professors, alumni and students who’ve done internships about what a day in the life of a banker is like.

“They’re going to tell you that a typical week is 80 to 90 hours,” Staiti says. “Some people love it, but that is a rare breed. Doing the due diligence is a very important piece for people.”

If the hours and the challenge of actually finding a job in investment banking don’t scare you off, remember that someone is going to get hired — and it could be you. “Those who are really keen and those who have a passion for the financial markets are not going to be deterred by what’s happening,” Dykstra predicts. “The good people will still find jobs.”
Ace the Interview

You thought homework would end with your last final exam. But there’s plenty of homework involved in a job search, including the prep you’ll need to do if you want to ace your interviews.

There are two parts to this: First, know yourself. Second, know all about the company you’re interviewing with. As an optional third, it never hurts to know someone who works there and can put in a good word for you. So network.

Socrates Said It
“Know thyself.”

To answer questions about your skills and experience with fluency and grace, prepare a mental checklist of the professional assets you offer. Interviewers may ask open-ended behavioral questions to assess your organizational and oral communication skills. “Tell me about yourself” and “Tell me about a time when…” are perennial favorites. Don’t give a chronological history of your life, but do talk about your academic and professional background, why you want the job, and why you’re the right person for it.

You may also be asked about specific occasions where you demonstrated a particular skill, such as persuasiveness or team-building. If you consider your resume to be thin in these areas, think back to relevant instances during a part-time or summer job, when you were on a sports team, on a group trip, or working as a volunteer. In this way, you’ll uncover pertinent anecdotes.

Don’t be surprised if you’re asked how you’d respond in a hypothetical situation. A question like this can gauge your soft skills, things like the ability to think under pressure, intellectual curiosity, drive, and commitment. Before responding, it’s okay to take a moment to gather your thoughts.

Demonstrate Interest
Companies want to hire people who have a realistic understanding of the job and why they want to do it. If you’ve thoroughly researched the firm and the position for which you’re interviewing, you’ll be able to demonstrate professional passion and business savvy. So try to talk with people who work there and people who’ve left. Talk with people who work in similar capacities at firms in the same sector. Seek out related chat rooms and professional organizations, and be well-versed in issues facing the firm and its sector.

Practice, Practice, Practice
Interview questions necessarily vary with industry, position, company, and corporate culture. Read sample questions in job-search books and Web sites, and try to anticipate what you’ll be asked. If the interviewer throws a curveball, you’ll have enough material in your mental file to formulate a cogent and relevant answer.

Like any good performance, an interview takes rehearsal. Once all the facts and figures about yourself and the company are in your head, practice communicating them in concise sound bites. Role-play the interview beforehand. You never want the interview to be the first place you come up with an answer. In other words, don’t wing it — practice. Ask a friend, your roommate, your girlfriend or boyfriend to role play with you.

And after the interview, debrief. Think about ways you could have responded better or questions you could have asked. It’s good preparation for the next round.

Other Considerations
Protocol and etiquette count during and after an interview. Whether it’s for an internship, summer position, or full-time job, dress modestly and professionally. Make sure you’re immaculate and well-tailored from head to toe. Go easy on the perfume or cologne. And, in the category of “we shouldn’t have to say this, but….” - leave the flip-flops home.

Also:
- Bring extra copies of your resume with you. They also should be immaculate.
- Shake hands and make eye contact with your interviewer. Wait until after the interview to jot notes about what you discussed.
- Send a prompt thank-you note. If you interviewed with more than one person, send a separate note to each. It’s okay to e-mail it, but remember this is a business letter, so format it as such. Don’t use abbreviations or emoticons, and spell everything correctly — especially the recipient’s name. Customize the message for each recipient by reiterating something you talked about during the interview.
- Don’t ever lie. Don’t even exaggerate.
- Turn off your cell phone before you enter the building.
Beyond such essentials as a strong GPA, quantitative skills, teamwork and leadership ability, to land a permanent job in financial services you also need an unblemished reputation. In corporate finance, success is determined not only by your achievements, but also by people’s willingness to trust you. Reputation management is essential, because your employer and clients need to feel that they can depend on you.

In the worst case, your digital footprint – what comes up in a Google search of your name – can act as a roadblock to employment. In the best case, it can pave the way. “We do not use Facebook for recruiting,” remarks Cynthia Bush, director of recruiting at boutique investment bank Houlihan Lokey. “But still, there has been a time when someone found out about someone’s work habits through a social interaction using Facebook and shared that with me.”

Follow these simple steps to manage your online presence and strengthen your candidacy for a position.

Manage Your Reputation
The Google search: You know your peers do it, but did you know employers do too? ExecuNet reports that over 90 percent of recruiters conduct their own internet research prior to extending job offers; 44 percent have ceased considering candidates based on what they’ve found.

What comes up in a Google search is largely determined by site analytics. The websites with the highest traffic and relevance will come up first. As Facebook is the second most accessed site on the Internet, employers will see your profile when they search for you.

Here are some reputation management essentials:

- Assess your digital footprint. Visit onlineidcalculator.com to benchmark your web presence. While it isn’t necessary to be unique on the web to get hired for a finance job, you do need clean search findings.
- Have a “clean” Facebook page. Even when you use Facebook privacy settings, also practice “safe rep” by untagging questionable photos and keep all status updates above board. If it would make your mother blush or an employer reconsider, don’t share it. Status updates can spread virally. And remember: A negative comment about one employer can sink your candidacy elsewhere.
- Set up a Google Alert on your name (www.google.com/alerts). You will be e-mailed when your name (or that of a namesake) hits the web.

Build Your Personal Presence
While negative search results can eliminate you from consideration, an online presence that showcases your interests, skills, and experience can help get you hired.

If you are active in student investment clubs, sharing your group’s decision making process that led to a successful stock pick can help you score points with employers who find you online. Another way to strengthen your application is to comment on market trends and share your insights in a way that demonstrates your knowledge base. Comment on blogs of financial websites, and even consider starting one of your own. (If you do start a blog, link it to your resume.)

The benefit? Many financial services websites have high search engine rankings. So, if a potential employer Googles you and finds well written material online that’s relevant to a job you’ve applied to, they may want to hire you.

Grow Your Network
Through social networking, you can expand your visibility, network, and create access to opportunities. “Use social networks to exponentially increase the number of people who are interested in you,” advises Miriam Salpeter, career coach and former vice president at Prudential Securities. “Interact with others. They’ll provide information, advice and resources to help you land a job.”

Salpeter recommends Twitter in particular because it is an opt-in network and a “barrier buster”: Most users allow anyone to follow them and many will respond if you express interest in their status updates. Although Wall Street insiders don’t tweet about what they do, you can use Twitter’s search engine (search.twitter.com) to conduct company research, keep pace with your chosen industry and expand your network. For more information, check out the Twitter Job Search Guide.
Fifteen seconds. One-quarter the length of a television commercial. That’s about how long you have to sell yourself to a potential employer through your cover letter and resume. Like a good commercial, these two marketing tools need high production values, perfect editing, and compelling content. And they have to convey your message clearly and concisely.

While a resume and cover letter may appear to be two separate documents, they’re really two components of one presentation, and should be packaged as such. When you present hard copies, use the same 8 ½ x 11-inch, good quality paper for both - white or ecru only. Use black ink in the same font throughout, and be sure the typeface is between 11 and 14 points. Avoid fancy fonts and other embellishments. Center your contact information at the top of each. Everything should look neat, immaculate, and professional.

Once you’ve got those formatting rules down, you can focus on the content.

**Your Cover Letter**

The purpose of a cover letter is to explain why you want a particular job and what you can offer the company. It should contain no more than four paragraphs on a single page. But those four paragraphs are crucial, because hiring managers will use them to assess your writing and organizational skills as well as your level of interest in the position. An effective cover letter will take time and preparation, research about the company, rewriting, honing, and careful proofreading.

In the first paragraph, convey the purpose of the letter. If someone at the company has referred you, or if you’ve previously met the person to whom you’re sending the letter, mention it here. Then describe your qualifications, skills, and experience, and how they mesh with the job’s requirements. Keep your marketable skills front and center.

If you’re sending an electronic cover letter, make it the body of the e-mail. (It saves hiring managers a step, and puts your profile in front of them immediately.) Remember, it’s still a business letter and should be crafted as such, with a proper salutation and closing.

Tailor each letter you write to the specific position and organization. Cookie-cutter cover letters go stale quickly.

**Your Resume**

If the goal of a cover letter is to get the hiring manager to look at your resume, the goal of your resume is to be invited in for an interview.

A well-crafted resume is an at-a-glance synopsis of your skills, experience, and education. If it’s well written, it will convey competence and spur managers to want to know more.

While it’s not the great American novel, it is your professional autobiography. But remember: You’re not writing a narrative. Avoid using personal pronouns. Focus on action verbs to emphasize your achievements, words such as demonstrated, managed, achieved, analyzed, created, implemented. Use nouns and avoid adjectives. Use short, easy-to-read sentences. Fragments are okay. Include bullet points where appropriate. And keep it concise. Even the most experienced candidate’s resume shouldn’t exceed two pages.

Stay objective and avoid the personal. That means don’t mention the previous boss you considered to be mentally deficient, or the business practices you deem subpar. It also means not including personal information beyond your name, address, and pertinent contact information. Don’t mention hobbies unless they’re career-related.

As a new entrant in the job market, consider using a chronological resume. This format lists your work history in reverse chronological order, with the most recent job first. It’s the most commonly used form and the one most employers are familiar with.

**Before You Send Them**

It’s impossible to stress enough the importance of proofreading your cover letter and resume. Spell-check them. Then proofread them again. Ask a colleague, friend, or relative to have a look — a fresh set of eyes can find things you’re inured to, and spell-check software often misses mistakes.

Make sure your grammar and spelling are perfect. Confirm the punctuation is consistent throughout. If you’re waffling about including something, ask a mentor, teacher, or former boss to have a look, too.

Only when you’re sure everything is absolutely perfect should you put them in a matching envelope, or hit “send.”
How to Research Potential Employers
Know what you’re getting into

Finding a great employer is a lot like finding a great date. The more you know before you agree to a match, the better. Backgrounding an employer not only assures that you’ll have something to talk about if you do get an interview, it also increases the chances you and the firm will be a good fit.

Among the items you’ll want to know about before you seek a position:

- Fiscal health
- Culture
- Corporate social responsibility
- How the company treats women, minorities and others
- Approach to work/life balance
- Pending lawsuits and regulatory actions
- Merger and acquisition potential

Delving into all this is easiest when the company is a large, public firm with thousands of employees. It’s hardest when the firm is small and privately held. Players in some industries, such as hedge funds, are particularly difficult to background because they tend to be guarded about the information they release to the public.

Online Information
Begin your research with public sources available online or via your campus library. “The company’s Web site is a good place to start,” says David Staiti, a principal with Winter, Wyman & Co., a recruiting firm in New York. “The bigger firms will have informative sites, private equity and middle-market firms may not. If you’re looking at a publicly traded bank, they’ll have lots of information online because they have public filing requirements.”

Other public records sources include the U.S. Securities and Exchange Commission’s Web site (www.sec.gov), which offers information about litigation and administrative proceedings against firms and individuals, as well as EDGAR (Electronic Data Gathering, Analysis, and Retrieval), a database of public company filings.

Your campus career center likely has access to general, regional and industry-specific business directories such as Hoover’s (www.hoovers.com/free), which provide background such as competitors, revenues and officers.

Dig the Dirt
Dig a little bit online and you may turn up things that people dislike about your target firm. Just because one person didn’t like the company doesn’t necessarily mean anything, but you want to be aware, advises Simma Lieberman, author of Diversity and Inclusion.

And, of course, you can Google using both the company name and key words, such as “financial reports,” “annual reports,” etc.

Court Records
You can learn a lot about a potential employer by looking at lawsuits that have been filed against it, as well as cases it files against others. Search for that information at the federal judiciary Web site, PACER (www.pacer.gov), using the company name, or the names of company officers. You can also check lower courts in the state in which the company is headquartered — just Google “state name courts” (i.e., “Delaware Courts”) and the firm’s corporate names.

News Searches
To get the latest dirt, you need more recent sources such as newspapers, magazines and blogs. Check these sources before you apply for a job, and follow them throughout the interview process.

As you search for information about a company, see how much emphasis the company places on its values, integrity and ethics, suggests Jeff Thomson, chief executive officer of the Institute of Management Accountants. For instance, does it participate in the Global Reporting Initiative (GRI), in which companies commit to corporate sustainability reporting? Does it have internal networks for women, gays or minorities? What charities does the company support?

Inside Scoop
If you really want the inside scoop, you’ve got to talk to someone who’s seen the company from the inside. Start with your own social network, looking for someone who works for the company. Alumni and professors can also supply contacts, as can social networking sites such as LinkedIn, Plaxo and Twitter.

“If you talk to alumni who work there, you’ll hear behind-the-scenes information that will help you figure out if this is the kind of place you’d want to work,” Staiti says.
Networking in College – Online and Off

Networking is more than something you do to land your first job: it’s a life-long skill that, once developed, will pay dividends throughout your career. “Contacts play a strong part in people getting work experience,” says recruiter Vivienne Dykstra, director of Graduate Solutions Ltd., a company that helps employers attract talent. “About a third of the students with full-time jobs in financial services have had an internship or work experience through family contacts or networking. It’s the sort of industry where networks are critical to getting opportunities.”

Ideally, you should start networking during your freshman year, giving you plenty of time to practice and hone your skills. Where do you start? Wherever you are.

“Talk to people at the beach, on the plane, at school,” says Barbara Hewitt, senior associate director of career services at the Wharton School at the University of Pennsylvania. “Let people know what you’re interested in.”

Target Alumni
A good starting point is in your own backyard: your school’s alumni. Your campus career center or alumni office may have searchable databases where you can find contacts based on industry, job function, home town, or major.

If your school lacks such information, use business networking sites such as LinkedIn or Plaxo, or social networking sites like Facebook to find alums.

Campus Connections
Take advantage of on-campus connections, too. If you play a sport, ask the coach for the names of older players who can act as mentors as you choose classes or find internships. If you want to become a portfolio manager, reach out to the school’s portfolio manager. Remember, someone is managing that endowment.

Many campuses offer formal networking events sponsored by student organizations or academic departments. While these functions create great networking opportunities, they also terrify even the most capable students.

What you may not realize is that networking events frighten adults, too. “Everyone has the same feeling of panic before networking events,” says Shawne Duperon, a Novi, Mich., networking and media consultant. “Your game is to make friends. Focus on friendship and miracles will happen.”

To prepare for these in-person events, you’ll need three things: a 60-second explanation about who you are (called an elevator speech), professionally printed business cards with your name and contact information, and background knowledge about the people attending the event.

If you’re a student, your elevator pitch could mention your internship experience and what you’d like to do eventually. Students with no experience can toss out other ice-breakers, even those that aren’t business-related, says Jeff Thomson, president and chief executive officer of the Institute of Management Accountants.

“Go in with a couple of things in your head so you’re not at a loss for words,” he advises. Sports is a safe topic, or you could mention a great book you just read, or a movie you saw.

After your 60-second pitch, ask the person to whom you’re speaking about themselves. What’s it like to live in the company’s headquarters town (not every financial firm is located in New York) or the home of a major branch? What was the impetus behind a new product or service? This is where your background research can pay off.

As you work your way around the room, focus on asking questions instead of telling your own story and looking for work. “People love to talk about themselves, and when you listen to them, you can see if you want to connect, if there’s a match,” says Duperon. If they don’t ask you a question, or they’re not engaged, move on to the next person.

Once you’ve established rapport with someone at a networking event, ask if you can follow up later. Try a line like this: “It was great to meet you and connect, and I so appreciate your coming to this event. Would you mind if I followed up with you via e-mail? I’d love to hear more about…”

Don’t ask for a card or offer your own until you’ve made a real connection. “When you pass out a bunch of your business cards without establishing a connection first, it’s like kissing someone on the mouth that you don’t know,” says Duperon. “Yuck.”

To follow up on your leads, forward a relevant news item, invite the alumni contacts for coffee and keep everyone posted on what you’re doing this summer to further your career.
In the face of fierce competition for investment banking jobs, you’ve got to pick up hard skills before you graduate in areas like analytics, math, and written and verbal communication.

Which ones will you most need? “That differs depending upon the division the candidate is coming into,” explains Vivienne Dykstra, a former investment banking recruiter turned graduate recruitment consultant and director of Graduate Solutions Ltd., based in London. “Each division tends to have a slightly different approach to how they weigh skills. In the trading side of the business, you won’t be required to write as fluently and competently as you would in an analyst position.”

“While not impossible, it would be difficult for a student to land a job in investment banking without any evidence of economics or finance classes on their resume,” says Melanie Tinto, senior vice president and head of global campus recruiting and rotational programs for Bank of America. “Overall classes we look for are finance, accounting, economics, statistics and other financial-related courses.”

Because investment banking work is generally done in teams, you must be a strong team player, Tinto adds. Evidence of this shows up in the classroom on projects, leadership roles in clubs or other campus activities, on sports teams, or in previous work experience.

Here are some of the most common banking divisions and the skills you’ll need to break into them:

**Client Facing**
When seeking a client-facing position, expect to have your communication skills examined. These include being comfortable speaking to groups, ease in using PowerPoint, flawless grammar, and the ability to quickly and smoothly produce written documents such as case studies.

“Sales and general communication skills will be evaluated carefully, and your ability to work hard and to work with clients and teammates are probably equally important,” Dykstra adds.

**Financial Engineering/Quantitative Investment**
Here’s the division where speaking Geek is a benefit, not a drawback. “If you’re going to be structuring deals, the most important thing is going to be your brain,” Dykstra says. Classes in database management, computer science, accounting, finance, upper-level math and quantitative analysis will show your sincere interest.

**Sales and Trading**
Remember when you were young and the ice cream truck pulled up to a group of kids? The sales guy could wait on four kids at once, remember who bought what, how much he was owed and how much change to give back. “That’s what a good trader needs,” says Santiago Maggi, chief investment strategist at Bulltick Capital Markets in Miami. “A trader needs to handle many things at the same time without losing track of all the transactions.”

You also need to be a good salesperson, so you can sell whatever position you have. Maggi looks for traders who can read people and have a sense of where the market will move – a skill referred to as being a good tape reader.

**Registered Representative**
Obviously, you need sales ability to become a financial services salesperson, but you also need math skills. “If you’re terrible at math you shouldn’t even consider being a financial advisor,” says Darin Manis, chief executive of financial recruiter RJ & Makay. “You do have to pass the Series 7 and Series 66 license exams. Both are math intensive and most companies will make you take a math test.”

**Analyst**
This fast-paced job comes with immediate demands. “New hires will be called on to develop financial models and evaluate companies,” says Tinto. “They’ll be asked to read balance sheets, income statements, cash flow analysis, etc. and translate the information to their partners.”

To do that you’ll need analytical, evaluation, math and accounting skills, as well as Excel and PowerPoint training. Polish those skills at campus club or career center seminars, corporate-sponsored challenges or special programs.

**MBA**
Master’s program graduates need excellent Excel, valuation and financial modeling skills, which they pick up in their finance and accounting classes, says Lara Berkowitz, associate director, finance careers, for the London Business School. They also need communication skills to transform those analytics into the pitch books and live presentations that land new accounts and retain existing business.
The Ins and Outs of an Overseas Job
The realities of working internationally

For banks and non-financial companies alike, completing a stint outside the firm’s home country has long been a resume enhancer: a way to build credentials and gather experience that could propel a career to higher levels.

Now it may be evolving into something more: a lifeline to markets well on the way toward having the lion’s share of the world’s investment opportunities, and consequently, job opportunities for bankers and investment managers. That’s one lesson from the global financial crisis. Although not immune to the crisis, emerging economies and markets, especially Asia ex-Japan, both held up longer and recovered more quickly than either the U.S. or Europe.

In 2009 Chinese companies accounted for three times as many initial public stock offerings as U.S. companies and made up more than twice the dollar volume. In the first six months of 2010 investment banks raked in $5.6 billion in fees for stock and bond sales and M&A deals in Asia. That was 68 percent more than in the first half of 2009, and nearly on par with Europe. Combined wealth of Asia’s high net worth population (including Japan) soared 31 percent in 2009 to $9.7 trillion - just 10 percent less than the comparable U.S. figure.

Both banking leaders and aspiring young bankers are taking notice. The chief executive of global investment bank HSBC recently relocated from London to Hong Kong. During the first seven months of 2010, institutions that enlarged or said they plan to enlarge workforces in Asia include: BlackRock (equity teams and exchange-traded funds), JPMorgan (corporate banking), Citigroup (private banking), UBS (private banking), Bank of America, Morgan Stanley, Cantor Fitzgerald (equity-linked derivatives), Fortress Investment, Soros Fund Management and SecondMarket – to name only a few.

Rather than cost-cutting, the moves aim to gain business from wealthy Asian investors and profit from the rapid growth of both deal activity and goods trade within the region. Many of those same companies expect to do little or no net hiring in the U.S.

For an up-and-coming banker, then, gaining experience abroad could be more important than ever. But competition for international spots can be tough. For one thing, firms often prefer to hire locally rather than internationally. It’s expensive to relocate and maintain expatriates. And developing local talent lets an institution showcase its commitment to a region, which may help it attract more business in the long run.

Cultural Challenges and Distant Shores

The biggest issue with foreign assignments has always been cultural assimilation, which includes language fluency. Speaking at least two – but possibly more – languages definitely pays off. Foreign companies with a U.S. presence appreciate someone fluent in both English and their local language or dialect, such as Mandarin Chinese.

When considering a post overseas, be sure to investigate the specifics of the position and the country it’s located in. “Always visit the country before you decide on a job overseas,” says Kathy Downs, of Robert Half International’s finance and accounting division. “Before I place someone abroad, I will always ask if they’ve ever traveled to the locale, and I will also ask about their family situation and if they have a family member who’ll need to work abroad too, since work visas may be hard to come by.”

And then there’s gender: “Gender differences in the workplace are a consistent issue,” reports Lily Tang, an independent cultural consultant with expertise in financial services. “The ideal of a respectful workplace is so defined by the social norms of any given society, even in organizations working hard on diversity and inclusion, equity is elusive.” Lack of attention or sensitivity to acceptable behavior and language can quickly derail a promising career.

For someone who’s thinking of repatriation after a few years, there is also the risk that shifts in economic conditions or an employer’s strategy could leave you stranded – stuck in an overseas post, or worse, laid off, with no easy way of resuming your career in the U.S.

Of course, make sure your own passport and any needed visas and work permits are in order. Consider the quality of living in the given city and its costs of living. Depending on what currency you’re paid in, you may need to consider currency fluctuations, as well. However, notes Downs, “if you’re being relocated by your current firm, odds are you’ll be given a housing allowance or some other perk to relocate.”
Managing Your Career
It’s about more than your next job

Many people think career management is all about getting that next job. But it’s much more than that. Among other things, managing your career is about making choices on what paths to pursue, climbing the ladder, and taking charge of your personal development.

It might sound overwhelming, but career management doesn’t have to be complicated. The essentials can be boiled down to a handful of basics.

**Find Your Passion**
Your first step should be an exploration of where your talents, skills and interests can take you, and what options might await you at the entry level, says Roy Cohen, a New York executive coach and author of *The Wall Street Professional’s Survival Guide: Success Secrets of a Career Coach*.

Once you’ve surveyed the landscape, examine potential avenues that could run through each one of them. “What you do is like decision-tree analysis,” explains Cohen. “If you explore one option, then you say, ‘Okay, based on this option, what are the potential directions that could emerge?’”

This step is likely to require a good deal of research. A good place to start is with a simple Google search on a descriptive phrase, such as “private equity.” Reading up on each career on Web sites like eFinancialCareers is another good idea.

You also should talk to people who work in the sectors that interest you to gain an understanding of what they do. Find out what motivates them, and what excites them. Ask how they got to their current position, and look for parallels in their career paths. Also ask what they value when hiring at the entry level.

Focusing on a dream without knowing much about it can be dicey. “Unless you’ve grown up in the financial district, you may not know that you want to be a hedge fund manager or an investment banker,” points out Cohen. So take the time to examine your interests, talents and skills and understand your options. Your ultimate destination may not be so apparent at the beginning of your career. And many jobs may cease to exist as Wall Street restructures itself.

**Set Goals**
Once you start working, and learn more about the direction you’d like to take, map out a game plan for where you’d like to see yourself in three or five years. That could include going back to school, or pursuing a professional certification like Chartered Financial Analyst or Certified Financial Planner. Your plan will have a lot to do with understanding your goals in both the mid and long terms.

When talking to people, try to gain an understanding of what you need to do to distinguish yourself. “In a very competitive marketplace, you need to consider every possible option to make yourself as attractive as possible,” says Cohen. This inevitably includes seizing any leadership opportunities that present themselves.

You can start working on your leadership credentials as an undergraduate: Participate in an investment club at school, conduct research for a professor, work a summer job. Any kind of summer experience, even if it’s unpaid, can be valuable. And remember, “Wall Street loves athletes,” says Cohen. “You don’t have to be a great athlete, you just have to be a good team member.”

**Build Your Network**
The majority of jobs are filled through introductions. But networking isn’t about talking to people who can get you an immediate job. Good networking is about finding the common ground you share with other people, and understanding how you can help them so that they’ll have a reason to help you.

Most newly minted professionals don’t appreciate the potential benefits of networking. But should you find yourself displaced by a layoff or corporate restructuring, it’s essential that you be able to tap into resources and communities where you can promote your career. Networking doesn’t guarantee you a job, but having connections can open doors that might otherwise be closed to you.

The easiest way to get started is through your school’s alumni organization. Many schools provide networking opportunities for students and alumni to meet and mingle. You’ll also want to identify professional organizations where you can get a student membership. For example, students interested in the more analytically oriented roles on Wall Street may find their local security analysts’ society a good venue for meeting people and getting exposed to helpful information and ideas.
Extend your networking online to social networking sites such as LinkedIn and Facebook. But don’t mistake it for real networking, says Denise Palmieri, director of client relations at the Pinnacle Group, an executive recruiting firm in New York. “It’s a hologram of your networking,” she says. “All you are doing online is interlinking your networks.” The reunion – where you really see each other and make genuine connections – is the real networking.

**Continue Learning**

Give after-work activities such as continuing education their due. Professional development classes are available through many professional societies, along with specialized educational firms. Formally recognized programs such as a part-time MBA or the Chartered Financial Analyst program have helped many a professional advance his or her career growth. Although many businesses have pulled back from sponsoring career-related education, some still do reimburse a portion of their employees’ course fees.

It’s also important that you read trade publications, such as *Institutional Investor* and others, to get exposed to industry lingo and the major trends in your field.

**Develop Your People Skills**

Success in a financial services industry career isn’t just being good at math and quantitative analysis. You’ll need to have a diverse set of skills, including good interpersonal skills. This is particularly true in a competitive job market since people typically prefer to work with people they like.

“For a long time, Wall Street was really forgiving. It allowed in people who may have been a little rough around the edges but were very smart and talented in their quantitative abilities,” says Cohen. “But that’s not acceptable any more. It gets companies into trouble.”

When you think about continuing education, don’t overlook these “soft” skills. Bear in mind what can help you succeed early in your career may be very different than what you need as you advance. Entry-level employees usually need to roll up their sleeves and be willing to do nearly anything. As you rise, you’ll need to learn how to delegate. You don’t become a leader by doing everything yourself. “What might be valuable initially, might be irrelevant or dangerous mid-career,” says Cohen.

When it comes to the people that you work with, try not to take things personally or blame yourself unnecessarily. Often young people will get frustrated or disappointed, then make an impulsive decision. When it comes to career management, the biggest error you can make is being impatient and making a job move too quickly. “Wall Street is not a fraternity,” says Cohen. “It can be a very rough experience. You’ve got to be thick-skinned.”

**Managing Yourself**

Not long ago, advice on career management included discussions about the need to maintain an adequate work-life balance. For juniors and seniors graduating into a hyper-competitive job market, that may be impractical, says Cohen. “The only way that they will succeed is by bending over backwards and working 110 percent,” he says. “This is a market that demands extra, not just enough. Extra.”

The good news is that if you’ve done your homework, you’ll have found a career you’re passionate about. You’ll have aligned your personal and professional goals and will likely be willing to make that commitment early on.

That’s not to say that you should be working 24 hours a day. Don’t let yourself get overtired. To stay on your game, you’ll need to maintain a high level of energy and preserve your health.

Bear in mind that managing your career is a process, and the various elements often go hand in hand or overlap. The above isn’t a to-do list where you check off an item and then move on. These basics are worth revisiting periodically. It won’t be unusual to find your interests and passions changing, your goals in need of realigning, or that you’ve fallen out of touch with your network. An annual, semiannual or even quarterly career management check-up will serve you well.
“Career path.” That’s a phrase often spoken by HR staffers eager to show young employees that management is meeting their need for professional growth. Does the phrase mean anything—or is it simply hot air?

For many professionals, career moves end up driven by opportunism—more a string of chance events than a consciously planned “path.” At the beginning of a career, a certain amount of flexibility is helpful. But beyond the first few years, careers, just like investment portfolios, benefit from a coherent planning process that includes written goals, timetables and periodic monitoring.

Careers, in other words, perform best when designed with an underlying structure and purpose. Think of it as “active career management.” The mind-set can be summarized this way: Devote consistent attention toward your career goals and prospects, even when you aren’t looking for a job.

Start by Plotting Your Course

A prerequisite for actively managing your career is to understand your own path. That requires figuring out where you wish to go, and assessing whether your present job and employer are helping you get there. Whether the answer is yes or no, you’ll have to determine which new skills you need to advance to future stages, and how market changes are likely to affect your progress.

To generate alpha from your portfolio of career assets, you must have a strategy for marketing yourself to employers (including your present employer, if that’s where you expect to advance to the next stage). John Benson, chief executive of eFinancialCareers, which publishes Careers in Financial Markets, describes five key planks:

- Identify firms that will appreciate your skills
- Know how you can solve their specific needs
- Demonstrate your track record with real data
- Write it down
- Have a mentor whose guidance you can seek

Whether you plan on remaining with your current employer or making a move soon, each of these is vital to achieving your goals. For instance, thinking concretely about how you can contribute to rival firms will accomplish two things. It will sharpen your understanding of your industry’s competitive conditions, and it will help you make the case that amply rewarding or promoting you will advance your current company’s business goals.

Network, Stay Ahead of the Curve, Utilize Recruiters

Weaving networking into one’s business lifestyle is also an essential aspect of active career management. Venues for networking include your own company, professional associations, and your business school’s or university’s alumni. To succeed at building and maintaining a network, always remember it’s a two-way street. Do favors—preferably before requesting favors—and be a resource for others. And when you receive help, say thanks. If you send a meaningful token of appreciation each time a referral leads to a contract or job offer, your contact will be more likely to help again in the future.

Staying up to date on your industry and specialty is vital as well. That goes beyond keeping your skills state-of-the-art. It also means keeping on top of market and business conditions so you’ll have a feel for where opportunities and threats to your career may be germinating at any given time.

Whether you’re looking for a new job or not, get in the habit of consulting industry news publications, your own network of contacts, and eFinancialCareers to keep your finger on the pulse of your sector’s business and hiring climate.

Finally, use recruiters properly. Build relationships with two or three whose careers will parallel yours. If you share information with them, you’ll get information in return. Raising your profile among peers—by performing committee work for professional groups, for example—will make it easier for recruiters to both notice and market you.
Voices of Experience
Professionals offer advice on financial market careers

Heidi Wood, Managing Director, Senior Equity Analyst
Morgan Stanley
- Train yourself to think as originally as you can. Your job is to figure out the spread between what is true and what isn’t. Many people are trying to obscure your ability to get to the truth.
- Don’t let “no” stop you. One of the best ways to differentiate yourself in a competitive world is the ability to persevere and consistently follow-up in cases where you have an opportunity to break in.

Chad Rakvin, Global Equity Index Director
Northern Trust
- Don’t underestimate the value of communication skills. Everyone lists this on their resume, but few people actually have proactively developed their communication and interpersonal skills with specific courses or seminars.

Phil McHugh, President
Fifth Third Investment Advisors
- You must have the ability to listen to your clients and identify their dreams as well as their needs. If you can do that, you’ll have the ability to design solutions to help them reach their goals.
- The ability to identify tax savings for a client is one of the biggest differentiators among successful private bankers.

Anu Aiyengar, Managing Director, Mergers and Acquisitions
JPMorgan
- Investment banking requires you to be aware of what’s happening in the world – in economics, financial markets, regulation. Read the Financial Times, The Wall Street Journal and watch CNBC not because you have to, but because it interests you. Also talk to people who are in the business.
- There’s still no better way to determine whether investment banking is right for you than an internship.

Caroline Arnold, Global Head of Client Relations & Facing IT
Morgan Stanley
- You want to think and operate like an owner. It’s important to be able to take ideas, move them forward to execution, and be accountable for the results.
- The most successful people in IT are great technologists who are able to strategize with the business about a new opportunity, and then execute. It’s a thrill to see products you’ve created make a difference to the bottom line.

Jon Bloom, Managing Partner
Broadlawn Capital
- Most people don’t have the risk discipline needed to become a successful trader. This characteristic is innate for some, but others can acquire it through training, playing online games of chance, or casino gambling. Without it one can’t be a successful trader.

Patrick O’Leary, Compliance Officer
BNP Paribas
- The top priority is to serve clients, so you need to be practical. Ideally, rather than simply telling business-people a particular business can’t be done, compliance professionals work with the business to roll out a particular offering in a way that is compliant with applicable regulations.

Michelle Khalili, Managing Director, Equity Capital Markets
CIBC
- Know who you are – what your strengths are so you can capitalize on them, and if you do have areas of weakness, make sure you work on them.
- It’s very important to network even when you are in college.

Rich Silverman, Senior Partner
Silverman Communications Group
- A large part of being a valued PR professional is gaining the ability to effectively communicate sophisticated and complex issues in a manner that is easily understood – and without appearing to be insulting or dumbing down the issues. This is an important quality that your client will undoubtedly appreciate.
Your grandfather may have retired with a gold watch, but it’s unlikely that today’s graduates will become lifers with any one employer. In the boom-and-bust financial industry in particular, professionals must be ready, willing and able to launch a job search on a moment’s notice.

“New graduates must learn to be proactive,” says Patricia Dorch, president of Six Figure Career Coach and author of Six Figure Career Coaching Advice: The Ultimate Guide to Achieving Success. “The time to update your resume is right after you pass your probationary period.”

Since the question for new grads isn’t “if” you should change jobs but “when,” here are signs to help you recognize when it’s time to move on.

Red Flags Need Prompt Action

• Financial troubles: Staff reductions are common during economic downturns, and any layoffs may not affect you or portend severe financial problems for your employer. But if your company is consistently losing money, seeking a buyer or divesting major business units, be proactive and start looking for opportunities elsewhere. Likewise if either your department or your desk fails to meet revenue or profit targets for more than a quarter or two.

• Limited growth opportunities: If you’re stagnating, your career has plateaued and you foresee no changes on the horizon, it’s time to move on.

• Passed over: If your contributions aren’t being recognized, and peers with similar skills and experience are passing you by or being given special assignments, it’s a red flag signaling the need for change.

• New boss hiring old cronies: A new boss doesn’t always necessitate a job change. However, if she’s terminating current employees and hiring former loyalists, chances are you’re on borrowed time. Also, if it’s public knowledge that your new boss was brought in to clean up your department, then it’s probably time to go. Once you’re associated with an underperforming business unit, it’s very difficult to salvage your professional reputation and keep your career on track.

• Bad vibes from management: While it’s not always fair, being liked by company management is critical for success. So if your boss or company executives give you the cold shoulder, and there’s no leadership change in the offing, it’s time to look for a new job.

Yellow Flags Are Warnings

If you have little control over a yellow flag situation listed below and things haven’t been resolved within six months, it’s probably time to move on, says Hallie Crawford, a certified career coach specializing in young professionals and recent college grads.

“It’s human nature to either be impulsive or over-analytical in response to workplace challenges,” says Crawford. “In the case of young professionals, 60 percent of the time they probably need to stay to get more experience and learn how to work through problems, and 40 percent of the time, they need to leave.”

• Poor performance reviews: Anyone can make a mistake or occasionally miss some goals. But don’t ignore serious performance issues or a situation that is de-motivating you from giving your best performance. “If you’ve received bad evaluations and negative feedback from your boss and co-workers, you either need to work on your performance or leave,” says Crawford.

• Organizational changes: Whether it’s a new boss, a company-wide reorganization or a lateral transfer, give yourself time to adapt to the situation so you can evaluate how it will impact your career. Also, don’t get caught up in the post-change frenzy of co-workers; make a stay or go decision based solely upon an unemotional evaluation of what’s best for you.

• Poor cultural fit: This is one of the primary reasons employees change jobs. But remember politics, red tape and frustration abound in all organizations, and new grads must learn how to adapt and survive in tough business environments. Give yourself time to acclimate to the culture before deciding to jump ship.

• Recruited away: While it’s flattering to be pursued, remain grounded so you don’t view a new opportunity through rose colored glasses, only to have regrets later. Do your homework and ask tough questions before deciding to accept another offer. “Learn to appreciate what you have,” says Crawford. “Because the grass isn’t always greener at another company, it’s just more grass.”
Getting the Most Out of Headhunters

Also known as “headhunters” or, more formally, “executive-search consultants,” recruiters typically don’t enter the picture until you’re looking for your second job. You’ll have to have some work experience before one will even consider talking to you. But once you’ve been in your first job for about a year, recruiters can become a solid resource. Before you begin reaching out to these career middlemen, here are five things you should know:

They Work for the Hiring Company

While recruiters can be helpful to candidates, they’re paid by employers. “The company is our master,” says Adam Zoia, chief executive officer of Glocap Search, a New York executive-search firm focused on financial services.

Companies often hire recruiters to supplement their own efforts, which typically include employee referrals and job postings on internal career portals and outside job boards. Recruiters can enter the picture when employers want to scour the market for a range of candidates, usually a wider selection than they could get on their own. Employers also hire recruiters to screen candidates.

Recruiters are paid to have a handle on the broad talent market and access to potential hires, using their judgment to narrow a list of 500 possible candidates, for example, to a limited slate of, say, 20. And recruiters often help with the interview process, provide feedback, and, if the offer stage is reached, help with negotiations.

They Influence Hiring Decisions

When working with recruiters, the most common mistake young professionals make is underestimating their importance to the hiring process. Cultivating good relations can pay off for you down the road, particularly as you gain experience and reach more senior levels, where recruiters often play an integral part in the search and selection process.

If a company outsources the task of filling a particular position entirely to one search firm, the recruiter’s influence is very important. “If you don’t get through the recruiter, the gatekeeper, you don’t get to the client,” Zoia points out.

How the recruiter is paid can send important signals to the candidate. If a search firm has been hired on retainer, the company is paying for its services up-front, that’s a sign the company is more serious about filling the position. It also can mean the firm considers the recruiter an important partner in the process, making it even more critical to view her (or him) as a first-round interview with the company.

Put Your Best Foot Forward

To their detriment, young professionals often arrive late, unkempt or disorganized to recruiter meetings. “When candidates interview with a recruiter, they should be as serious as they would be with a company,” says Zoia.

Any offense—a missed meeting, flaky comment or inappropriate behavior—could haunt you for years to come. Recruiting firms maintain databases of candidates for “sourcing” hires, and make notes about the people they’ve met. If down the road another recruiter sees negative notes about you in the database, he or she is a lot less likely to call you in.

If a recruiter sends you to a company on an interview, e-mail or call the recruiter to report on how it went.

One surefire way to get dinged in a database is to skip an interview. Last-minute cancellations are also a no-no. If something comes up you simply cannot help, give as much notice as possible.

Get On a Recruiter’s Radar

Some recruiters have Web sites where you can submit your profile, others want candidates to contact them through e-mail, and some want a phone call. Usually an e-mail followed by a phone call is the best way to get started.

Make sure your resume is in good order. While recruiters usually will offer a few tips to polish up your resume, don’t expect them to write it.

Your resume should highlight anything that might help you stand out from the crowd. Include any transactions you’ve worked on, awards, sports you’ve played and your grade point average, even if it isn’t particularly high. Otherwise, recruiters and hiring managers will assume the worst.

Stay in Touch

Once you’ve connected with a recruiter, you’ll want to make sure you’re top of mind when a position comes up that might fit you. The best way to build a mutually beneficial relationship is to share information about what you’re seeing in the job market. For example, let recruiters know when your company is hiring. After you’ve secured that new position, keep in contact.
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Politics exist in every workplace, and financial companies are no exception. Amid the constant competition for clients, resources, promotions and raises, nearly everyone has a story of unscrupulous co-workers who took advantage of a situation by cutting corners or stomping on toes.

Yet, office politics shouldn’t be considered the exclusive domain of back-stabbers and manipulators. To the contrary, those who can understand the political landscape in their organization can use it to a career-boosting advantage.

Office politics most often boils down to a struggle for control, usually over resources, information or people, says Timothy Johnson, chief accomplishment officer for Des Moines, Iowa-based consulting firm Carpe Factum, Inc., and author of *Gust: The ‘Tale’ Wind of Office Politics.*

Individual or group success typically depends on tough tasks like pushing a project to the top of the queue, finding the right people to work on it and getting the time and tools to do the job right. Each department will have its own dynamics in play at any given time, as well. For example, “Show me an IT pro who doesn’t answer to at least two different bosses, either implied or not,” says Johnson. “Then you look at all the different technical issues going on, like who has the best software selection, who can make decisions about operating systems and compatibility. Information is also part of it, such as who has what information at what time.”

**Skills Trump Politics?**

Oddly enough, those who don’t play well with others often still succeed, especially if they have in-demand skills or, particularly, if they bring in revenue. “I’ve seen people who seem to offend anybody, but their phones ring all the time with people asking them for advice because they’re good at what they do,” observes one manager.

Still, left unchecked, unhealthy office politics can lead to more overtly offensive behavior, such as emotional bullying and all-out sabotage of others’ efforts. When co-workers are doing a number on each others’ psyches day in and day out, absenteeism, poor-quality work and a high rate of turnover are often the result.

The answer to all this: Play the game the right way. That means mastering a few simple strategies and avoiding a couple of key mistakes.

Perhaps the biggest *faux pas* is to make off-the-cuff comments to co-workers without considering their ramifications. For example, don’t remark on the ugly car parked in front of the building: It could belong to your new group managing director.

Another common mistake is publicly displaying potentially career-damaging information. If you call in sick with a family emergency, don’t go to a party that night and post pictures of it on Facebook. It’s not much of a stretch to imagine one of your co-workers spotting them and alerting the boss. In 2009 an insurance company employee in Switzerland was fired after a colleague reported seeing her on Facebook while she was out sick. Remember: In the world of social networking, you never really know who’s connected with whom. (For advice about managing your online presence to advance your career rather than torpedo it, see Make Your Online Identity Work For You – Not Against You, on page 14.)

**Careful Communication**

First and foremost, being a successful office politician means developing a rapport with co-workers – without being gossipy or delving into personal issues. It’s important to understand the communications style of your group or department, especially since those who rise to management positions tend to be good communicators.

That extends to e-mail and electronic communications. Be judicious when using the “reply all” and “bcc” options, and write every e-mail calmly and respectfully. A good rule of thumb: Imagine the division head will read it.

Finally, do more observing than talking. Before long, it’ll become clear what most people’s motives are. Be cognizant of who’s around you at any given time. It’s might be okay to say something controversial to a friend, but if they’re not a friend, what you say may come back to haunt you.
Building Effective Relationships with Mentors
It’s a two-way street

Mentors can help you find the right career, steer you down the path to success and link you to a ready-made network of industry contacts. So where do you find them? Start by checking to see if your school has a mentor program, then expand your search to alumni and industry experts.

Whether they come from campus programs, a trade association or your own search campaign, as early as your freshman year you should begin to gather a group of experts who can act as a board of directors for your career.

Look first to your instructors. “Many professors have real life business experience, especially adjunct professors,” says Jeff Thomson, president and chief executive of the Institute of Management Accountants (IMA).

Alumni also make great mentors, so check to see if your school has a program like DePaul University’s Alumni Sharing Knowledge (ASK), where students can search for mentors by the industry they work in, the company they work for, their country of origin, their profession or their location.

Gillian Steele, managing director for the Career Center at DePaul, says on-campus events as well as student finance and business club meetings also offer opportunities to find mentors.

Real World Resources
Outside campus, groups such as the National Association of Securities Professionals and the National Association of Personal Financial Advisors offer reduced-cost student memberships. Join and attend events, including any student conferences like those held by IMA, to seek out mentors. Also, some professional groups, including the New York Society of Security Analysts, have formal mentoring programs for student members.

In today’s world of remote workplaces, social networking sites are another source of mentors. The same trade associations that offer in-person networking events may have online message boards where students can lurk until they get a feel for the site, present relevant questions, and then seek out relationships with those who post answers.

Find Your Mentors
Once you’ve signed up for an event, how do you find a mentor in the crowd? The key, says Steele, is to network. “Talk to as many people as you can and look for someone you feel comfortable with, who impresses you. You don’t need to say to someone, ‘Will you mentor me?’ You just tell them you have a lot of respect for them and their knowledge of the area, and you’d like to talk to them about what you’re thinking.” Then, you stay in touch.

Once you’ve found your first mentor, don’t stop there. Susan Battley, a New York-based executive coach and author of Coached to Lead: How to Achieve Extraordinary Results with an Executive Coach, recommends finding multiple mentors. One person may help with concrete ambitions like getting up to speed on trading technology, while another may be a sounding board for sensitive, interpersonal topics.

“Cast a wide net and build a personal advisory board,” Battley says.

Build the Relationship
To get the most from your relationships, be sure to select at least one mentor who’s different than you, says Chip R. Bell, author of Managers as Mentors: Building Partnerships for Learning. “People who are different can bring a perspective that can be instructive,” he explains.

As you talk with your mentors, know what you’re seeking. Early on, communicate your goals for the relationship and your expectation for the outcome, Bell says.

If improving performance is on your list of goals, remember your mentors have to see the real you if they’re going to help. “Make sure that you’re authentic, real and genuine and that you show your foibles and less-confident side,” Bell says.

Be prepared to hear the good, the bad and the truly grim. “Many times when students come out of college they’re a little bit full of themselves,” Bell warns. “That sometimes makes it more challenging for students to hear and value feedback and advice, particularly when it’s not what they were expecting to hear.”

No matter how much your mentors’ words cut, the best reply is one that’s accepting such as: “Thank you. I appreciate your candor. I’m going to think about that.” Denying the problem or giving excuses will only discourage your mentors from giving additional candid advice.

Finally, remember that a mentoring relationship is like a marriage. “Honesty is critical,” Bell says. “If it’s not working, you need say this is not what I want to do and allow both parties to adjust or abandon the relationship.”
Where You’ll Be in Five Years
Dreams, plans and forces beyond your control

Where will you be in five years? Although it’s a common interview question for college graduates, it deserves special consideration for those starting careers in finance, especially at a time when the industry is undergoing an historic reconstruction. Your dreams and plans are likely to encounter forces beyond your control, so balancing them with a keen eye on reality is likely to be an important skill to develop for the newest generation of financial professional.

“Think about what you’ll need on your resume in five years, as a waypoint to your long-term objective.”

Not long ago, your first career management challenge might have been competing for a coveted spot in a bulge bracket’s training program. Now that a global crisis has shaken up the world’s top-tier banks, their relationship with government and how they’re perceived by the public, your main challenge might be figuring out just what your first step should be. To do that, you might need to rethink your professional and personal ambitions, says Denise Palmieri, director of client relations for Pinnacle Group International, an executive search firm in New York.

“If you had your eyes set on Wall Street as your next target, what was that about?” Palmieri asks. “Dig into the underlying basis of why you wanted to go to Wall Street.” For example, did a parent or teacher suggest finance was the career for you? Or are you intrigued by analytics, research, or the technology?

On the Right Road
For some, a Wall Street job was a way to get somewhere else. If that’s true for you, ask yourself if there’s another route you can follow. If you’d seen Wall Street as the gateway to a career in private equity or venture capital, for example, what attracted you to those sectors to begin with? In other words, ask yourself: What is the dream you’re trying to fulfill?

Some people see Wall Street as a means to jumpstart launching their own business, perhaps by meeting bankers and other contacts and learning about financing. For others, the goal is to make a lot of money to seed a new idea. If either of these was your long-term plan, consider other avenues toward your goal. For example, is your new company something you could bootstrap?

Once you have a strong sense of what your long-term goal truly is, you have your mission. Now try putting it in writing. “There’s power in creating a written plan,” notes Vickie Austin, founder of Choices Worldwide, a career-coaching firm in Wheaton, Ill.

Next, think about what you’ll need on your resume in five years, as a waypoint to your long-term objective. Map out a strategy to get there, then decide the tactics you’ll use to turn the strategy into action. Turn those, too, into a written outline. Then, get busy. Your outline should become your checklist.

Hello, Reality
Unfortunately, dreams need to be flexible. If you find other aspects of your life — your finances or relationships, for example — are suffering, you may have to reevaluate your goal or try another road toward reaching it.

Focusing on dreams and plans isn’t something you do only at the outset. All through your career, you should stay tuned in to them. As time passes, your dreams are likely to change. What’s more, you’ll have to stay up to date on the business world’s evolution in order to make sure your goals and your strategies remain valid. “You may have to reframe your dream in the context of the market,” notes Austin.

Balancing dreams with reality often requires resilience. It’s important to be able to bounce back from the disappointments that you’ll inevitably encounter. Having a strong network of people to whom you can turn for support and guidance is key, as is having a contingency plan. Be open to trade-offs.

To stay on course, you may need to manage your expectations. A setback in the morning doesn’t mean you can’t still accomplish something that moves you closer to your goal, says Greg Sells, a Chicago-area Certified Financial Planner. “Persistence can be one of your most powerful assets,” he says.

Reality may impose limitations on your dreams. But when you’re committed to a lifelong mission that you truly believe in, such setbacks need only be temporary.
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Networking Within Your Company and Industry

It never stops

Like many a business buzzword, “networking” is a victim of its own success. Over the years it’s become so enwrapped in oversimplified myths, the central idea was lost. The unfortunate result is that many people who’d benefit if they put enough effort into networking give up before they’ve given it a serious try.

For instance, one widespread myth portrays networking as a parlor game built around trading business cards the way school kids once traded baseball cards. Attend a variety of business/social events, press the flesh, make a few good impressions, and presto! A newfound acquaintance will refer you – or even introduce you – to someone who’s interviewing candidates for your dream job.

Of course, it’s never that easy.

Even a less pie-in-the-sky version – request job leads from people you already know professionally – rarely yields results. Does that mean nurturing a network is a waste of time? Decidedly not.

Networking is Hard Work

One reason many people have difficulty networking is they don’t appreciate what hard work it is. Networking with strangers is hardest of all. Advancing from a new acquaintance to a potential job referral usually means cycling through multiple levels of contacts (one refers you to another, who then refers you to another, and so on) and informational interviews - whose only return on your time invested may be the opportunity to secure yet another informational interview with a next-in-line contact.

Even when networking with people you already know, success requires tenacity, creativity, a willingness to take chances, and a willingness to do favors for others.

However challenging it is, effectively building and leveraging a network of professional contacts is essential to your continued success. The good news: Even if glad-handing isn’t your style, there are several ways to make it more comfortable.

The Myers-Briggs Type Indicator, a widely used personality test, defines people according to where they get their energy on the extrovert/introvert scale. Typically, extroverts get theirs from interaction with other people and taking initiative in work and personal situations, while introverts tend to get energy from thoughts, memories, and feelings.

Conventional wisdom says extroverts jump into networking easily. However, the reality is introverts are often more successful because they prepare so well. Extroverts are often so used to “winging it,” they often don’t develop good contacts and good information.

Tips for Introverts

New York career coach Bettina Seidman offers these tips to improve your networking:

• Don’t try to become a master networker overnight. Instead, take baby steps. If networking hasn’t been a regular part of your life, take it slowly and build confidence.

• Don’t assume you’re bothering people. Most will be glad to hear from you based on a mutual contact, friend or colleague.

• Rely on your supporters. Network first with mentors, close colleagues, and friends.

• Remember all the times when you have been successful in other group endeavors.

• Try to take a colleague, friend or manager to meetings or conferences so you’ll know someone there.

• Don’t underestimate the power of listening.

• Read an industry newsletter before attending a business/social event or an informational interview, so that you will be comfortable sharing the tidbits you have learned.

• Develop a well-crafted pitch, focused on your goal and what you bring to the table.

• Rehearse, rehearse, rehearse what you plan to say.

• If you have news or a problem to solve, try picking up the phone and telling someone else about it.

• If you’re uncomfortable at gatherings set up solely for networking, try to attend those that have a purpose – listening to a speaker, for example – since they tend to have a planned agenda.

• Reach out as often as you can, by picking up the phone or sending an e-mail.
A truism in job search is: offers beget offers. If someone else is eager to hire you, that makes you a more desirable candidate. It can even motivate a prospective employer that is interested to deliver an offer sooner rather than later.

“You become more attractive because you have the potential to disappear” by taking another job, observes Roy Cohen, a New York-based career counselor and author of *The Wall Street Professional’s Survival Guide*.

When soliciting and juggling multiple job offers, make sure you keep prospective employers and recruiters you’re talking to in the loop. Be transparent, direct, and truthful about the progress you make in obtaining offers elsewhere.

One career coach and trainer says 5 to 10 percent of her financial services clients were obtaining more than one job offer as of summer 2010. One client was interviewing at five companies for a job with a salary of $250,000, says Connie Thanasoulis-Carrachio, co-founder of SixFigureStart.

Recruiters are less pleased by the possibility of candidates getting more than one offer. Their clients, the prospective employers, want to know if a serious competitor is vying for a potential employee. “We’re wasting a lot of time and effort if another firm is planning to hire that person in two weeks,” says Alan Geller, managing director of AG Barrington, a New York-based search firm focused on the financial sector.

There are no simple tricks or shortcuts for obtaining and exploiting job offers from multiple employers. However, experts offer these tips for managing the process and avoiding pitfalls:

**Communicate Openly and Often**

If one company moves forward with an offer, Thanasoulis-Carrachio says the job seeker should go to the other company and say, “Look, I think I’m getting an offer, how far are we?”

“If someone (a recruiter or a prospective employer) leaves you a voicemail, get back in an hour or two,” she says. If a company asks you for a reference or a writing sample, provide it quickly.

The amount of communication should vary with the stage of the interview process. In round one, Geller says firms he recruits for would assume the potential employee is interviewing everywhere. But in a second interview round, when a candidate meets with a hiring manager and key decision maker and is invited to further meetings, “they would want to know if that person is interviewing elsewhere,” he says.

**Be Pro-Active**

You can’t wait for people to contact you, says Thanasoulis-Carrachio. If there is a pause in the communication, call the employer and ask if anything has changed and if so, what can you do to address it.

When an offer arrives or appears imminent, she says the right way to communicate it to another prospective employer goes something like this: “I expect to get two offers this week, but you are my No. 1 choice. If given an offer at this company, I would accept. Do you think we’ll be at that stage soon?” The wrong way is to present the other employer’s offer as an ultimatum, where your message seems to say, “Make me an offer, or I’m gone.”

Vicky Oliver, author of *301 Smart Answers to Tough Interview Questions*, likewise advises job seekers pursuing multiple offers to tell a favored potential employer they are the preferred choice. “Enthusiasm is a big key, and after that humility is big,” Oliver remarks.

It’s important to maintain cordial relations with every prospective employer you’ve interviewed with, says Cohen. You never know if the job you eventually accept will work out. So avoid alienating anyone and always behave in a professional manner.

Be prepared to respond to any job offer in less than a week — perhaps in two or three days. When telling other prospects about the offer, experts differ on whether it’s wise to disclose the employer’s name.

**Use the Hiring Process to Build Your Professional Network**

If your first-choice employer doesn’t come through with an offer, Oliver recommends keeping in touch with the person there with whom you had the most frequent or highest-quality contact. “Figure out a way to drop your contact person a note once every few months or make it into a friendship” by going to a game or meeting for a drink, she says.
Job-Hunting While Employed
How to look, discreetly and professionally

Most people move on more often in their careers than in their love lives. But no matter how many times you do it, looking for a new job while you have one can be tricky.

“Keep in mind that even though you may be looking for a new job, you still must devote your full attention to your current company while in the office,” says DeLynn Senna, CPA, executive director of North American permanent placement services for Robert Half International in Menlo Park, Calif. “This means you shouldn’t use your work computer to search job boards, for example, or speak with potential employers from the phone at your desk.”

Most companies would make an exception if you’re using their computer to search the internal postings. Just be sure to let your supervisor know before you apply for another slot in your own firm.

“Most managers would rather keep a top performer with the organization in some capacity than lose the person to another company,” Senna observes. “If you’re open about your intentions, your current manager likely can put in a good word and smooth the transition for you.”

Look Inward
Be cautious about who you share your restlessness with. “Network for opportunities with those you trust,” says Roberta Chinsky Matuson, CCP, president, Human Resource Solutions in Brookline, Mass. “This will help reduce the likelihood that your current employer will find out about your search before you’re ready to tell them about it.”

The hush-hush attitude should carry through into your dealings with recruiters, adds Jim Boghos, president of Corporate Search America in Longwood, Fla. “Usually the way an employer finds out someone is looking is when a potential suitor ... (breaches) confidentiality,” he says.

The perils of real life aren’t the only risks a job hunter faces. What you do online can also reveal your intentions. When you post your resume at eFinancialCareers, your first decision is whether to make your contact information visible or keep your profile confidential.

If you want to remain anonymous, be careful about what you put in your resume. “Don’t do anything that’s a dead giveaway to where you work, like mentioning your experience with a proprietary software or unique delivery system,” says Matt Johnston, chief executive officer of Workway, a Burbank, Calif., staffing firm.

And be careful your online self doesn’t trip up your real world self. “Don’t make the mistake of posting something on your blog about your current job search,” says Matuson. “More and more employers are doing Google searches on their employees.”

On the other hand, don’t make yourself so unknown recruiters and employers can’t quickly locate you via e-mail or cell phone, says Gregory Reymann, a recruiter for the Judge Group in West Conshohocken, Pa. If you have queries forwarded to an e-mail address, check that address daily. Returning calls at lunch or in the early evening is fine since many recruiters work late precisely so they can speak with candidates outside of business hours. But, don’t expect a recruiter to hang around the office waiting for your call until you drive home from work and have dinner, he warns.

Being Discreet
If you’re at all good at job hunting, you’re eventually going to have to sneak out to do interviews. If you can’t schedule interviews on the weekends or before or after work hours, be careful how you dress, warns Johnston. “If the office is casual, a suit is going to be noticed,” he says. Keep your interview clothes in the car or in your off-site gym locker and change on the way to the interview.

Another alternative is to schedule all your interviews for a single day, and then take the time off with a vacation or personal day. “One day off looks less suspicious than a half day here and a half day there,” Reymann says.

As you tiptoe around, keep in mind you may end up staying put, Johnston says. “You may realize after three or four interviews that the job you have is your best job,” he says. “We always caution people not to damage the bond of trust they have with their current manager. At your next job, you may be learning new skills that will enable you to manage the company you just left.”

Besides, showing respect is the right thing to do. “If you are disrespectful toward your firm during your job search,” Senna concludes, “you are unlikely to receive a strong recommendation from your manager. Practicing proper etiquette can help you avoid burning bridges.”

Careers in Financial Markets 2010-11
Once you’ve landed a job, how you do your work will be only one of the factors that figures into your success. In large part, the relative ease and speed of your advancement will depend on how well you navigate its corporate culture. You won’t find the rules in the employee handbook. So learning the lay of the land should be one of your top priorities when starting a new job. Here’s a roadmap to learning and working effectively within your firm’s culture:

**Ask Questions**

During your first month, try to find out these three things about every person whom you meet:

- How they came to the organization.
- Why they’re passionate about the organization.
- Why they’re passionate about their job.

After talking to several people, you’ll begin to see themes emerge that will reveal the true nature of the company’s culture.

As you talk to people, listen for clues about the company’s value system. Every business has a different process for getting things done, usually based on what the organization values most. For example, a fast turnaround might be more important than being thorough. Or maybe being organized is what gets emphasis. “You’re going to get some consistent answers,” says J.T. O’Donnell, founder of Careerealism.com, a career news Web site based in North Hampton, N.H.

The sooner you figure out the company’s values and how you can represent them, the sooner you’ll rise to the top. The key question you want to answer is: What makes a person successful here?

For your first 30 or so days on the job, hold back from offering any opinions. Instead, be an observer. If you’re asked your views on a business policy or decision, say you’d rather not answer since you just joined and are still learning how things work. It’s okay to respond with something like, “I’m the new person here and can you ask me that in a month.”

**Seek Out Mentors**

Having mentors is important, and so is having at least one outside the organization. Why? You’ll want to be able to confide in someone separate from your company who can provide perspective on what you encounter and help equip you to handle office opportunities – and threats.

After about six months or so on the job, after you’ve had a chance to prove yourself, find a mentor in the organization. While the company stars might be an obvious choice, it’s often best to find someone who’s not only in the position to help you climb the ladder, but also has the time and bandwidth to work with you. When approaching would-be mentors, explain the reasons you respect them and cite concrete examples. Be sure to say you’ll work with them on their terms. “People rarely say no,” says O’Donnell.

**Avoid Gossip**

When conversations with co-workers turn gossipy, don’t go there. Walk away. People often use gossip as leverage to get one up on one another, as if to say, I know something that you don’t know. What’s more, gossip can make colleagues wonder what you might say about them when they’re not around. Avoiding gossip shows you’re career minded, and that you want to maintain your professionalism.

**Take the Long View**

If you find yourself clashing with the prevailing culture, take a deep breath and remind yourself the situation is only temporary. Young people change jobs about every 18 months. Avoid making generalizations about a workplace based on one or two negative encounters. But when there are deep differences in values and styles, don’t compromise yourself. “You don’t need to change who you are,” says O’Donnell.
The Wall Street Technology Association (WSTA) provides a forum for IT and networking professionals in the financial industry to stay on top of current and emerging technologies, operational approaches, and business issues that affect their firms.

Founded in 1967, the WSTA provides educational opportunities and facilitates interaction between financial technology professionals and a broad spectrum of vendors and consultants. This is achieved via seminars, networking and social events, print and on-line publications and white papers.

Who are WSTA members?
Currently, the WSTA has approximately 1700 financial technology professionals from banks, brokerages and insurance companies. Most are located in the New York Tri-State area, with over 50% having titles of CIO/CTO, Vice President or Manager.

About the WSTA Vendor Affiliate Program
(open to vendors, industry specialists and consultants)
The WSTA Vendor Affiliate Program provides organized opportunities to keep financial industry professionals aware of current and emerging technologies and other services important to the industry. Networking and relationship development is a significant part of the Vendor Affiliate Program.

To learn more about joining the WSTA or its programs, please visit www.wsta.org or call 732-530-8808.
Negotiating Compensation (and Related Hints)

Know your value and ask for it ... politely

Say “negotiate” in a word-association game and most people will probably respond with “compensation” or “raise.” Areas open to career-related negotiation, however, encompass much more than money. So knowing how to negotiate effectively, what to negotiate for, and how to plead your case can help to advance your career. By association, your compensation will advance as well.

In fact, says Lee Miller, author of *Get More Money on Your Next Job in Any Economy,* “the most important thing is not money. It’s probably the least important, as long as you’re getting a competitive salary.” What’s more valuable, Miller says, are opportunities for training and professional development, job opportunities, and the projects and teams you may be invited to work on. “Frankly, the company wants to develop you,” he observes. “And companies like employees who are proactive in developing their own career.”

That doesn’t mean you should agree to be woefully underpaid, however. Research the salary range in the sector and geographic area you’re interested in. (Sites such as JobStar, Salary Expert, Moving.com, and CNN Money are good places to start.) Objectively assess whether your education, experience, and skill sets merit numbers in the higher range.

**Sleep On It**

If, after one or more interviews, you receive an offer, ask for time to consider it. “When the offer is extended, show appreciation and interest, but don’t respond immediately,” recommends the Career Development Center at Brown University. “Let the employer know that you want to review the offer (which you should ask for in writing) and that you need time to make the best decision for you and the employer. Ask when a decision is expected — and, if needed, request more time to compare offers or do necessary research. The offer will not be withdrawn if you make this request.”

Even in your first job out of school, “if the salary isn’t competitive, you can ask for more,” Miller says. But, he cautions, “ask, not demand.” In other words, say, “would it be possible” rather than “I need to have.”

And never mention your high rent, significant student debt, or materialistic romantic partner as justification for wanting more money. Underwriting your private life isn’t your employer’s responsibility.

Rather, Miller says, “show why you think the salary isn’t competitive and ask whether they can improve it. Be very prepared. Know your value in the market, what you bring to the table, and what you want.”

If the company is adamant about adhering to the lower range, try to find alternative deal sweeteners. For instance, ask whether you can have a performance review in three or six months that might raise your salary. Find out whether there’s wiggle room in the benefits package, or miscellaneous perks like tuition reimbursement or in-house training. Ask about options such as flextime, telecommuting, or covered commuting expenses.

If an offer is truly unacceptable but you’d like to pursue the position, make your position clear in as positive a way as possible. Specifically note what’s lacking in the original offer: is it the role and responsibilities, the money, the location, or the benefits? Then, suggest a solution. However, be willing to accept the consequences. The offer could be rescinded.

**Speak for Yourself**

While the rules of negotiation are the same for men and women, the sexes “tend to behave differently,” at discussion time, Miller notes. “Women tend to negotiate less, especially when it comes to negotiating for themselves.” If you don’t feel confident acting as your own best advocate, he recommends taking a course in negotiation skills and reading books on the subject. “You have to feel comfortable negotiating for yourself.”

Finally, in any negotiation, don’t become emotional. Stay objective and be armed with facts. Have a goal in mind, then try to find mutually beneficial ways to achieve it. And regardless of the outcome, don’t burn any bridges. Be gracious. You don’t want to alienate the person with whom you’ve negotiated, who could be a hiring manager or even your future boss.
To many, the annual performance review is about as welcome as a colonoscopy. Could any good ever come from a one-on-one where your boss – no matter how much he or she might respect your work – is required to detail your strengths and weaknesses?

Simply put: “Yes.”

“Performance reviews are one of the few chances for employees to receive honest feedback that determines whether or not they’ll get a raise or a promotion,” says Vicky Oliver, author of Bad Bosses, Crazy Coworkers & Other Office Idiots. “As such, they are valuable tools if used correctly.”

To make the most of the opportunity, career advisors and hiring managers outline a series of steps that can be summed up in three broad injunctions: Be prepared. Be objective. Be strategic.

### Plan Ahead

Like every important business meeting, performance reviews have a planned agenda that requires certain information compiled in advance. Typically, there is a review meeting and related evaluation and self-evaluation forms that both supervisor and employee must complete. As an employee, you’ll aim to emphasize your strong points, obtain high ratings, and turn discussion of your weaker areas into a springboard to opportunities like education, training, or involvement in a project that will look good on your resume.

“When the employee understands it properly, they can actually guide their manager,” observes career coach Bettina Seidman. Performance appraisals “really should be professional development plans,” she says. “You might even get some seminars paid for, or even a graduate degree.”

Planning ahead is vital. A favorable review is more attainable if you’ve recorded your own achievements as they occur, have pro-actively managed your relationship with your boss, and are prepared to pitch your own professional development goals for the next year or two.

“Keep track of your successes over the course of the year. Don’t try to remember them at the last moment,” advises New York career coach Win Sheffield.

### Don’t Ignore the Easy Stuff

When toting up achievements for your review form, don’t confine your list to only major challenges. “A lot of our jobs are spent doing things that are so easy for us — after all, that’s why we’re hired,” Sheffield points out. He says it’s important to state how you added value through superior performance in those cut-and-dried, routine aspects of your role. When doing so, take care to note “the subtleties, the things that you add on top, that show you are not just a good analyst but a great analyst, the guy taking initiative.”

Sheffield suggests making continuous efforts to air any concerns your boss may have with your performance. If the boss wasn’t fully satisfied with something, you’re better off knowing right away so you can take steps to address it, rather than let the discontent build up until review time. Since a supervisor often won’t voice criticisms without prompting, you should take the initiative to actively solicit negative feedback. Each time you complete a project, Sheffield suggests asking your boss: “What can I do the next time to take it to the next level?”

### How to Profit From Criticism

Of course, the review meeting itself is almost certain to bring out some negative feedback. When it does, practice judo — not boxing. “Don’t expect to change the boss’s mind,” counsels one manager who’s led teams within a number of large companies. Instead of challenging or disputing a negative comment, he says, “Continually twist the boss’s feedback to your advantage.” For instance if told, “I need to see you take on more responsibility,” ask for the big, high-profile project you’ve set your sights on in anticipation of that moment.

He offers these additional tips on handling criticism in a performance review:

- “Very calmly and nicely” ask for concrete examples of the failing that was attributed to you. Ask for specifics that can help you recognize the behavior yourself.
- If you receive a bad rating on some dimension of your job, ask for a follow-up meeting to get feedback about your progress on that particular issue. It makes it much less likely that will be identified as a weakness next time around.
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After the tumultuous conditions in the financial community in 2008 and 2009, it wouldn’t be surprising if retail banks and investment houses had scaled back resources for diversity initiatives. Yet, despite budget cutbacks and layoffs in the industry, affinity programs, association partnerships, scholarship opportunities, and networking groups established at the big banks and bulge bracket firms appear relatively unscathed.

The market’s turnaround since mid-2009 also bodes well for future recruiting efforts, including diversity hiring, for the remainder of 2010 and beyond. Mass layoff events in the finance industry decreased significantly between the second quarter of 2009 and the first quarter of 2010, according to data from the Bureau of Labor Statistics (BLS). Moreover, total payroll employment in finance and insurance stopped shrinking and stabilized in the first half of 2010.

Assessing the Landscape
As the pool of prospective employees continues to become more diverse, employers who want to access the best talent are going to need to be more mindful of inclusion efforts than ever before. The BLS forecasts that Hispanic employees will grow from 11 percent of the total U.S. workforce in 2000 to 24 percent in 2050. Blacks, who made up 12 percent of all employees in the U.S. in 2000, are projected to grow to 14 percent in 2050. Asians were the fastest-growing group in the labor force - from 5 percent in 2000, they’re projected to grow to 11 percent in 2050.

Despite diversity programs and the changes in the workforce, the number of minority professionals in the financial services sector has remained relatively stagnant. More important, senior leadership positions elude many women and minority professionals working in banking institutions and investment firms. Such professionals also face discrepancies when running their own firms. For instance, emerging fund managers (defined as independent, minority- and women-owned firms that manage less than $3 billion in assets) make up more than 40 percent of the top quartile of performing firms. But they currently handle a mere 1 percent of pension assets, says Lisa Horuczi Markus, vice president of institutional investing for the CED Group, a consultancy focused on economic inclusion.

Additionally, Markus worries that cutbacks and layoffs in 2008 and 2009 may have disproportionately hurt women and minority hires in the financial services field. “Firms usually employ last-in, first-out policies when they do mass layoffs,” she says. While Markus admits there is no real hard data to assess the landscape, lower-level employees are often the hardest hit in a recession. “Most often, women and minority professionals are lower in the pecking order, and it’s not necessarily a competency thing,” she adds.

Now the business climate in finance has turned around, and Markus sees strong career opportunities in venture capital and alternative investments. The concerns of employers have shifted a bit since mid-2009, she notes. “Banks and other institutions were cutting heads right and left then. Now, they’re adding positions, and I am beginning to see bidding wars for talent.”

Tapping into a Growing Talent Base
To be sure, changes in the economy did hit a few programs and initiatives in the financial community, according to Pamela W. Arnold, president of the American Institute for Managing Diversity (AIMD), a nonprofit think tank dedicated to the advancement of diversity management.

“We’ve noticed cutbacks on industry conferences. And certainly the recruiting initiatives, across the board, haven’t been as aggressive as they were in 2007 and earlier,” she says. But like Markus, Arnold sees evidence of a turnaround in the job market. And she believe the commitment to inclusion is strong in the financial services world: “From an AIMD perspective, we hear from chief diversity officers and practitioners who are trying to create greater impact and sustainability with their workforce through their diversity strategy.”

Many efforts of corporate diversity officers are leveraged through the work of targeted nonprofit and foundation programs. Along with AIMD, such organizations include the Robert Toigo Foundation, the Forté Foundation, 100 Women in Hedge Funds, the Association of Latino Professionals in Finance and Accounting, the National Black MBA Association, the Asian & Pacific Islander American Scholarship Fund, and Management Leadership for Tomorrow. Through various means, those and other groups work to connect women and diverse financial professionals with information on job opportunities, recruitment programs, MBA scholarships, networking events, industry conferences, and mentoring programs.
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For professionals in areas that lack an industry association or nonprofit, many of the relevant organizations utilize social networking sites – Facebook in particular – to connect with a diverse talent base. That’s another illustration why finance professionals should take every opportunity available to advance their career goals. The banking and investment world thrives on go-getter types. That sentiment is especially true for women and minority professionals.

**A Solution**

Looking ahead, Kenneth Arroyo Roldan, author of the book “Minority Rules” and chief executive of minority-focused recruiting firm Wesley, Brown, and Bartle, says diversity programs need to concentrate on moving professionals up the ranks. He finds many more programs and organizations facilitate entry-level positions for minority and women professionals. Meanwhile, he says, “The vice president and managing director level is still not as diverse as it could be.”

Roldan admits the economy is partly to blame for the career stall of minority and women professionals. “The implosion of the financial sector has had a disparate impact on women and minorities. They’ve cut staff, and there were fewer women and minorities at these firms to start.” Given the upheaval in financial services, Roldan observed many talented professionals shifting from investment banking to either retail banking or other roles in Corporate America. “But we’re beginning to see a turn for the better. There’s interest out there again when I am sitting at the table with the larger investment firms.”

Despite the recent upturn, Roldan wonders why financial services firms are still asking the same questions about diversity as they did a decade before. A bigger question is, just how effective are the programs currently in place?

Roldan believes a sweeping and concerted effort is needed to truly address diversity in the financial services world. “We need to mobilize and get the CEOs of the major banks and investment firms to come together to develop a large scale and industry-wide strategic plan to work towards building a more diverse succession pool,” he concludes.

The Dodd-Frank Act of 2010 includes a provision aimed at getting financial regulators more involved in industry diversity efforts. Section 342 of the act requires various agencies to create an Office of Minority and Women Inclusion that would monitor diversity within the agencies themselves, and in companies they regulate or contract with. “Many parts of the Act have not been explored and this one has received barely any scrutiny,” Proskauer Rose, a top law firm, wrote its clients in July 2010. “Depending on how it is implemented, however, the section could have a large impact on how diversity issues are handled … and whether there will be a new focus on enforcement of diversity requirements, equal employment obligations and minority business set-aside requirements by the covered governmental agencies.”

### Diversity Initiatives

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This is a partial listing. For additional organizations and details, see page 93.
Finding the Right Fit
How to know if a firm is right for you

Culture clash is one of the most common reasons professionals leave their jobs. That’s why many interviewers size up candidates for what they call “cultural fit” — how well their goals, values and style will mesh with the company’s. And as a candidate, you’ll want to do the same thing for the companies you’re interviewing with.

Finding the right cultural fit requires the self-awareness to know what kind of environment would suit you best, says Denise Palmieri, director of client relations for the Pinnacle Group International, a search firm in New York. Ideally, you want to be in a place where the people will be thrilled to have you, as opposed to where you’re constantly trying to justify yourself. “You’ll have a better experience, you won’t be under the gun, and you’ll have an opportunity to be mentored,” she explains.

While culture is important, as a graduating senior or a new grad, your No. 1 objective is to get a job. While people who graduated from college just a few years before you may have juggled multiple offers, in today’s market, turning down a job because of cultural issues is a luxury few new graduates can afford. Your first post-graduation job should be all about getting experience.

Cultural fit really begins to play a big role in your success after your first or second job. Workplace subtleties are likely to become more apparent after you’ve had some first-hand experience. You may find yourself, for instance, asking, “Is everybody in this industry a jerk or just the people that I work with?” says Palmieri.

Where to Find Evidence
So how to gauge a company’s culture? Most companies’ Web sites claim they have a “team-based culture that values diversity and is dedicated to serving clients and upholding the highest ethical and professional standards.” If it sounds like brochureware, it is. Still, a company Web site may offer clues that might confirm any hunch you have about it.

One good place to find clues is the site’s “executive bios” page. Are all the executives men? Are they all of one background? If all the top managers graduated from Ivy League schools, for example, you may not fit in as well if you don’t share that pedigree.

During an interview, be sure to ask your own questions about how the manager came to be in his or her job, the challenges facing the company, and the ideal person to help overcome those challenges. Then listen for the priorities that emerge in the answers. Every company will have a different approach to solving an identical problem, notes J.T. O’Donnell, founder of Careerealism.com, a career news site based in North Hampton, N.H.

You can also try some back-door reference checking by seeking out former employees through social-networking sites such as LinkedIn and Facebook. Recognize, however, references frequently aren’t honest. People are “careful about what they say because they don’t want something attributed to them,” says Palmieri.

Gut-Check Exercise
After all this, what if you still having trouble making up your mind about a company? “You have to trust your gut,” says Palmieri, suggesting this “gut check” exercise.

You’ll need a bowl and two slips of paper. On one slip, write “Take the job.” On the other, write “Keep looking.” Tell yourself you’re going to draw one slip out of the bowl and, no matter what, you’ll do what it says. Make your draw, read the paper, and then check your gut. Do you feel your heart sinking, or is your reaction: “Great! That’s what I’ll do!”

Even if you know you’re taking a job that isn’t ideal for you, this exercise will tell you if you’re compromising. You’ll be able to go into it with your eyes open, knowing in advance it wasn’t perfect but you chose to accept it regardless.

If you find yourself in this situation, remind yourself that every job is temporary. You’re not going to be there forever. Focus on the good aspects of your experience. You’ll have the opportunity to build your skills, particularly the ability to deal with a situation that isn’t 100 percent perfect.
Working with Diversity Networks and Groups

Plant the seeds early, and cultivate your network regularly

Business is as much about who you know as what you know, and for someone about to graduate from college into the workforce, expanding your network of contacts is both a vital and long-term proposition. Especially in periods when business and market conditions are fragile, financial professionals must rethink their strategic relationships at work, especially if they’re a member of a group that’s underrepresented in the industry.

More than ever, strategic relationships are essential, observes Liz Lynch, founder of the Center for Networking Excellence in New York. Today’s uncertain environment means more people than ever will tap into their networks to make sure they can not only advance, but hold onto their job if their firm suffers a setback. Lynch notes that those in a professional network should branch out to escape the risk that everyone in the group might suddenly get stuck in the same sinking boat. “Try groups outside of work and think about reconnecting with your alumni association, volunteer or join a nonprofit,” she says.

For example, many more professional women and women of color are networking at conferences and association meetings. “For the less-confident professional, honing your communications and professional skills in a safe environment can certainly help you to come back to the male-dominated workplace,” she says. But if you’re limiting your network to a women’s group or an association for black professionals, you may be missing out on other opportunities. Women of color need to look for other networking opportunities at work and beyond. “You have to be prepared to take the next step,” she believes.

While cultural influences shouldn’t hold a professional back, it’s important for professionals to take a look at themselves. Lynch uses herself as an example: “As an Asian woman, I was told after business school that I didn’t talk up enough. I took a Dale Carnegie class and it helped.”

Lynch advises women of color to remember that relationships at work are critical to gaining key posts and landing assignments with important clients. In addition, she says women of color need to be flexible when it comes to selecting their mentors. “Depending on the expertise or division in financial services, you simply may not be able to find someone who is exactly like you in your organization,” she points out.

Developing Your Network

John C. Guerra, Jr., chief executive of the New America Alliance, an organization of Latino business leaders, suggests starting with your inner circle and moving outward. “Seek relationships with successful members of a group, such as the Hispanic employee resource group, and use that group’s good reputation to establish mentors within the company at large,” he says. “Then seek more associations out of your own area of function, expertise or focus.”

But you don’t have to begin at the office. “Almost anyone in your everyday life can be part of your network, including relatives, local merchants, neighbors, and fellow alumni,” writes Jane Hyun, an executive coach and multicultural leadership strategist, in her book, Breaking the Bamboo Ceiling. “The earlier in your career you begin to build these relationships, the better it will be for you as you make various transitions.”

“Getting a job is really a marketing process,” notes Kenneth Lee, an adjunct professor at American InterContinental University and former mentoring director of the Black Alumni of Notre Dame. In this context, the product is you; the place is the industry, function and companies you have your sights set on; price is the salary you’ll accept and the company will pay; and promotion is your resume, cover letter, elevator pitch and interviews.

Don’t lose sight, though, of the personal aspect of networking. Be more of a giver than a taker and at the end of every connection always say, “Don’t hesitate to give me a call,” even if you’re junior to the contact, suggests Debra Feldman, an executive talent agent in Greenwich, Conn. Stay in touch with everyone you meet, especially former colleagues and classmates, she adds. “If you admire someone in your industry, don’t be bashful about introducing yourself. The person who initiates the network is flattering the person who’s the contact. Most people really enjoy the fact that someone is reaching out to them,” Feldman says.
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Q&A: Aynesh Johnson
Office of Global Leadership and Diversity
Human Capital Management Division, Goldman Sachs

At Goldman Sachs, Aynesh Johnson is managing director and global head of global leadership and diversity in the firm’s human capital management division. She joined Goldman Sachs in 1992 and spent three years as a financial analyst in the corporate finance department. After leaving to pursue her MBA, Johnson rejoined the firm in 1997, spending six years as a banker in the investment banking division covering clients in the industrials sector. In 2003, she transitioned to the human capital management division. Johnson became a vice president in 2000 and a managing director in 2009. She earned a BA in mathematics from Duke University in 1992 and an MBA from the Harvard Business School in 1997.

Is there a specific mission for the office of global leadership and diversity?
The office of global leadership and diversity (GLD), established in 2001, seeks to drive leadership, commitment, and accountability from top to bottom. GLD is responsible for making specific recommendations to the firm’s business leaders about their diverse talent and following up to ensure actions are taken to address career development needs. In addition to setting annual diversity priorities and conducting annual diversity planning, GLD is directly involved in the planning and execution of a series of broader, more visible diversity events and training programs. GLD employs a focused strategy that seeks to create real change and traction by affecting cultural transformation, advancing leadership and management skills across the firm, and integrating diversity considerations into our key business and people processes, such as recruiting, training, career development, compensation, promotions, succession planning, and other key retention strategies, as a means to achieve our objectives.

Does the firm have a working definition of diversity?
When we talk about diversity at Goldman Sachs, we are referring to a broad spectrum of diversity including different styles and approaches, and a variety of professional, personal and educational backgrounds. Gender, sexual orientation and disability are consistent areas of focus across the globe but there are regional differences for other areas of diversity such as race/ethnicity in the U.S., and the concept of locals in Asia. Our efforts and focus constantly evolve based on the changing landscape and needs. We understand that for us to be successful, our men and women must reflect the diversity of the communities and cultures in which we operate. That means we must attract, retain and motivate people from many backgrounds and perspectives. Being diverse is not optional.

How has the downturn impacted management’s support of the diversity programs in place? Obviously, financial constraints have to be borne across all divisions.

Entering the downturn, we made a very concerted effort to make certain that diversity was not viewed as a “bull market phenomenon.” As a result, we worked very closely with senior management and used the downturn as a catalyst to signify the strategic importance of diversity at the firm. For instance, during this time, we enhanced the efforts of our multicultural women’s initiative, as well as added incremental programming to our Black and Latino professionals initiatives in the Americas. In addition, to provide a supportive and inclusive environment, we have developed and support over 70 affinity networks and interest forums globally at the firm.

How do you measure the effectiveness of the diversity programs implemented?
We measure the effectiveness of our diversity programs by conducting annual audits of our efforts, as well as leveraging the feedback from our employee climate surveys. Through our efforts, we have created broader awareness, increased engagement in advancing and supporting diversity at the firm, and developed a more globally diverse workforce. In partnership with Goldman Sachs University, our internal learning and professional department, we have developed a fulsome diversity and inclusion curriculum, encompassing over three dozen diversity training programs. In 2009, 98 percent of our employees completed two or more hours of diversity training.

How has the reputational crisis affecting Wall Street influenced your efforts?
While we are very mindful of the public’s perception of Wall Street at this time, the reputational crisis affecting Wall Street has not had a direct impact on our work. At Goldman Sachs, across the firm, we have approached the crisis by remaining vigilant and dedicated to client service and continuing to execute with excellence. From a diversity perspective, this means continuing to promote an inclusive and respectful work environment.
Specialists in mergers and acquisitions, or M&A, travel the world to work on deals that reshape entire industries. M&A refers to one of an investment bank’s core functions: to advise client companies on whether to add businesses to their portfolio of assets, sell off divisions or subsidiaries they no longer want to own, or merge themselves entirely with another firm, either by acquiring the target company or selling themselves to it.

In truth, it would be more accurate to talk about mergers, acquisitions and divestitures. There are clearly two sides to every deal and M&A advisors work on both. In some mergers, two companies join as equals. In others, M&A bankers help clients find buyers or sellers for businesses that are of interest. In addition, the past decade saw an explosion in the number of companies taken private in buyouts by private equity firms.

Regardless of what drives the deal-making, M&A specialists work in a very lucrative business — although many years may pass before merger activity levels and bankers’ fees return to the peaks of the past decade.

“Near the end of 2009, global bulge-bracket banks resumed hiring M&A professionals. But the hiring pickup ran ahead of any rebound in merger business and revenue.”

M&A requires hard work. At their client’s beck and call, the people involved are often in their offices nights and weekends. Once a deal is underway, junior bankers can expect to keep busy assembling the reams of financial information and legal documentation necessary to get it done.

A variety of firms act as M&A advisers. While the top-tier global banks still dominate the volume rankings known as “league tables,” middle-market and niche advisory firms have been gaining on them. Deals smaller than $150 million might be handled by the M&A divisions of accounting firms, or by boutiques that specialize in smaller transactions or deals in a particular sector. Although the biggest deals get the headlines, it’s the numerous smaller deals, which occur on a regular basis, that drive the business.

Recent Developments

The credit meltdown that began in late 2007 cut the legs out from beneath the merger business. The pace of M&A deals has remained sluggish into 2010, even as broader financial markets and economies gradually regain health.

The deal dropoff sapped demand for investment bankers, sparking layoffs across Wall Street. Beyond that, many of the biggest U.S. and European investment banks – which long commanded the greatest power and prestige — suffered damage to balance sheets and reputations. Government bailouts and limits on compensation opened the door for upstart M&A boutiques and mid-size institutions to hire hundreds of bankers away from the global giants, often referred to as the “bulge bracket.” The newer boutiques’ founders — typically, top dealmakers who left Wall Street to run their own shows — hope to grow into tomorrow’s bulge-bracket banks, filling the space left by the disappearance of Lehman and Bear Stearns.

Near the end of 2009, global bulge-bracket banks resumed hiring M&A professionals. But the hiring pickup ran ahead of any rebound in merger business and revenue, leading some observers to question whether it can continue.

While M&A volume has failed to recover in the U.S. or Europe, the outlook for investment bankers is far brighter in Asia and Latin America. In Asia, bankers’ fees for both M&A deals and stock and bond offerings soared 68 percent to $5.6 billion in the first half of 2010, nearly on par with Europe. Latin American M&A volume posted a record high in the first quarter. Deal volume across all emerging markets nearly doubled in the first half of 2010 and accounted for 33 percent of worldwide M&A, the highest percentage ever.

Roles and Career Paths

Mergers and acquisitions is principally an advisory role. When public companies announce they’re “exploring strategic opportunities,” it means they’ve hired an investment bank to advise them on a merger or sale.

Traditionally, M&A bankers advise clients on all aspects of buying, selling, and merging with other companies. They’re typically part of a broader corporate finance advisory team, which also advises firms on how to raise the money needed to finance a transaction.
As a rule of thumb, the more senior you become in M&A, the more contact you’ll have with clients. But as an analyst, you’ll spend a lot of time working on pitch books, which outline a bank’s ideas for a particular transaction. For example, should the client buy company X or company Y and, if so, how should the deal be financed?

M&A analysts usually conduct basic industry research and build financial models, which are used to price the companies concerned. Associates, who are one level higher in the banking hierarchy, oversee analysts’ work and check to make sure their models are correct.

A further rung up, vice presidents oversee the work of analysts and associates, and often order the pitch book to be partially or completely rewritten – even when it means staying up until the early hours of the morning. Vice presidents report to the directors and managing directors who are the main points of client contact.

It’s not unusual for pitch books to come to nothing. Clients may decide not to go ahead with the suggestions, or they may engage a rival bank. When a pitch book elicits a positive response, the M&A team moves into execution mode – seeing the deal through to completion.

If you’re interested in pursuing a career in M&A, be diligent and keep banging on doors. It’s critical to be a hard worker and a team player. It also helps to be bright.

Skills and Qualities
- Appetite for hard work
- Analytical ability and statistical aptitude
- Ability to work well in a team environment
- Good communication skills and self-confidence
- Strong attention to detail

Q&A

Anu Aiyengar, Managing Director, Mergers and Acquisitions
JPMorgan

What’s a typical day like for you?
I travel frequently for meetings, and also am on conference calls on a regular basis. I shift from one situation to another in a short time frame, and juggle multiple projects simultaneously. You could be in the early stages of a deal, talking to clients about their strategic alternatives, marketing, or presenting a company to potential buyers, or being on the buy side, doing valuations, looking at models, presenting to the board on bid strategy and tactics. Or, you could be in the middle of a deal, and be spending days in a lawyer’s office negotiating documents.

What advice do you have for an up-and-coming M&A professional?
It’s important to learn as much as you can about the business. Sites such as eFinancialCareers make it easier to do so. Attend career sessions when firms visit campus. Talk to people on the Street to get an understanding of what mergers and acquisitions is and talk to people at firms to help you decide if it’s right for you. It’s important to have an analytical mind and the ability to work in a high pressure environment. You must be able to multi-task, and have the attitude that you want to learn and be the best at what you do.

What are the most important skills for a career in M&A?
The skill requirements change over time. What attracted me to mergers and acquisitions is that there is a good balance between corporate finance, accounting, legal elements, strategy and psychology. Mergers and acquisitions is about people coming together and deciding the company is better off doing the merger, sale, or acquisition than not. It’s a decision made by people and it involves a great deal of psychology.

What should people wanting to work in M&A be doing to prepare?
Investment banking requires you to be aware of what’s happening in the world - in economics, financial markets, regulation. Read the Financial Times, The Wall Street Journal and watch CNBC not because you have to, but because it interests you. Also talk to people who are in the business. There’s still no better way to determine whether investment banking is right for you than an internship.
Debt and Equity Capital Markets
The stimulus for economic and financial market development

Traded financial products are born in the capital markets divisions of investment banks. There, bankers produce the securities used by companies and institutions who want to raise money on the public markets. Their two main products are stocks, traded on the equity capital markets, and bonds, traded on the debt capital markets.

Stocks, also known as shares or equities, are bought by investors who want to share in the profits of a company through dividends or the appreciation of the stock’s value. If the share price rises, investors can sell stock to other investors at a profit. If it falls, they might sell them at a loss. This trading occurs in the secondary markets, and the company itself doesn’t directly benefit. It’s raised the capital it needs through the shares’ initial public offering, or “IPO.”

Investment banks act as “underwriters” on behalf of the company issuing stock. In return for a fee known as the “underwriting spread,” they assume the risk of issuing the shares and do the work necessary to bring them to market. The underwriting spread represents the difference between the price the issuing company receives for a stock and the price at which it’s offered to shareholders. In order to spread the risk, particularly for large IPOs, investment banks typically pool their resources, with one acting as the lead underwriter, which manages the deal. The fees charged from the offering are shared proportionately among the underwriting banks, based on a written agreement among them.

Bonds are a form of debt. Like equities, they’re issued by a company or government in order to raise money. In return for their money, the issuer promises to pay bondholders back at some designated point in the future. In the meantime, the bonds can be sold to other investors in the secondary bond markets. So, the bondholder who is eventually reimbursed is unlikely to be the original buyer. As with equities, investment banks act as the underwriters to create bonds and bring them to market.

Until the maturity date, bondholders receive interest payments in return for the service of lending the issuer money. Because these payments commonly take the form of a fixed cash sum paid at regular intervals, bonds are known as fixed income products. Similarly, the bond markets can be known as the fixed income markets.

Capital markets divisions also issue more complex products, such as equity-linked securities — or bonds that can be converted into equities at a pre-arranged price — and derivatives. Equity capital markets (“ECM”) divisions and debt capital markets (“DCM”) divisions have traditionally been separate businesses. However, recent years have seen a trend toward combining them into a single unit.

Recent Developments
The fees that investment banks generate from stock and debt offerings depend on corporations’ aggregate need for new capital, which in turn reflects the level of economic activity and the trend of stock and bond prices. As the global economic downturn ensued in 2008, issuance of new securities sputtered. The credit crisis that began in the U.S. with sub-prime mortgage defaults spread to Europe, dragging down global equity and debt markets.

Aided by trillions of dollars worth of bailouts and other government-funded assistance, conditions in major financial markets recovered during 2009. Worldwide issuance of stocks and bonds rebounded 38 percent in 2009 to $7 trillion, according to data provider Dealogic. That brought Wall Street banks a total of $42.1 billion in underwriting fees, up 51 percent from the crisis year 2008.

The recovery remained patchy, however. In the equity market, much of 2009’s issuance arose not from natural demand but as a quirk of bailouts, as individual banks conducted huge stock sales to raise their own capital and meet government-imposed conditions for repaying bailout aid. During the final weeks of that year, Citigroup, Bank of America and Wells Fargo sold a total of more than $50 billion in stock – comprising three of the five largest stock sales ever made by U.S. companies.

Meanwhile, initial public stock offerings — considered a better indicator of the capital markets’ health than sales of stock by already-public companies — continued to dwindle. U.S. IPO volume shrank 47 percent to $16.6 billion, the second lowest yearly total ever, according to Dealogic. Chinese companies accounted for three times as many IPOs as U.S. companies and more than twice the dollar volume.

Equity issuance remains dormant in 2010. Global equity issuance fell to a five-year low $309 billion during the first half, as issuance during the second quarter slid 48 percent...
from second-quarter 2009, according to Thomson Reuters. Companies in central Asia and Asia Pacific, largely from China, made up almost half of worldwide IPO activity.

Bond market issuance fared much better, rebounding to record highs in 2009 before faltering in the spring of 2010. Worldwide corporate bond sales for 2009 grew 31 percent to a record $3.04 trillion and issuance of high-yield or junk bonds soared 181 percent to $207 billion, also a record, according to Bloomberg data. Bankers’ fees for debt underwriting recovered to match 2007’s record high.

However, 2010 has been a different story. After a robust first quarter, corporate bond sales declined in May and June as fears that Greece and other European governments might default on their debts led investors to shun most kinds of risk. Second-quarter sales of U.S. investment-grade corporate bonds fell 45 percent to $103 billion, while junk bond sales dropped 10 percent to $43 billion.

**Roles and Career Paths**

If you work in the capital markets division of an investment bank you could do anything from originating, to structuring, to syndicating. Or, you might work for a law firm that specializes in securities law and handles the legal aspects of submitting registration paperwork and other tasks. In a bank, origination specialists are usually senior capital markets bankers. Their job involves a lot of travel as they meet clients in an effort to gain insight into their financing needs and persuade them to offer business to the bank. Essentially, origination specialists hold senior level sales positions.

By comparison, structurers are desk-bound. They spend their time creating complex financial products to suit a company’s financing needs as communicated by the originators. It’s up to the people on the syndication desk to ready the market for the sale. They calculate the best price range for the product in question, assess demand, and make sure the correct documents are in place.

**Skills and Qualities**

- Analytical ability and statistical aptitude
- Strong communication skills
- Ability to manage multiple projects
- Perseverance

Q&A

Michelle Khalili, Managing Director, Equity Capital Markets CIBC

**Describe your career path.**

I graduated from the University of Toronto with a bachelor of commerce degree in economics and accounting. I joined PricewaterhouseCoopers in its audit group, working in both Kuala Lumpur and Toronto. During this time I became a chartered accountant. While I enjoyed what I was doing I realized that what I really wanted to do was help companies look forward and to grow. So I moved to the advisory side at PWC, then to an M&A advisory shop and then to the investment banking group at a boutique investment dealer, where I got my CFA designation. I spent a number of years there in a generalist role, doing M&A, advisory work, and financings. This role helped me focus and realize what I loved most about this business — the equity markets. I then joined CIBC, where I’ve been for the past 10 years.

**Describe your role at CIBC.**

My role is to provide clients with market intelligence and color, transaction guidance, deal execution, and after-market support. I work with clients in the oil and gas sector but also have clients in other areas, such retail and consumer products. I also work with internal clients and partners, including investment banking, sales and trading and retail brokers groups, to ensure the full financial needs of CIBC’s clients are met.

**What is a typical day like for you?**

I wear many hats in a given day, which is a great thing about my job. Recently, for example, I spent time meeting clients and giving them insight on the current state of the equity markets and new equity issue environment. I was also engaged in launching a financing for an oil and gas company to acquire assets. In another transaction, we sold an investment in a power company for one of its shareholders. In each transaction I’ll work with different CIBC investment banking groups or with the equity sales desk.

**What advice do you have for a student or professional starting a career in capital markets?**

Be well-prepared for every conversation and meeting that you have with someone in the capital markets industry. Research the companies and people you are meeting with. Know what’s going on in the business world. But also know who you are — what your strengths are so you can capitalize on them, and if you do have areas of weakness, make sure you work on them. Also, it’s very important to network even when you are in college.
Sales and Trading

Fortunes are won and lost trading in the secondary markets

Every day, millions of financial products are traded in the secondary markets, where traders buy and sell financial products after their initial issue. (That happens in what’s called the “primary market.”) In the secondary markets, salespeople advise clients on investment opportunities, while traders carry out the actual buying and selling of securities.

Sales
Salespeople spend the bulk of their time communicating with clients via phone calls, e-mail and other means. They’re in contact with clients from the moment the financial markets open until the moment they close, as well as for several hours before and after. Clients might be high net worth individuals, hedge fund managers, institutional investors or corporate finance directors. Ultimately, salespeople take orders for financial products and communicate them to their trading desks for execution.

Salespeople have to be charming and persuasive – in short, they need to be good at selling. Most clients are knowledgeable and sophisticated buyers of financial products, whether stocks and bonds or derivatives like interest rate swaps or credit derivatives. It’s the salesperson’s job to introduce new investment opportunities to customers, and to keep them informed about changing conditions that might affect the value of securities in their portfolio.

Sales professionals typically start their day by reviewing financial publications like The Wall Street Journal, along with reports from their research staffs. They also listen in on morning conference calls conducted by their research departments, where they learn of upgrades or downgrades to securities already covered, or of new issues being added to the coverage list. All this material becomes fodder for the day’s sales calls.

Trading
Traders are the people who actually buy and sell products on the secondary markets. They must make snap decisions that can involve millions of dollars and earn substantial profits in the process.

If you work as a trader, you’ll have to be at your desk before the markets open. You’ll spend the rest of the day sitting before an array of computer screens in the company of scores of your peers. The screens are a window into the financial markets, showing movements in the prices of stocks, bonds, commodities and other financial products, plus real-time news and research reports. At the touch of a button, traders can buy and sell the products whose prices they’re tracking.

Most traders are flow traders, who buy and sell financial products on behalf of an investment bank’s clients. Salespeople tell flow traders what their clients want to buy and sell, and flow traders determine whether a particular trade is possible at a particular price. Once a client agrees to trade an instrument, flow traders are obliged to buy or sell at the price the client agreed to. The trader’s firm can profit if the trader buys at a price lower than what was quoted to the client, or can lose if the market price climbs before the trader executes the purchase.

In contrast to flow traders, proprietary traders trade on behalf of their employer – placing bets with a bank’s own capital. They can make huge profits or considerable losses, so it’s not a job for the faint of heart. But this once-elite group faces a serious threat from a new U.S. banking law adopted in July 2010.

Other Jobs
In between salespeople and traders exists a hybrid: the sales-trader. Like salespeople, sales-traders call clients to recommend securities. Like traders, they trade the securities once a sale has been made.

Firms – particularly larger investment firms – also employ research-sales professionals, whose job is to sell their employer’s research expertise. While investment sales professionals and sales-traders will use the bottom line results of a research report to pitch actual investments, research salespeople must be intimately familiar with the details of the analysis to be successful.

Recent Developments
Besides erasing thousands of jobs creating, selling and trading certain mortgage-related securities, the global financial crisis also upended the pecking order between flow traders and proprietary traders. Now the Dodd-Frank Act of 2010 is making global bulge-bracket institutions cast about for ways to continue employing any proprietary traders at all.

A Dodd-Frank provision known as the Volcker Rule bans banks from making proprietary trades in many types of securities. As of August 2010, big institutions like Goldman...
Sachs and Bank of America that still have substantial “prop” trading businesses are weighing options such as moving their prop traders onto client trading desks or launching hedge funds that would invest money for clients, thereby taking banks’ capital out of the picture. With banks pulling out, aspiring proprietary traders will need to build their careers within specialized trading firms or hedge funds.

Another area of change is the inroads of electronic trading platforms. Computer systems that let institutional clients enter orders directly have rendered public trading floors like Chicago’s famed commodity “pits” all but extinct. The spread of various high-tech, high-speed trading systems is slowly molding sales-traders into consultants who instruct clients how to navigate the latest platforms.

Roles and Career Paths
Traders and salespeople can be categorized according to the products they trade, by the types of clients they sell to, or by the sector they specialize in. For example, traders might focus on foreign exchange, derivatives, corporate bonds, government bonds, or any number of other products. One salesperson might sell equities to pension fund investors, while another might focus on corporate bonds.

In addition, there are two fundamental types of trader: proprietary traders and flow traders, as explained above.

Skills and Qualities
Sales
- Outgoing and self-confident
- Ability to grow and maintain client relationships
- Excellent communication skills
- Ability to understand complex products

Trading
- Passionate about financial markets
- Can function well under pressure
- Self-confidence
- Comfortable with numbers
- Ability to think on your feet and react quickly to changing market conditions

Q&A
Jacqueline Szeto, Vice President & Director, Debt Capital Markets, TD Securities

Describe your career path.
I graduated with a bachelor’s in commerce from the University of Toronto with a minor in Spanish and East Asian studies. I began in a bank training program where I rotated to different areas within the organization. Soon a fantastic opportunity came up to work for TD Securities selling foreign exchange, money markets, and bonds to large institutions in Asia. So I moved to Hong Kong and covered clients in Singapore, Thailand, and Hong Kong for one and a half years. For the past 12 years I’ve worked in TD’s Toronto office, selling bonds and money-market instruments to institutions such as pension funds, mutual funds, asset managers and insurance companies.

What is a typical day like for you?
I’m usually in the office by 7 a.m. My day starts with a review of what happened in overnight markets around the world and how it will impact Canadian markets. I’ll participate in conference calls with colleagues where we talk about market and economic news and deal flows. At 8 a.m., I’ll start making calls to clients to understand their investment needs, make some proposals, and help facilitate transactions. In this highly competitive industry, it’s important to think quickly, be creative and see where different financial products are moving in real time.

What advice do you have for students and aspiring sales professionals?
Core subjects like finance, accounting, and economics will help you understand the various aspects of how capital markets operate. Taking the CFA course is also helpful. Political science courses open your mind to a different way of thinking. And it’s important to stay on top of current events and understand what impact they could have on the markets. For example, you should understand the ramifications of an oil spill for oil and commodity process, or the potential impact of higher interest rates on the economy. Summer internships and co-op placements are great ways to get an inside look at an organization, its culture and to see what a job is really like. I recommend that you begin to network early in your career – get to know as many people in as many organizations and industries as possible.

What skills are most important to be successful in sales?
To be successful in capital market sales, you must be a self starter, highly motivated and able to work in a dynamic and ever-changing environment. Sales requires you to manage your time and juggle several things simultaneously while being detail oriented. Also, you need to be humble, to handle rejection and not take it personally.
Investment analysts provide the fundamental research that helps drive investment decision making on Wall Street. While money managers and traders ultimately decide what to buy and sell, the basis for their choices frequently starts with analysis provided by researchers at investment banks and independent research firms, whose work is then supplemented by internally produced reports.

Research reports are valuable because they fill in information gaps that can lead to inefficiencies in the market. Without a sense of a company’s fundamental value, investors will tend to overvalue or undervalue its stock. By providing the basic information investors need to make wise buy or sell decisions, researchers help level the playing field.

Not all research professionals focus on equities. Analysts are also employed to study instruments such as corporate or government bonds, municipal securities, mortgage-backed securities and credit derivatives – even currencies, entire economies and entire markets.

Analysts who work for institutions like Goldman Sachs, Morgan Stanley or Citigroup are said to work for the “sell side” of the market. They produce reports on industries and companies, which their employers use as a basis for recommendations to institutional and individual investor clients. When the media says a firm’s stock rose or fell due to a change in an “analyst’s recommendation,” the analyst is typically working on the sell side.

At the same time, institutions on the “buy side” of the investment landscape – hedge funds, mutual funds, pension funds and other firms that manage money for individual and corporate clients — also employ analysts to ferret out investment and trading opportunities. Over the past decade, the buy side pulled ahead of Wall Street’s sell side in career growth opportunities for stock and bond analysts, economists and other research professionals.

Buy-side and sell-side analysts draw upon the same broad body of knowledge to generate their reports. Both have the same basic mission: to forecast returns and risks for different investments and make buy and sell recommendations. Yet, it isn’t easy for an analyst with substantial experience in either camp to change spots and become employed across the aisle. Jumping from sell-side research to a hedge fund is particularly challenging.

Beyond investment banks and asset management firms, many analysts work in independent research shops. These niche firms sell their analytical expertise alone, without an investment banking component.

Recent Developments
The 2008-09 financial crisis and consolidation of the banking sector eliminated thousands of research jobs. Major buy-side institutions cut back too, and dozens of hedge funds shut their doors. Meanwhile, a legal settlement that had steered more than $400 million toward independent research firms between 2003 and 2009 ended, hobbling several independent shops that had depended on this revenue stream.

Three areas that grew strongly in recent years are mid-market financial firms, boutiques and expert networks. The decline of full-service institutions such as Merrill Lynch elevated mid-size banks and narrowly focused boutiques into vital career alternatives for many a professional who otherwise would have pursued or stayed within bulge-bracket banks. While a number of big banks moved to rebuild research departments as the industry regained its footing in 2009 and 2010, growth in research career opportunities remained more evident on the buy side and among mid-size and smaller firms.

A Greenwich Associates survey of buy-side analysts released in June 2010 found mid-sized broker-dealers, regional firms and sector specialists raised their combined share of the research market from 24 percent in 2008 to 32.4 percent in 2010. Bulge-bracket firms’ share dipped from 73 percent to 64 percent.

Also during the past decade, a new brand of research providers called expert networks sprang up. Rather than publish their own analysis, these firms set up contacts between their clients (primarily hedge funds) and scientists or others whose specialized knowledge could help an investor gauge the prospects of a product, company or market. This corner of the research business mushroomed from nine firms in 2000 to 42 in 2009, according to Integrity Research Associates. Gerson Lehrman Group is the largest.

Research career opportunities are widening among various buy-side institutions too. The creation of new hedge funds and mutual funds picked up speed starting in mid-2009,
creating a need for research analysts to support portfolio managers with investment ideas. Another category of buy-side institution – “family offices” that manage assets of ultra-wealthy clients – plans to recruit more financial analysts over the next three years, according to a December 2009 survey by U.S. Trust and Campden Research.

Roles and Career Paths
Researchers spend their time scouring companies’ balance sheets, talking to executives, and participating in conference calls where company leaders discuss their results and future expectations. Researchers also analyze interest rates, economies, and other areas that could provide insight into the proper valuation of different financial instruments.

As a sell-side analyst’s career develops, advancement and pay rests critically on relationships he or she is able to build with institutional buy-side clients. Issuing accurate recommendations helps. But on the sell side, you’ll be paid for the business you bring in from big accounts that trade or do deals through your firm – not the profits someone might make from your recommendations. Even at boutiques built around research, analysts must build and satisfy a roster of clients eager to pay for access to their work.

Working on the buy side, for a hedge fund or asset manager, provides more freedom and flexibility plus the chance that your research will directly translate into investment or trading decisions. Typically, buy-side analysts receive bonuses tied to the performance of assets under management. Because the buy side is very competitive, it’s harder to break into than the sell side.

Lead analysts, whether buy or sell side, seldom get hired without at least two or three years of experience, beginning as a research assistant or junior analyst under the supervision of a more seasoned professional. A lot of people break into the business via an internship.

Skills and Qualities
- Analytical and mathematical ability
- Accounting and financial statement analysis
- Strong written and oral communication skills
- Specific knowledge of markets and market segments
- Demonstrated interest in the investment process

Q&A
Heidi Wood, Managing Director, Senior Equity Analyst
Morgan Stanley

Describe your career path.
I decided to become a Wall Street analyst after trying a number of different jobs during my twenties. I liked the idea because it provided a scoreboard whereby I could see how I was doing. In research you have the ability to make a call and get it right or wrong. This tapped into my competitive spirit and was invigorating. I had three job offers and was hired as a junior associate covering the defense sector. I’ve been in research for 17 years and at Morgan Stanley for the past 11 years. The culture at Morgan Stanley was instrumental in helping me become the first female aerospace analyst in 40 years in the sector.

Describe your role at Morgan Stanley.
I am Morgan Stanley’s authority on aerospace and defense. On the sell side I’m able to delve into a level of detail and develop relationships and insights that aren’t possible on the buy side. My opinions and analysis are utilized by our clients to decide whether to buy, sell, or hold stocks. I get a high when I get something right ahead of the market and see that call get validated in stock price movements.

What is a typical day like for you?
I’m on the phone with traders on the floor who are buying and selling stocks, talking to clients and contacts at companies I cover. I’m also writing reports, delegating work to other team members or talking to colleagues about the industry. I speak to our strategists about the overall industry, asking strategists about the overall market and how it filters into their views on stocks.

What advice do you have for an up-and-coming research professional?
There can be three to five days a week where you get very little sleep. This can be exciting for many people but after a few years you want to slow down. For undergraduate students, I’d recommend refining your accounting skills, and building your questioning and listening skills. Train yourself to think as originally as you can. Your job is to figure out the spread between what is true and what isn’t. Many people are trying to obscure your ability to get to the truth.

To break in requires perseverance. It took me a while to get into this business. The walls are high and can only be scaled by those who are determined. Don’t let “no” stop you. One of the best ways to differentiate yourself in a competitive world is the ability to persevere and consistently follow-up in cases where you have an opportunity to break in.
Quantitative Analytics
The brains behind financial models

In the international financial markets, successful trading strategies are devised by highly educated, mathematically oriented professionals known as financial engineers or more colloquially, “quants.” These are the people who create the financial theories, computer models, valuation techniques and trading programs used by hedge funds, investment banks and other market participants to exploit opportunities that might be missed by average mortals.

By and large, this terrain is occupied by people with advanced degrees in disciplines such as physics, economics and computer science, or any of several mathematical specialties such as multivariate calculus, linear algebra, differential equations, probability theory and statistical inference. Generally, these people also need to be familiar with the C++ programming language, the most widely used in the field. The fathers of computational finance are considered to be the economists Myron Scholes, Fischer Black and Robert C. Merton. Scholes and Black are synonymous with options pricing theory, having developed the famous Black-Scholes equation. Their model provided the fundamental conceptual framework for valuing options, and has become the de facto standard in the world’s financial markets for valuing those instruments, along with many types of bonds and derivatives that contain embedded options.

Beyond advanced degrees, many employers require prospective quants to pass a rigorous vetting process that includes verification of references and, ideally, published research to point to. One recruiter who specializes in the field tells of one candidate she placed with a high-profile New York hedge fund. The job offer was rescinded after a professor provided a less-than-glowing reference.

“This hedge fund actually went through the trouble of contacting the professor that supervised his dissertation, rather than the professors he listed as references — and that professor was located in Brazil,” the recruiter says. The moral of the story: Make sure you have built strong relationships with your advisers and fellow researchers to go along with your good academic record.

Recent Developments
Financial engineers, like other investment professionals, faced a more challenging job market after the financial crisis descended in 2007. Careers designing and trading complex structured mortgage and credit products, a focus for many sell-side quants during the housing boom last decade, were an early and lasting casualty. Opportunities to work in hedge funds — long a prime destination for quants — were decimated as investment losses and clients withdrawing money forced hundreds of fund companies to close their doors.

Apart from the business cycle’s impact (which is abating in 2010), perceptions of the ultimate value of quantitative finance took a beating too. For instance, a JPMorgan Asset Management survey in late 2009 found more than a third of European institutional investors felt less positive about quantitative equity strategies than a year ago, while 80 percent of the largest ones felt more positive about a fundamental approach to picking stocks.

Events during the spring and summer of 2010 cast a cloud over two other vital quant niches: proprietary trading and algorithmic trading. The Dodd-Frank Act, enacted in July, bars banks from trading most types of securities for their own account (known as proprietary trading). And a concentrated selloff in U.S. stock markets on May 6 - quickly dubbed “the flash crash” - amplified calls for policy makers to enact rules curbing algorithmic trading.

The use of computer-driven models or algorithms to both identify and rapidly execute profitable arbitrage opportunities has grown rapidly in recent years, to account for as much as two-thirds of daily trading volume. To continue executing trades for funds that rely on those models, broker-dealers large and small are adding engineers to refine the platforms that communicate orders, and adding modelers to write software for pinpointing arbitrage opportunities.

On the bright side, the crisis and the outside scrutiny it brought made financial institutions up their investment in risk management — yet another area that’s long utilized advanced quant credentials. “There’s a growing need for better quant models and more transparency and people who can identify risk quickly,” says Jim Geiger of Analytic Recruiting, a New York search firm. Risk-focused quants also work for specialized software vendors that create and produce risk management products.

All in all, while demand to hire quants on Wall Street is more selective than it was before the crisis, banks, asset management firms and hedge funds continue to need hard-core quant skills.
Describe your career path.

I joined the derivatives research group at JPMorgan in 2002 after graduate school. After working on structured credit products pricing and then on risk, in 2005 I was promoted to vice president. Two years later I started to manage a small team, and this year I was promoted to executive director.

What is a typical day like for you?

My day runs from about 9 a.m. to 6 p.m. Other than conference calls and meetings, my schedule is flexible and most of my time is spent on various research projects serving internal clients. At the beginning of a project, I often gather information from these clients. Then comes the modeling and implementation stage, when my team works mostly independently. Once a project nears completion, we’ll interact with clients to deliver the results and help them understand the numbers.

How has your work in quantitative research changed?

When I first joined J.P. Morgan, my job was to support structured credit trading, mainly on price development. The emphasis was on a consistent price relative to other products. After moving to the risk side, we began building models and systems that help us better quantify and understand the tail risk. My role became much more about building simulation models based on historical data to account for market dynamics and required broader thinking.

Any advice for undergraduate students wanting to pursue a career in quantitative research?

I would encourage both undergraduates and graduate students to get a flavor of quantitative research by reading Steven Shreve’s lecture note “Stochastic Calculus and Finance” (available online). Some programming training is also helpful for model implementation.

What are the most important skills for a career in quantitative research?

If you’re interested in problem solving and model building, then quantitative research is right for you. When we interview candidates, we look for mathematical skills and problem solving ability. These should be part of your training in graduate school throughout your studies and thesis research. If you have these skills, be sure to show them on your resume and emphasize the role that quantitative work played in your research. Once you start working, the most important thing is to earn the trust of your manager and colleagues. You own your projects and you need to be self-directed.

Roles and Career Paths

If you become a quant, much of your time will be spent developing, programming and updating financial models. When just starting out, you may be required to work completely by yourself, spending long hours building models from scratch and coding for several hours straight. Still, good communication skills are essential. A quantitative professional can be viewed by other members of a firm as a resource who can explain why and how their models work. Plus, after long periods programming complex models, you’ll need to ask colleagues to review your efforts.

Quantitative analytics is one area where a candidate with a doctorate isn’t considered to be overqualified, although a master’s degree in the appropriate discipline can sometimes suffice. Unlike with MBA candidates, the pedigree of your university isn’t always viewed as a hiring advantage. It’s more important to demonstrate you have the skills needed to succeed in the job.

Emanuel Derman, a Columbia University professor and former Goldman Sachs quant strategist who wrote the widely read autobiography, My Life as a Quant, advises prospective financial engineers to begin with a bachelor’s degree in “solid subjects” such as mathematics, statistics or applied math.

“Then, in an ideal world, learn some finance and then work for two years in the financial business,” Derman told TradingMarkets.com. “That will help you decide whether you like the research side or the trading and sales side of the business. Then, if you want to be a financial engineer, come back and get a master’s degree or a Ph.D. in that field.”

Skills and Qualities

• Advanced degree in mathematics, economics, physics, computer science or similar disciplines
• Ability to program complex financial models
• Good communication skills

Q&A

Zhiyong Duan, Executive Director, Quantitative Research
JPMorgan

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Hedge Funds
Live and die by your portfolio returns

The term “hedge fund” is based on the idea money managers can hedge their bets to ensure a profit, regardless of whether the market goes up or down. Although their greatest influence has occurred during the past two decades, the first was created some 60 years ago: In 1949 money manager Alfred Winslow Jones began short-selling stocks while buying others to offset his risk.

Hedge fund managers balance their exposure by using tools such as options or futures, or simultaneously holding long positions while also short-selling. What distinguishes them from traditional mutual fund managers is their willingness to push the boundaries of normal investment techniques in a quest for unusually high returns. Their results don’t often closely track those of stock or bond markets. In addition, hedge fund managers historically faced little regulatory scrutiny. However, the era of unregulated hedge funds ended with passage of the Dodd-Frank Act in 2010.

Hedge funds traditionally compete for top talent with the leading investment banks. However, the investment banks generally have more conservative bonus structures, are more risk-averse than hedge funds, and are subject to complicated compliance procedures. For some, all of this makes working at a hedge fund extremely attractive.

Most hedge funds follow a particular investment strategy. Popular strategies include:

- **Global Macro**: Instead of focusing on the movements of particular stocks, global macro funds create and manage portfolios based on their reading of worldwide political and economic trends.
- **Event-Driven**: Managers using this strategy aim to profit from one-off events, such as mergers, acquisitions or leveraged buyouts.
- **Distressed**: These funds buy debt (or occasionally equity) of companies in or near bankruptcy. They strive to buy securities whose market prices are below the value of company assets under a bankruptcy plan or similar reorganization.
- **Market Neutral**: This strategy rests on hedging bets — owning one group of securities the fund manager believes will perform better, while short-selling other, borrowed securities he believes will do worse.

Hedge funds are considered risky because they use borrowed money (known as "leverage") to pump up returns, can hold long or short positions, and put money into illiquid investments. To counter this risk, some investors put their money into “funds of funds,” which spread their money — and supposedly, their perils — across several funds.

Hedge fund managers live and die by their investment returns. Perhaps more than any other corner of the finance world, the fee revenue earned by hedge funds — and the compensation of the people who run them — closely reflects each fund’s short-term performance. Nearly all hedge fund firms charge fees in the form of a fixed percentage (usually 20 percent) of the prior year’s investment returns plus a small percentage of assets managed (usually 2 percent). After a losing year, most funds stop collecting performance-based fees until they’ve earned back all the losses, an arrangement called a “high-water mark.”

Recent Developments
Downturns in global financial markets during 2008 took a heavy toll on the hedge fund business. Worldwide hedge fund assets shrank 32 percent that year to $1.81 trillion, according to Hedge Fund Intelligence, a firm that compiles news and data on the global hedge fund industry. The combination of investment losses and clients withdrawing assets forced a record 1,471 funds to close during 2008, according to Chicago-based Hedge Fund Research. Hundreds more closed during 2009.

In 2010, the industry’s fortunes are gradually turning around. After 2009’s hefty investment gains, by April 2010 industry-wide assets under management had rebounded to within 2 percent of their 2007 record high.

Many new fund companies are being launched by well-known traders leaving investment banks. While that’s a long-running trend, it got a major boost from the Dodd-Frank Act’s prohibition on banks operating proprietary trading desks — essentially in-house hedge funds whose sole client is the bank. Even before Dodd-Frank was enacted, dozens of star prop traders struck out on their own rather than wait for parent banks to wind down their units.

It’s worth noting, though, that new hedge fund companies tend to operate very lean for their first couple of years,
doing little or no hiring until they’ve established a track record. So the current uptick in fund formation won’t generate immediate job opportunities.

However, hedge funds are taking on new staff beyond their core areas of portfolio management, trading and research. The Dodd-Frank Act compels many fund companies to register for the first time either with the Securities and Exchange Commission or with state securities regulators. They’ll also be subject to expanded reporting and disclosure rules. Funds will therefore need to hire compliance staff.

Funds also are hiring more marketing and client service staff to meet growing demands for transparency from both institutional and wealthy individual clients.

**Roles and Career Paths**

Jobs in hedge funds tend to fall into four categories:

- **Analysis**: Analyzing the companies, markets and securities a hedge fund invests in.
- **Sales and Marketing**: Meeting with investors to help sell the strengths of the fund.
- **Portfolio Management and Trading**: Executing the investment strategy, buying and selling financial products according to analysts’ recommendations.
- **Risk Management and Back Office**: Settling trades, working out risk exposure and making sure everything flows smoothly. Many small funds outsource these tasks to banks’ prime brokerage divisions.

Most roles are quite distinct: If you join as a risk manager, the chances of becoming an analyst are slim. On the other hand, it’s not unknown for analysts to become traders. Hedge funds rarely hire people fresh out of school. Most are small organizations that lack the time or resources for extensive training. New graduates would be better served trying to join an investment bank to gain a year or two of experience that will be attractive to a hedge fund.

**Skills and Qualities**

- Math aptitude
- Adaptability
- Creativity

**Q&A**

**Jon Bloom, Managing Partner**

**Broadlawn Capital**

**Describe your career path.**

After graduating from the Wharton School of Business in 1981 and six years in Goldman Sachs’s equity department, I left to found a hedge fund specializing in risk arbitrage. In 1993 I joined Bankers Trust, where I was hired to run the firm’s equity derivatives trading platform and later my responsibilities were expanded to include the firm’s proprietary equity products. I left after the firm was acquired by Deutsche Bank in 1999 to start Broadlawn Capital, which I have been running for the past 10 years.

**What advice do you have for an up-and-coming hedge fund manager?**

Future hedge funders should have an expertise or depth of knowledge of a specific facet of the business that interests them. If interested in research, be familiar with a broad base of industries and have complete knowledge of a specific industry group. If pursuing trading, have an understanding of all of the traded products that exist. It’s difficult for someone to prove their talent directly out of school. Becoming expert in all of the nuances of the business will give a prospective employee a significant jump on the competition.

**What are the critical skills for a career in hedge funds?**

In research, it’s thoroughness, the ability to know accounting, balance sheets – the details of a company’s business. Most people have a cursory knowledge of these skills but are unwilling to delve into the minutiae of companies’ actions. On the trading side, most people don’t have the risk discipline needed to become a successful trader. This characteristic is innate for some, but others can acquire it through training, playing online games of chance, or casino gambling. Without it one can’t be a successful trader.

**How should people prepare to work in hedge funds?**

Most successful traders seem to be active in online or face to face poker tournaments, because they involve the principles of risk discipline. Risk management skills are important for all successful stock and commodity trading. This online phenomenon didn’t exist when I started out in the business, but I and my peers were actively involved in playing poker, bridge, and gin. The concentration involved in playing these games provides an advantage when you get into investment management.

People coming out of school should be experienced in technology, software programming and as knowledgeable about accounting and various investment products as they can.
Foreign Exchange
The world’s biggest market

The foreign exchange market (also called the “Forex” or “FX” market) is the world’s largest in terms of cash value changing hands daily.

FX trading involves converting one currency into another and predicting changes in exchange rates based on global events. The point is simple: to profit from currency price fluctuations. FX is an extremely liquid market with numerous participants.

Anyone who has lost money by buying a foreign currency before going on vacation, only to find its worth fell before they arrived to spend it, will appreciate the need to keep an eye on the value of currencies. Banks and their clients face a similar problem, but to a much greater degree. For example, a U.S.-based company that owns hundreds of millions of euros stands to lose huge amounts if the currency drops even minutely against the dollar. On the other hand, business is increasingly global: If the dollar weakens, U.S. companies with significant sales in European and Asian markets can reap significant bottom-line benefits when they convert their euro or yen-denominated sales back into dollars.

Working in foreign exchange means predicting whether one currency will fall (depreciate) or rise (appreciate) against another. If depreciation is forecast, salespeople and traders advise clients to sell the currency and buy one that’s appreciating. It’s a simple variant of the “buy low, sell high” maxim of financial markets.

The trading of currencies themselves is known as the spot market, and is transacted by the world’s banks. However, many of the products bought and sold in foreign exchange markets aren’t actual currencies, but deferred-payment currency contracts known as futures, and one-way bets on the direction of foreign exchange price movements, known as options. Both futures and options are types of derivatives: contracts whose value is based on the performance of an underlying financial asset, index, or other investment. Large investors – like pension or hedge funds, or multinational corporations with significant overseas sales – use these derivative products as a “hedge” against the rise or fall of the actual currencies. It’s a form of insurance meant to protect against fluctuations in a portfolio or on a balance sheet.

While geographically diverse, the top 10 FX trading institutions account for about four-fifths of the estimated $3 trillion daily volume. According to the magazine Euromoney’s 2010 survey, they were Deutsche Bank, UBS, Barclays Capital, Citigroup, Royal Bank of Scotland, JPMorganChase, HSBC, Credit Suisse, Goldman Sachs and Morgan Stanley.

Recent Developments
Jobs and pay for FX traders proved resilient during the recent global financial crisis, even as career opportunities for other traders and bankers got hammered. Wider fluctuations among exchange rates spurred demand for both simple and complex currency products, which kept business humming through the downturn. Between April and October 2009, FX trading volumes in the U.S. rose 28 percent to $675 billion a day, according to a Federal Reserve study. Deutsche Bank’s currency platform for retail investors had 40 percent more customers in 2009 than in 2008.

Early in 2010, the Greek sovereign debt crisis provided a fresh spur for currency trading by sparking fears that Greece and possibly other countries might withdraw from Europe’s unified currency, the euro. Meanwhile, the massive debt the U.S. government ran up bailing out the financial system and combating the recession have the potential to trigger fresh waves of currency instability – and trading activity – at any time. FX traders pay attention to what is happening in the government bond markets (particularly trading of U.S. Treasury securities) because economic policies can impact the FX market.

Currency traders “are set to become the new kings of the financial markets,” Bloomberg News columnist Matthew Lynn wrote in February 2010. “The sovereign-debt crisis, the demise of the dollar and the creation of new reserve currencies all mean that the great financial reputations and fortunes will be made in foreign exchange in the coming few years.”

Before Europe’s debt crisis arose, it was widely believed the euro was on a gradual path toward eventually replacing the U.S. dollar as the world’s reserve currency. While that appears less likely now, other forces could dethrone the dollar over time and bring new currencies to the forefront. In the long run, the chronic trade deficits in the U.S. tend to pull down the dollar’s value, because businesses must continually trade away dollars to obtain the foreign currencies needed to pay for goods made overseas.

An important near-term influence on careers in FX trading (along with stock and bond trading) is the Dodd-Frank
Act’s ban on proprietary trading by banks. In the months before it became law, many proprietary traders - including some specializing in foreign exchange - left bulge-bracket institutions to join hedge funds or other firms whose trading won’t be subject to Dodd-Frank. Global banks, for their part, are making plans to comply by shifting proprietary trading jobs, such as folding prop desks into client trading or letting them run newly launched funds that will manage money for clients instead of trading the bank’s capital.

Roles and Career Paths

Roles in the world of foreign exchange are much the same as in the sales and trading arena, except that you’d be trading currencies and derivatives instead of corporate or government bonds and equity products.

FX trading jobs are usually split between vanilla trading, where products are simple and trades are easy to execute, and more complex derivatives trading. As with other trading desks, some traders execute transactions on behalf of clients, while proprietary traders seek to earn profits for the institution that employs them. Sales jobs in foreign exchange (as in other product areas) are usually divided between different client types, with some salespeople specializing in hedge funds and others selling only to companies.

As with equity and bond trading, researchers who specialize in studying currency markets produce written reports that salespeople use to keep clients informed of market developments. If you work with FX derivatives, you could also become a structurer, assembling complex exotic derivative products for clients.

Skills and Qualities

- Understanding of geopolitical events and macroeconomics
- Quick thinking with a good awareness of how markets work
- For FX derivatives: reasonably strong math aptitude
- For structurers: patience and communication skills

Q&A

Bob Tull, Managing Director of FX Group
Fifth Third Bank

Describe your role at Fifth Third.

I oversee the bank’s foreign exchange trading and sales functions, which includes everything from managing the positions Fifth Third Bank has as result of hedging that we execute for clients to ensuring the systems are operating properly.

What is a typical day like for you?

I’m up by 5 a.m. and am usually in the office by 6:30. Before I head into the office, I check overnight markets. I also check orders that clients leave with us overnight to ensure they have been executed. At the office, I check to see if there are any issues with counterparty banks that we need to be aware of. I’ll read risk position reports and see where exposures are on the currency side. Once I’m armed with this information, it’s meetings, meetings, meetings. I’ll contact clients and discuss how movements may affect their bottom line. I’ll meet with the bank’s credit department to look at any possible internal risks. I will have a lot of external meetings where I meet with clients to create solutions.

What advice do you have for undergraduate students or aspiring foreign exchange professionals?

As an undergraduate, a strong knowledge base in math and economics is paramount. You need to have a love for finance and geopolitical issues because they are so closely linked. Internships are invaluable, as they allow you to get exposure to markets and learn.

What skills are most important to be successful in foreign exchange?

You need to be able to communicate clearly and concisely. Being concise is critical, especially when giving a price and discussing strategy with clients. Strong written skills are also important. It’s also critical today that you be able to build relationships and be trusted internally and externally with clients. You must be honest and have integrity, as once you lose your integrity in this business, it’s very hard to regain it. Also, you need to be consistently reading. Unlike the equities or bond markets, foreign exchange is a 24 hour a day, six day a week business. You may leave your physical office, but the good foreign exchange traders are reading at 10 p.m. and up at 2 a.m. That is what differentiates the good from the great in this business.
Asset Management

People, process, philosophy, performance

Asset managers, also called fund or investment managers, are professionals who invest money on behalf of their clients. The term can refer either to a firm that provides investment management services or an individual who makes investment decisions for others.

Whichever definition fits, an asset manager’s clients may include pension funds, insurance companies and other sources of institutional cash. Individual investors employ asset management professionals through their investments in mutual funds, either directly or as part of an Individual Retirement Account or other retirement plan.

Traditional investment managers select financial products in the belief their value will rise over time. Today, many investment vehicles, including hedge funds, seek to augment returns through a broad range of added tools that can include short-selling, either hedging or multiplying risk through the use of options or other derivatives, or passively owning an index product for one asset type (such as U.S. large-company stocks) while conducting active trading in a different category of asset, perhaps foreign currencies. (For more, see our profile of the Hedge Funds sector on page 56.)

In this section, we focus on the two basic kinds of funds: Passive funds and active funds.

Passive funds, also called “index trackers,” are designed to mimic the performance of well-known stock market indexes like the S&P 500. A passive fund might not hold exactly the same stocks as listed in the index it’s intended to mimic.

Taking the opposite tack, active fund managers decide for themselves which financial products to buy or sell. Their work follows more closely the common idea of what asset management is all about. They invest in products their research indicates are likely to rise in price over time, thus allowing investors to share in the appreciation of the stocks and saving them the work of ferreting out opportunities on their own.

Funds invest in everything from stocks, bonds or real estate to physical commodities such as oil or metals. Because different types of clients tolerate different amounts of risk, asset managers usually offer several funds at a time. Some offer fast growth along with a larger measure of risk, while others offer slower growth at less risk. Funds also can be highly specialized, targeting specific sectors or regions of the world. Some managers are only interested in small capitalization growth stocks, while others focus on the world’s biggest companies. The ways in which investment products can be categorized are virtually endless, as are the types of funds that cater to the desires of investors.

Recent Developments

Consolidation among investment managers, already under way long before the global financial crisis, picked up speed in 2008 when a number of large investment banks — along with their asset management arms — disappeared or were acquired.

Then, in December 2009, BlackRock acquired Barclays’ fund management business, Barclays Global Investors. That deal more than doubled BlackRock’s assets under management to $3.4 trillion, making it the world’s largest asset management firm.

The biggest investment shops are expanding in scope as well as size. BlackRock plans a major expansion of its advisory and exchange-traded funds operations, particularly in Asia, its Chief Executive Laurence Fink said in July 2010. Pimco, one of the biggest and most successful fixed-income investment managers, launched its first actively managed equity funds early in 2010. TIAA-CREF, the biggest manager of retirement funds for school and college teachers, began recruiting staff to enter the business of managing money for endowments and foundations. Goldman Sachs also reportedly recruited endowment executives during 2010 in an effort to attract more business from that market segment.

Even while the industry’s biggest players flex their muscles, the past year also saw a proliferation of new asset management start-ups. For instance, 15 companies opened their first mutual funds during the year’s first quarter, compared with just five in the first quarter of 2009. The figure doesn’t include new managers operating other legal vehicles, such as private placements or separately managed accounts. Some new contenders are led by prominent industry figures such as Lewis Sanders, former chief executive of Alliance-Bernstein, Gary Black, ex-CEO of Janus Funds, and Jeffrey Gundlach, a top-performing bond fund manager formerly with TCW.
Roles and Career Paths

Fund managers focus on the business of managing portfolios, and none are hired without experience. Many have an advanced degree, like an MBA, and many will also have a Chartered Financial Analyst (CFA) designation. Early on, you might gain exposure to fund management as a researcher responsible for identifying potential investment candidates, and eventually work your way into a job assisting a principal fund manager. You could also work in the industry as a fund marketer or in an operations role.

In the case of institutional asset management, marketing and sales professionals present the firm’s investing track record and capabilities to potential clients in an effort to persuade them to invest money. They also manage relationships with existing clients, meet investment consultants and play a role in the development of new products. Mutual funds can be sold through investment advisors – such as Merrill Lynch financial consultants – or through direct marketing to individuals as is done by companies like Vanguard and Fidelity.

 Analysts help steer fund managers in the right direction when it comes to choosing assets in which to invest. They spend their time analyzing companies’ results and meeting with senior management to discuss strategy. They then write reports communicating their conclusions.

Like their counterparts in investment banks, operations staffers do everything from work in information technology to settle and report trades. Funds employ compliance staff to ensure they meet regulatory requirements, internal auditors to make sure internal systems and controls function properly, and financial staff to manage the firm’s own money.

Skills and Qualities

- Understanding of how the financial world operates
- Ability to select investments that will grow in value
- For researchers, an inquiring mind
- For marketing experts, excellent communication skills

Q&A

Chad Rakvin, Global Equity Index Director
Northern Trust

Describe your career path.
My first job was with a small personal financial management team where I quickly understood the long-term value proposition of index investing. From there, I went to Dow Jones Indexes, working my way to become manager of quantitative analysis. I developed a network of professional contacts and was able to demonstrate my specific skill set as I interacted with associates at other firms. For the past 11 years I’ve worked on the portfolio management side of indexing, but on a daily basis I use skills developed earlier in my career.

Describe your role at Northern Trust.
I’m responsible for the management of over $200 billion for clients around the world. Northern Trust is one of the five largest index managers globally, and our clients range from sovereign wealth funds in Asia to pension funds and wealthy families in the United States, as well as mutual funds. I manage a team of more than 20 portfolio managers and strategists around the world. This requires constant communication - whether it’s about trading strategies, product development, or personnel and governance issues.

What advice do you have for undergraduate students or aspiring fund managers?
First, don’t underestimate the value of communication skills. Everyone lists this on their resume, but few people actually have proactively developed their communication and interpersonal skills with specific courses or seminars. Technology is essential. Ten years ago it was a differentiator; today it is a requirement. You don’t have to be a software developer, but you do have to be able to anticipate and communicate your needs to the developers. Typically, new graduates will not be hired as portfolio managers. It takes a few years of experience to be considered. A majority of portfolio managers started their careers in an operational or support role. Those who can differentiate themselves – by demonstrating investment acumen, a strong work ethic or specialized technology and communication skills – have the best opportunity to become portfolio managers. Apart from that, the CFA program is the single best foundation for developing skills and making yourself marketable.
Commercial Banking
Consolidation may lead to pressure on opportunities

Commercial banking is the broad term given to banking services that large companies, governments, or other big institutions need in order to function day to day.

The responsibilities of commercial bankers range from the relatively simple business of issuing loans to handling more complex matters such as helping minimize the taxes paid by overseas subsidiaries, managing changes in foreign exchange rates, or working out the details of financing packages necessary for the construction of a new office, plant or other facility. If an organization is exporting overseas, commercial bankers might arrange a process of international payment or put together “trade finance” packages to ensure the firm is paid by foreign customers.

In many cases, there’s an overlap between commercial banking and capital markets. Bankers working in capital markets help companies raise money by issuing equities or debt. Commercial bankers typically help clients raise money through loans. But, when it’s necessary, commercial bankers will bring in the expertise of their capital markets colleagues.

Increasingly, commercial banking requires an understanding of complex financing methods like securitization, where a company sells bonds based on the money it will earn in the future from assets such as rented shop space or a back catalogue of products.

This trend was given a boost with the repeal of the Glass-Steagall Act in 1999. Glass-Steagall was a Depression-era law that barred U.S. commercial banks from owning brokerages or being involved in the securities markets. With its repeal, the roles of investment bankers and commercial bankers began merging. In addition, the increasing globalization of the financial markets makes it imperative for large money-center banks to be able to offer a broad array of services to help their business clients raise needed capital.

Another important development has been the rise of leveraged lending – extending credit to highly indebted companies, often to finance buyouts by private equity firms. When taking over a company, PE firms tend to borrow as large a portion of a deal’s price as the market will bear, in order to multiply their return on the equity they contribute. The acquired firm’s assets become the collateral backing the loan. As a result, a company acquired in a leveraged buyout, or LBO, can end up carrying large debts on its books even if had little debt before it was taken over.

Recent Developments
During the buyout boom last decade, banks were so eager for commercial banking business that they offered loans to risky borrowers on ever easier terms. Such loans were labeled “covenant-lite,” because they did away with many restrictions, known as covenants, that less creditworthy companies traditionally had to accept in order to obtain credit. Banks were able to sidestep much of the risk of holding these loans by packaging them into structured bonds called Collateralized Loan Obligations (CLOs) that were then sold to investors.

The financial crisis dealt a severe blow to this type of lending. Just as with mortgage loans to less creditworthy (“subprime”) home buyers, riskier corporate bonds and loans fell into disfavor among both lenders and investors. The market for structured bonds collapsed, leaving global lending institutions stuck holding leveraged loans they had planned to resell. In turn, that limited banks’ ability to make new loans.

Two other big commercial banking markets severely affected by the recession and credit pullback are commercial real estate and municipal finance. A bright spot is emerging economies, especially in Asia. As with other business lines, it’s become common for global institutions to hire more commercial bankers for fast-growing markets like China, India and Brazil, even while they’re retrenching in the U.S. and Europe.

Meanwhile, the financial crisis accelerated an ongoing trend toward bank consolidation. With the disappearance of Lehman Brothers, JPMorgan Chase’s acquisitions of Bear Stearns and Washington Mutual, Bank of America’s acquisition of Merrill Lynch and Wells Fargo’s acquisition of Wachovia, the number of top-tier financial institutions suddenly shrank. The JPMorgan and Bank of America acquisitions illustrate how universal banks, which combine commercial banking with investment banking activities, are displacing large standalone investment banks. The Dodd-Frank financial regulatory reform law isn’t likely to reverse that trend.
Roles and Career Paths
If you opt for a career in commercial banking, you may start out in any number of roles. For example, you may begin as a credit analyst, spending your time looking at companies’ balance sheets and working out whether it’s a good idea to issue loans to them.

From the credit analyst’s role you could progress to being a relationship manager, responsible for lending money to a handful of the bank’s customers. It’s a job that requires an intimate understanding of each company’s strategy, a strong appreciation for the risks of default, and sales skills. The recent downturn made lenders increasingly conscious of the risk that existing or prospective corporate customers might default on loans – thus boosting the value attached to credit analysis skills.

If you aren’t interested in the relationship management side of commercial banking, you could go into treasury management. Treasury managers help companies cope with their cash flow. They ensure that businesses have enough money to pay for whatever they need to buy and help them deal with fluctuations in the value of foreign currency holdings.

Commercial banking also offers a variety of operational positions, including technology and human resources roles. Various banks offer training in commercial banking. These include Citigroup, Goldman Sachs, UBS and HSBC. While all banks will want candidates to possess a college degree, an MBA isn’t required to get a foot in the door of many commercial banking divisions.

Skills and Qualities
• Analytical ability and statistical aptitude
• Strong communication skills
• Ability to grow and maintain client relationships
• Demonstrable drive

Q&A
Jim Heinz, Executive Vice President, Head of U.S. Corporate Banking
Wells Fargo
Describe your role at Wells Fargo.
I oversee 10 offices in the U.S. that cover large corporations (those with at least $500 million in revenues) from a relationship standpoint. Large companies need a surprising number of bank services and products. My job is to understand the needs of these companies and customize our offering to meet them.

What is a typical day like for you?
I spend about 60 percent of my time traveling, visiting with clients. You can’t do this job effectively in the office. You need to be in front of clients, working collaboratively on deals. I’m also often in meetings with our internal teams to work out the details. We’ll then get in front of a client and pitch and deliver our ideas and solutions to them. I spend a lot of time preparing for meetings and planning for what clients require and then when we win a deal the focus is on execution.

Any advice for someone wanting to pursue a career in corporate banking?
We can teach analytical skills, but it’s hard to teach people to take initiative and have a desire to make things happen. These are skills that people must have developed along the way; they’re hard to acquire once you’ve entered the work place.

I encourage people to take courses that require writing or more specifically, business writing. Public speaking is also valuable. I also recommend people take courses that can spark an interest such as physics or history – anything that prevents you from becoming too narrowly focused on a business curriculum.

We look for demonstrated leadership skills, which you can get through part-time work, volunteering, or athletics. The person who spends their summer launching a child care business can be just as impressive as someone who does an internship at a big name European bank, because it shows drive and initiative.

Finally, people can really help themselves by being willing to relocate to places other than major business centers. Being flexible and moving to a city such as Omaha, Minneapolis, Houston, can really help you to advance in your career.
Private Banking and Wealth Management

Experience and a strong contact list are keys to working with the wealthiest individuals

The objective of private bankers is to provide a more personalized level of service to wealthy clients than is available to typical customers at a commercial bank. The business has always catered to the world’s wealthiest people. Over the past decade, as the ranks of the wealthy steadily expanded especially in Asia, many banks refined their offerings to serve three distinct gradations of wealth.

At the top are “ultra-high-net-worth” clients - individuals or families who can invest $10 million or more. Some banks apply a still higher minimum, such as $30 million, to this category. This is the fastest-growing slice of the private banking market, and banks are pursuing it avidly.

Next comes “high-net-worth,” clients, typically defined as having at least $1 million in liquid assets to invest. Finally, there are the “mass affluent,” clients whose account balances add up to at least $100,000. This last group represents something of a gray area. While they usually don’t qualify for the full range of private banking services, many institutions still give them a degree of personal attention that’s beyond what ordinary account holders receive.

The main role of a private banker is to help clients manage their money. Traditionally, this involves helping them invest wisely while avoiding risks that might reduce the value of their assets. Private bankers also offer tax planning and advice, help clients develop a strategy for philanthropy, and advise them on estate planning.

A successful private banker needs an outgoing, service-oriented personality, plus the ability to carefully listen to clients. It’s a role best suited to people who can observe other individuals and come to understand their needs. In short, good people skills help.

Recent Developments

Perhaps more than any other sector of finance, private wealth management requires being close to the customer – close in geography as well as culture and philosophy. As a result, career opportunities for private bankers tend to concentrate where the ranks of the wealthy are expanding. These days, that means Asia – primarily China, Hong Kong and India. Latin America’s high net worth population and the wealth it commands have grown in recent years too, despite the financial crisis. Another important geographic market for private banking is the Middle East, although recent growth in that region has been dampened by Dubai’s financial crisis that erupted in November 2009.

While North America remains the single biggest private wealth market, Asia is on the verge of overtaking it, according to World Wealth Report 2010, a yearly compilation of data and analysis from Capgemini and Merrill Lynch Wealth Management. As of the end of 2009, North America had 3.1 million high net worth investors, making up 31 percent of the world’s high net worth population and commanding a total of $10.7 trillion of investable assets. Europe and Asia-Pacific are close behind with 3 million wealthy investors each. But Asia, which pulled even with Europe for the first time, is on a tear. Its high net worth population soared 25.8 percent in 2009 and their wealth leapt 30.9 percent to $9.7 trillion, more than erasing the loss from 2008.

Well aware of these trends, Western financial institutions are eager to enlarge their private banking presence in Asia. For instance, in May 2010 UBS reportedly placed advertisements in Singapore, Hong Kong and Taiwan newspapers to recruit 25 to 50 people without industry experience for its Asian private banking unit. Over the next few years UBS reportedly plans to add as many as 400 new private bankers to the 1,000 it already employed in the region. Other global banks hiring private bankers in Asia include Citigroup, Standard Chartered and RBS Coutts Bank Ltd. However, most say they’ll consider only sector veterans with extensive previous experience.

Roles and Career Paths

If you work as a private banker, you can expect to focus in one of three areas: investing for existing clients, building relationships, or managing back office functions such as human resources and accounting. Tracking and reporting on clients’ investments and results has assumed greater
importance since the global financial crisis and the Madoff hedge fund fraud dented wealthy clients’ confidence in both financial markets and investment managers.

People working on the investment side either invest their clients’ money or offer detailed advice to help clients make their own decisions. They are typically product specialists who are expert in a particular asset class.

People working on the relationship side are essentially salespeople who spend their time building connections with clients and selling the bank’s services. This can involve a lot of traveling and close contact with interesting, unusual, and demanding people. When a relationship banker has established a client’s needs, investment specialists are brought in to put more detailed solutions together. For clients who are very wealthy, the relationships are often entrusted only to experienced executives.

A decade ago, most private bankers combined the investor and relationship roles. In some organizations, they still do. However, in most banks, investors and relationship managers are now separate – another sign of the industry’s growing complexity.

Firms such as Goldman Sachs, HSBC and UBS run graduate training programs for private bankers. If you don’t find a place in one of those, it’s often possible to move into private banking if you have a background in corporate finance or, more particularly, fund management.

Having an MBA or majoring in business isn’t considered critical for a private banker. In fact, a diverse background can be an asset, because clients can differ considerably in their needs and personalities.

**Skills and Qualities**

- Discretion and trustworthiness
- The ability to build strong relationships with discerning clients
- Knowledge and understanding of financial markets

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**Q&A**

Phil McHugh, President
Fifth Third Investment Advisors

**Tell us about your career path and how you rose to president.**

In 1986, after graduating college, I joined the bank associate program at Fifth Third Bank. This program allowed me to experience various departments by rotating to different areas for brief periods. I found a good fit with the bank’s institutional trust department, where I stayed for eight years, helping to build the retirement plan services division. After the bank acquired Cumberland Federal Savings Bank I relocated to Louisville, Ky. to start and build Cumberland’s private banking division. In 2001, I began to manage Fifth Third’s commercial banking business in Louisville. I became president and CEO of the Louisville affiliate and managed five lines of business. In January 2010, I returned to Fifth Third headquarters in Cincinnati to lead its investment advisors division.

**Describe your role at Fifth Third.**

I lead our investment advisors division, which has offices in 18 markets. My role is to provide strategies and product offerings for those markets as it relates to our retail brokerage, institutional, private banking, investment and institutional trust services.

**What advice do you have for an up and coming private banker?**

One of the best ways to prepare for a position in private banking is to pursue a position in retail banking and become a financial center manager. This role gives you responsibility for a specific location, enabling you to develop managerial and business skills, while forcing you to hone client management skills. It’s similar to running an entire bank, however the responsibilities are limited to a specific office. Starting in retail banking provided me with the skills I needed to move up in financial services.

**What are the most important skills for a career in private banking?**

The most important skill is listening. You must have the ability to listen to your clients and identify their dreams as well as their needs. If you can do that, you’ll have the ability to design solutions to help them reach their goals. Many private banking clients encounter tax issues in their professional life as it relates to their personal life, so it is important to be aware of various tax issues and their implications. The ability to identify tax savings for a client is one of the biggest differentiators among successful private bankers.
The main job of public accountants is to prepare independent audits of the financial statements of companies that run the gamut from a privately owned restaurant business to giant global corporations like General Electric, Microsoft and Citigroup.

To work in public accounting in most states, you must complete 150 hours of college classes then pass a state-administered CPA (Certified Public Accountant) license exam. Most accounting firms give early-career employees CPA exam support such as paying for review classes, giving time off for study and paying a bonus when you pass. Generally, a firm will want you to pass the CPA exam within two years of joining. But taking the exam as soon as possible is smart, because everything is fresh in your mind immediately after graduation. Once you’re working full time you’ll have less time to study, and the sooner you earn the credential the sooner you’ll see pay raises.

New graduates have three options for public accounting work:

**The Big Four.** KPMG, Deloitte Touche Tohmatsu, PriceWaterhouseCoopers and Ernst & Young are huge international organizations with large clients operating in many locations. PWC, for instance, has 163,000 employees in 151 countries.

If you land a job at a Big Four firm, you’ll travel a lot and specialize in an area such as audit or tax a little sooner in your career. You’ll also have opportunities to relocate as you progress in the company, and possibly do an international assignment.

**Middle market or national firms.** The firms that make up the accounting industry’s second tier, such as BDO Seidman, Grant Thornton, RSM McGladrey Inc., Crowe Horwath, CBIZ and many others, are still quite large. Working from offices all over the United States, these firms typically serve clients ranging in size from $500 million to several billion dollars.

Like the Big Four, they offer opportunities to work in different cities and internationally. However, there’s more overlap of specialties. Instead of doing personal or corporate tax, you might do both. More of your travel will be regional, rather than national.

**Small and local firms** expose employees to a wide variety of clients, projects and tasks. Travel is usually local, and you’ll likely work closely with the firm owners. The exception would be a boutique firm specializing in one area, such as valuation, forensics or a particular industry. In those firms, you could travel extensively to work with high-level clients.

**Recent Developments**

With hiring down in the past year, 2009 and 2010 graduates had fewer opportunities than those who graduated in earlier years.

“Don’t get discouraged,” advises Sandi Guy, partner and executive director of human capital at BDO Seidman, Charlotte, N.C. “It’s not as bad as you read. We didn’t have to cut back significantly on positions in 2009, and we rebounded in 2010. But, it’s still going to be competitive in tighter segments, so keep your options open. Don’t say, ‘I only want to do forensic accounting.’”

Once the recession ends, accounting hiring will quickly pick up. “As the economy improves, firms that made personnel cuts during the downturn will likely need additional skilled professionals in a variety of disciplines to help manage increased customer demand,” observes Max Messmer, chief executive of Robert Half International, a worldwide professional staffing and consulting firm.

Along with the uncertain course of the economy, key challenges confronting CPA firms and their clients include the evolution toward International Financial Reporting Standards, and increased taxation and tax audits as state and federal governments scramble for additional revenue.

Regulators in the U.S. and abroad continue to haggle over timetables for transitioning U.S. companies from Generally Accepted Accounting Principles to the more recent international financial reporting framework known as IFRS. As part of that process, the International Accounting Standards Board and the U.S. Financial Accounting Standards Board will have to converge accounting standards in areas where IASB and GAAP currently diverge, such as income taxes, debt agreements and revenue recognition.

While market conditions can cause fluctuations in hiring, accountants with certain skills and qualities are usually in demand. Analytical thinkers who can help companies comply with new regulations and rules, solid communicators who can convey complex financial concepts clearly and...
accountants with the marketing savvy to land new clients will find themselves in demand no matter what.

Roles and Career Paths
The career path at public accounting firms is well defined. Entry-level hires spend two years as associates, two to three years as senior associates and then two to three years as managers.

At a middle-market or large firm, you’ll then spend two to three years as a senior manager and then possibly become a partner. At a small firm, the rise to partner will be slower.

“It’s a competitive environment,” notes Guy. “If you come in, punch the clock and go home, you won’t advance as quickly as someone who reaches for every opportunity.”

The CPA career path actually starts the summer of your junior year in college with an internship at a public accounting firm. At KPMG, for instance, close to 80 percent of permanent hires are college graduates who got their first taste of what it’s like to work in accounting through an internship, says Stacy Sturgeon, the Big Four firm’s national managing partner of university relations and recruiting.

An accounting internship is really an eight- to 10-week interview where the employer checks to see if you have integrity, leadership, technical skills, problem-solving abilities, critical thinking, the ability to make good judgments and good communication skills. Demonstrating those qualities during an internship is how you get hired permanently after graduation.

If you can’t find an internship, then find a summer job in the accounting world, such as working as a bookkeeper for a law firm or as a receptionist at an accounting firm.

Plan to stay in school a fifth year or to complete a master’s degree, since most (but not all) states require Certified Public Accountants to have 150 hours of college coursework.

In lieu of a fifth year, you can get a master’s in accounting or in a specialty area such as taxation.

Skills and Qualities
• Analytical mind
• Enjoy working with numbers
• Communication skill

Q&A
Stacy Sturgeon, National Managing Partner
University Relations and Recruiting
KPMG

How did you get where you are today?
I joined KPMG’s Dallas office in 1992 as an audit associate. Since then I have built a great career at KPMG providing audit and related services to public and private clients, including Fortune 1000 companies, primarily in the retail and consumer business industries. I have always been involved in areas outside of my normal audit responsibilities, such being an active member of KNOW (KPMG’s network of women), recruiting, developing and instructing training courses, as well as being involved in retail industry organizations. I was admitted to KPMG’s partnership in 2003 and was named the national managing partner of university relations and recruiting earlier this year.

What’s a typical day like for you?
I wear two hats: I serve as the lead audit partner on a large client in addition to overseeing our national campus recruiting. My day typically starts with an early morning trip to the gym and then seeing my kids off to school. After that, I am either in meetings or on conference calls with my client, or talking with my audit team. I may have a lunch meeting with a client or prospect, or perhaps a mentoring lunch with one of our young professionals. I also review audit documentation. I work with my national recruiting team on our strategy, branding, hiring needs and budgets, campus events, faculty relations, etc. Often, I am traveling to visit a college campus to talk with students and meet faculty, attend one of our student leadership programs, or on client related business.

What’s the work/life balance like for CPAs?
KPMG offers alternative work arrangements that allow our professionals to work from offices closer to home or telecommute, shared work arrangements, reduced hours and phased return from leave. Over 70 percent of KPMG’s professionals have used at least one type of a flexible work arrangement, mostly informal in nature.

What are the keys to making it to partner?
Being passionate about serving clients is critical. Having strong technical skills, ethics and integrity, communication skills, and the ability to build relationships are the building blocks for client service. Equally important are good networks, the ability to grow the business, and mentors.
Operations

Regulatory overhaul brings rising demands on the back office

Operations may not be where banks make their profits, but it’s certainly an area where they can lose them. The more efficient a firm is at conducting its business, the greater the percentage of revenue that falls to its bottom line.

The new era in regulation ushered in by the global financial crisis will bring tremendous opportunities to operations professionals. Fueled by hedge fund meltdowns, Bernard Madoff’s Ponzi scheme and an unraveling of complex derivatives, investors and regulators are seeking to instill a greater level of transparency in the investment banking, trading and fund management industries. As a result, people working in operations will be well-positioned to help shape the industry of the future.

Part of the Dodd-Frank Act aims to impose common standards on opaque markets such as over-the-counter derivatives. As instruments such as credit default swaps move from over-the-counter trading to organized public exchanges and central clearing facilities, an unprecedented era of oversight – impacting areas such as reporting, trade capture, settlement, accounting and valuation – will arrive. In this new world, operations professionals are poised to lay the groundwork for how third parties service asset managers and other market participants. One illustration: In July 2010 Goldman Sachs launched a new clearing services business to help clients adapt to changes in trading of derivatives.

Investment banks and other firms need operations managers who can act decisively. The failure of Lehman Brothers in 2008 demonstrated the need for quick action in order to protect client assets. Yet, because operations encompasses a wide range of activities, firms need people who can wear multiple hats. Operations professionals must be able to consider what could happen on any given day. By weighing various “what if” scenarios, operations becomes critical to a firm’s ability to respond if an adverse event - such as a counterparty default - should occur. The ability to ask tough questions and instill a crisis procedure before it’s needed means operations professionals can help an investment bank stay ahead of the curve.

What Operations Does

The operations groups at investment banks, brokerage houses, hedge funds, mutual funds and other financial institutions are commonly referred to as the “back office.” Unlike the traders, salespeople, bankers, fund managers and corporate financiers of the front office, operations people don’t work directly with customers to generate revenue and profit. Instead, they serve in support functions. While their jobs may be “behind the scenes,” they’re critically important. An inefficient back office can drain a firm’s profits.

Operations professionals ensure a firm functions smoothly and efficiently. Their work covers everything from information technology to human resources, trade support, accounting and finance, and risk management. In fact, the overall operations role is so broad that employees typically specialize in only one of these areas.

At the core of operations is the function of clearing and settling trades. Clearing trades involves looking at the records made by traders or investment managers when they buy and sell financial products, then checking to make sure they match the records kept by the counterparties to those trades – the people from whom securities were bought or to whom they were sold.

Settling trades is about making sure securities are exchanged for the correct amount of money. Settlements cover everything from preparing the documentation required for a sale to making sure the bank has been paid for all of the shares it sold, or has paid for all the shares it bought.

Another area is hedge fund operations, or “prime brokerage.” Prime brokers are the back office for hedge funds, offering everything from clearing, settlement and custody facilities to help in managing relationships with investors and raising new funds. Prime brokers play a lucrative role in large investment banks, but increasingly many asset managers are moving to a multi-prime broker model.

Realizing just how important operations can be to profitability, investment banks and other firms are seeking a higher caliber of employee to work there. These professionals support trading operations by performing a multitude of functions, including reconciling a trading desk’s daily profit-and-loss statements or maintaining a firm’s internal portfolio accounting system. The electronic “paper trails” they maintain play an important role in risk management, helping supervisors ensure their in-house traders comply with position limits and other rules and policies.
Roles and Career Paths

Roles in clearing and settlements are typically for exception managers, the people who deal with instances where data on electronic systems don’t match. They try to work out the reasons for any discrepancy. If you work as an exception manager, you might find yourself talking to traders who claim to have sold shares for $3 each when the buyer says the price was only $2. You might also find yourself chasing payment from recalcitrant overseas buyers for transactions they deny ever took place, especially following periods where trading was particularly volatile and rapid.

Electronic systems have vastly increased the speed with which simple trades are processed. But derivative trades are often too complex to be settled electronically. Many times, for example, trades are still confirmed by fax or through the review of actual contracts. The large number of documents required for derivatives transactions creates roles for documentation specialists. Some derivative operations positions require an accounting degree and a CPA designation, as well as experience in public accounting.

Most operations jobs have a strategic element. Banks use operations staff to analyze ways of making processes more efficient, and project managers implement their suggestions. Thus, a finance background and knowledge of how securities markets operate can be important for success in this field. The more senior you become, the more likely you will work in this kind of strategic or project management role.

Skills and Qualities

- Deal with conflicts firmly and efficiently
- Strong analytical and problem-solving skills
- Strong math skills
- Attention to detail
- Good organization and time-management skills

Q&A

Rob Prigge, Senior Vice President, Wells Fargo Trust Operations, Wealth, Brokerage and Retirement Division

Describe your career path.

I began my career with Andersen Consulting and spent three years there. I was hired by my client, a predecessor to Wells Fargo. I’ve been with the bank for 23 years, the past 17 in trust operations, which I now head. My latest focus was on managing the transition of Wachovia trust customers to the Wells Fargo trust accounting system.

What is a typical day like for you?

I’m in the office at 6:30 a.m. Since the integration of Wachovia’s trust operations into the Wells Fargo system began, I’m working with our partner groups to effect a successful integration, including technology, risk management, finance, human resources, communications, and trust business leaders of each business to ensure their needs are met.

How has the world of operations changed compared with when you first started?

There have been more regulations related to the financial industry, and we expect this will result in material changes in the business. We support securities in the derivatives market and are expecting more regulations in that area. Technology was present when I started out, but today it has become a far more vital aspect of how we work. Since our transactions tend to be increasingly automated, we need problem solvers and analytical people who can deal with exceptions when something doesn’t flow “straight through.”

What advice do you have for an up and coming operations professional?

Communication skills - verbal and written - are important to be effective in trust operations and any area of the trust business. Classes in writing, communications, accounting, computer science, quantitative methods and information systems would all be helpful. Any studies inside or outside of college that help in understanding financial markets, investment management, and security asset classes will put you ahead. Opportunities to participate in team-based activities or operate in a project management role would be helpful too. Operations involves multiple disciplines, so the next generation of professionals will need to have an aptitude for technology, risk management, and workflow re-engineering.

What skills are most important in operations?

Attitude, attention to detail, analytical and conceptual thinking skills, and a technical aptitude are all important. It’s helpful to be disciplined in project management and understand risk management principles.
Investment Consulting
Strategic advisors to fund managers – and scrutinizers of them

Investment consultants advise the trustees of corporate and public retirement plans, university endowments, foundations, healthcare systems, not-for-profit organizations, high-net-worth individuals and financial intermediaries on what to do with their money.

They help these clients determine the asset allocation that will enable them to reach their investment goals, whether by making sure a pension fund can meet its payout obligations or maximizing the wealth of an endowment. In the process they recommend which fund managers clients should invest with, and what percentage of the client’s money should be directed to non-traditional, alternative investments.

Investment consultants will first work with trustees or other fiduciaries to analyze their investment goals and learn how their funds are governed. They want to understand what level of performance the trustees expect and their sensitivity to risk. The consultants then develop liability plans and profiles that enable them to recommend an acceptable investment policy.

After establishing the appropriate allocation of funds across different asset classes and investment managers, investment consultants help implement their plan by identifying the fund managers who are most likely to meet the goals that have been established with the least overhead costs. It’s also their job to monitor how the funds perform, and if the managers of those funds are meeting – or failing to meet – the benchmarks that have been established. Most traditional fund managers have lengthy track records they can point to, and investment consulting firms have developed tools and databases to help them monitor and rank those managers.

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Recent Developments
The growth of alternative investment vehicles — primarily hedge funds and private equity funds — confronted the consulting sector with a series of challenges over the past decade.

For several years before the global financial crisis, endowments and large pension funds reallocated ever-larger slices of their total assets from traditional stocks and bonds toward these newer asset classes. Investment consultants facilitated those shifts. As the number of hedge funds and private equity funds swelled, consulting firms built expertise about them in order to better advise their clients. Previous experience working in or analyzing alternative investment funds became a valued credential for joining an investment consulting firm.

In 2008 and 2009, the financial crisis sent the process into reverse. Steep portfolio losses took some of the shine off investing in hedge funds and private equity, and some institutions that had championed them suffered a black eye.

A separate development affecting investment consulting is the Bernard Madoff fraud. Madoff’s phony hedge fund — a Ponzi scheme that regularly funneled money from new investors to pay off earlier investors — went undetected for years even though many wealthy individuals and charities he duped had independent professionals supposedly screening the funds they entrusted money to. Although Madoff went to prison and few other fund scams emerged since then, the incident engendered a lasting (and very healthy) skepticism about claims made by fund managers.

As a result, both institutions and wealthy individuals are demanding greater transparency from funds they invest in and more rigorous due diligence on the part of their investment advisors. That boosts the profile of investment consulting firms.

Roles and Career Paths
Jobs in investment consulting usually fall into one of two categories: asset allocation and fund selection.
Asset allocation specialists advise clients whether to invest in equities, bonds, or alternative asset classes in order to generate the returns they require to pay pensions or fulfill other long-term goals. It’s a complex role that involves examining economic factors like interest rate changes, as well as the timing of the pension fund’s liabilities or pay-outs, and the likely risks and returns associated with each type of asset. To help them, asset allocation specialists create mathematical models that forecast how a client’s money should be divided among asset classes.

Fund selection specialists spend much of their time analyzing individual fund managers and asking questions about their investment strategy. They scrutinize particular funds and author reports on their strengths and weaknesses.

Along with examining an investment manager’s staff and investment process, selection specialists dissect historical performance data using statistical tools designed to pinpoint sources of return and risk and gauge how well a fund performed relative to its peers. Most investment consulting firms produce confidential lists ranking fund managers according to their likely success going forward.

Within fund selection and asset allocation are roles for relationship specialists, who are the sector’s true consultants. While many asset allocation and fund selection specialists work in research and focus on a particular type of fund or investment product, relationship specialists are usually generalists. They are often more senior members of the firm.

Staff in investment consultancies usually begin their careers in research and move into client-facing roles as they gain more experience. Most large investment consulting firms take on graduates. After entering investment consulting, you’ll typically go on to gain a professional qualification, such as the Chartered Financial Analyst (CFA) designation.

Q&A

Kyle J. Johnson, Investment Consultant
Cambridge Associates

Describe your career path.

While at Harvard Divinity School after getting my undergraduate degree in comparative religion, I became interested in the intersection of finance and ethical issues and the role of the investor in ensuring positive social and environmental outcomes. I joined KLD Research and Analytics as a social and environmental research analyst. I then chaired the Domini 400 Social Index, which was the first benchmark index constructed using environmental, social, and governance criteria. From there I joined Domini Social Investments as head of institutional sales. It was there that I learned about Cambridge Associates, where I’ve worked since 2005.

Describe your role at Cambridge Associates.

First, I serve as a client-facing consultant, working with a range of organizations on asset allocation and manager selection. Some have social or mission-related investment mandates and some don’t. Second, I work on our mission-related investment team, where our goal is to help clients make informed decisions and help them achieve their social or mission-related investment goals.

What is a typical day like for you?

Each workday is part of a broad cycle, built around quarterly client meetings. Early in the quarter I begin to plan and think about how clients should be positioned in terms of asset allocation and manager selection. Throughout the quarter I try to stay on top of our market research to assess valuation opportunities. I also review investment manager performance or organizational developments to see whether we need to make any changes in my clients’ portfolios. I work with several client teams and meet with them frequently to prepare for meetings. Later, my teams and I work to make sure decisions made at the meetings are executed.

What advice do you have for undergraduate students or aspiring investment consultants?

Investment consulting is a fascinating mix of developing strong analytic fluency with mathematics and investment concepts, coupled with an ability to clearly articulate these concepts to clients. A big part of the job is being able to communicate an investment thesis to a client. You need to be a good writer and good speaker or teacher. A lot of what I do is about teaching. My background happened to be very transferable, as being a teacher and working with numbers has been especially helpful in my work.

Skills and Qualities

• Analytical ability and statistical aptitude.
• Team-working prowess.
• Ability to grow and maintain client relationships.
• Powerful reasoning skills.

Q&A

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Skills and Qualities

• Analytical ability and statistical aptitude.
• Team-working prowess.
• Ability to grow and maintain client relationships.
• Powerful reasoning skills.
Private Equity
You’ll need some experience or an MBA to make it in this sector

At a base level, private equity funds raise money for companies in need of a capital infusion. In that respect, they’re similar to investment banks. But while banks raise money by selling stocks or bonds on the public markets on behalf of client companies, private equity funds do it by raising cash from wealthy individuals and institutions like pension funds.

The similarity between PE funds and investment banks ends there. Where investment banks don’t take a controlling ownership interest in the companies they take public, PE firms use the capital they raise — along with leverage gained from issuing debt — to assume control of businesses either as co-owners or, often, sole owners.

In ideal situations, PE funds invest in underperforming companies, turn them around, and sell their stake at a profit some years later, often in the public markets. Sometimes private equity companies engage in “asset stripping,” or breaking up a company and selling its assets separately in order to make their profit.

Private equity funds sometimes use a technique known as a “leveraged buyout” (LBO) for all or part of a company’s purchase costs. In an LBO, the acquiring group uses loans, bonds or other debt instruments to raise the capital necessary to buy the target. Often, they use the target company’s own assets as collateral. Sometimes, a company’s own managers work with private equity groups to raise the money necessary to buy the stock of the firm they’re running. These deals are known as “management buyouts.”

A subset of private equity is called “venture capital.” Venture capital, or VC, firms focus on funding promising new businesses.

Firms like Blackstone Group, Cerberus Capital, TPG Capital (also known as Texas Pacific Group), Carlyle Group and Kohlberg Kravis Roberts & Co. (KKR) are a few of the sector’s big players. KKR was doing high-profile buyout deals as far back as the 1980s. According to *Fortune* magazine, it was the first PE firm to take over a public company when it bought machine-tool maker Houdaille for $355 million in 1979.

The biggest PE firms tend to get the most media attention because of the size of the acquisitions they complete. However, many mid-tier firms are also at work, acquiring smaller companies that can benefit from an injection of capital and management talent.

Recent Developments
Between 2003 and 2007, private equity funds saw explosive growth. That made the sector into a highly coveted class of customers for the leading investment banks, who refer to PE firms as “financial sponsors.” However, the credit crunch that began in mid-2007 sent private equity activity into a tailspin from which it has yet to fully recover. The hardest-hit segment was so-called mega-deals valued at $10 billion and above.

With both banks and institutional investors pulling away from risky lending, funding for leveraged buyouts all but disappeared. The number of private equity deals plummeted from a peak of 2,859 in 2007 to 1,072 two years later, according to Pitchbook, a financial data provider. Value of the median-sized deal fell by almost half, to $61.3 million from $116 million. In the first half of 2009, PE firms accounted for just 2.6 percent of total M&A volume compared with 20.5 percent in 2006, according to Thomson Reuters.

Restructuring and managing distressed assets — including steering a portfolio company through bankruptcy court — emerged as a substantial area of activity for PE firms, and for the financial services industry as a whole.

In 2010, rising stock prices and a gradual return of liquidity have helped the private equity sector regain a bit of the ground it lost during the preceding two years.”
Private Markets reports 123 PE deals were announced in the 2010 first quarter, up from 76 in the first quarter of 2009.

Two further hopeful signs: a rebirth of multi-billion dollar deals and a flurry of recruiting for so-called FSG (“Financial Sponsors Group”) investment bankers who focus exclusively on doing deals for private equity firms.

“The return of a semblance of normalcy to the business is heartening to many industry players,” The Deal magazine wrote in July 2010. James Coulter, co-founder of TPG Capital, likened the current buyout financing climate to the situation in 2003 and 2004 — “not a bad time for private equity,” he says.

All in all, while they wield less influence than they did four years ago, private equity funds remain a huge force in the global economy.

Roles and Career Paths
Careers in private equity offer two main entry points. Like their investment bank peers, PE funds prefer people to have a minimum of two to three years of experience at an investment bank, management consulting firm or accounting firm. People emerging from a graduate business school with an MBA program, who have some real-world experience, are also suitable.

For these junior associate roles, cash compensation is in the $175,000 to $300,000 range, with funds of $1 billion or more starting at $275,000, says Brian Korb, partner at recruiting firm Glocap Search. To land these positions, Korb advises, “Be a top performer at a great bank. If you’re the best guy in your class at Goldman Sachs’s M&A division, you will be sought out. If you’re not at an obviously high-profile bank, it is important to get in front of recruiters who do ultimately control a lot of the jobs. Get introduced through references and former colleagues and get as much experience as you can."

Skills and Qualities
• Analytical ability and math aptitude
• Team-working prowess
• Confident and outgoing
• Ability to grow and maintain client relationships

Q&A
Vanessa Indriolo, Managing Director, Private Equity Division
Fifth Third Bank

Describe your career path.
I’ve grown up professionally in private equity, always investing in funds on behalf of a bank. After college I began in Key Bank’s private equity division on the accounting side. After seven years I was brought in to Fifth Third Bank in 2005 to build a private equity investing practice and team. At the time, no one at the bank was focused solely on private equity.

Describe your role at Fifth Third.
I manage a team that invests the bank’s capital in private equity funds. My team evaluates each investment opportunity and makes decisions based on a fund’s strategy, historical track record, and potential to hit the bank’s return target. My team will source and research new investment opportunities. Once we’ve made an investment in a private equity fund, we’ll introduce the fund manager to a Fifth Third Bank lender. The bank can often provide value through our lending products and services.

What is a typical day like for you?
My team and I meet early in the week to discuss active investment opportunities and new deals that could be in the pipeline. Due diligence with these deals can take several months. I’m engaged in all of our due diligence activities—inputting data into a model, making reference calls and writing investment recommendations — and will sometimes take the lead on these deals. There are also inbound calls regarding other investment opportunities, so I spend much of my time meeting new fund managers as they come through Cincinnati.

What advice do you have for undergraduate students or aspiring private equity professionals?
There are a number of good (and free) blogs, such as Private Equity Hub (peHub). Everyone on my team subscribes to these, and it helps us keep in touch with what’s happening in private equity on a daily basis. In terms of classes that undergraduates can take, I think those focused on entrepreneurship are helpful. Acquire a variety of experiences and don’t fear coming into private equity through operations. It’s also critical to have financial skills as everything we do, from picking fund managers to networking, requires an understanding of what is happening in financial markets.
Global Custody
Providing transparency to increasingly complex investments

Global custodians undertake the job of processing cross-border securities trades while at the same time working to keep the financial assets of clients safe and servicing their associated portfolios.

Before computers existed, global custodians had gigantic filing systems for their core work - storing certificates of stock and bond ownership for their clients. Today, official documentation for stock and bond ownership is stored electronically, making the business of custody much less space-intensive and easier to conduct. That’s not necessarily the case within the booming alternative investment sectors such as hedge funds and off-shore funds, though even in those industries formerly cumbersome tracking systems are moving toward more efficient electronic methods.

Recent Developments
Global custody continues to evolve as the investment landscape grows more sophisticated. In recent years the hedge fund industry has become the dominant customer base for global custodians. Today, their technology-rich services include record-keeping, reporting, and trade processing.

According to Globalcustody.net, a specialist Web site that tracks the industry, global custodians provided fund accounting and administrative services to funds holding more than $107 trillion in assets as of July 2010, up 12.6 percent from a year earlier.

A 2007 merger between Bank of New York and Mellon Financial produced the world’s largest global custodian, BNY Mellon Asset Servicing, with $21.8 trillion of assets under custody as of mid-2010.

U.S. institutions also occupy the next three places on the list, with JPMorgan in the number two spot, followed by State Street Bank and Citigroup. The next tier is heavy in European and UK names such as BNP Paribas, UBS, Société Générale and HSBC.

After Lehman Brothers’ bankruptcy filing in September 2008 stranded billions of dollars in assets Lehman had administered for some 700 hedge funds, broker-dealers seeking custody business face much greater scrutiny of their financial strength. The Lehman bankruptcy and the earlier distress sale of Bear Stearns triggered what Global Custodian magazine called a “seismic restructuring” of the hedge fund administration market, with more than half of the largest funds saying they’d terminated a relationship with a prime broker during the preceding year. Of those that did, one-third cited “counterparty credit risk concern” as the reason.

That’s opened the door for the strongest banks to expand their niche in prime brokerage, broadening services to win over lucrative hedge fund clients.

In recent years global custodians also have branched out to offer other services, such as securities lending and controlling risk for asset managers. And because asset managers find it less expensive to outsource the safe-keeping and administration of global securities portfolios to a single firm, global custodians are even more important today. As protecting assets, monitoring compliance, and determining risk exposures to everything from counterparties to foreign currencies has become more difficult, global custodians continue to play a significant role in financial markets.

Small custodians lack the manpower and technological expertise for these higher margin activities, and so are gradually being subsumed into bigger players. Meanwhile, bigger players have merged so as to become even bigger. One sign of the trend: Securities industry consulting firm Buttonwood International ceased its Global Custody Yearbook survey after the 2009 edition, in part because the number of custodians participating had consolidated from more than 20 in the 1990s to just eight.

In exchange for safeguarding client assets, custodians charge a fee based on the value of what they administer. The percentage fee level will vary according to the frequency of transactions, the complexity of the portfolio, and the specific services required. Over the past two decades intense competition put downward pressure on custody fees. With asset managers increasingly selective in choos-
Careers in Financial Markets 2010-11

Describe your career path.

After working at an advertising agency I entered financial services with American Express. There I came to appreciate the details around technology and operations and how they underpin financial services. Next, I moved to Mellon Bank, entering the custody business. At Mellon, I managed several departments including the bank's credit card business, which has many parallels with custody services. For a time I lived in London, managing Mellon's asset management business in Europe.

What is a typical day like for you?

It begins early so I can catch up on overnight news in Asia and Europe. I read four newspapers each day and I'll speak to several customers a day and discuss service issues and market news. Also, I spend a lot of time working with my team by mentoring and discussing important issues that come up. I consider myself a change agent, so I look for situations where people are getting stale. I'm consistently monitoring workflow to fine tune it and change the activities that people are working on at a given time.

What advice do you have for an up and coming global custody professional?

I'd recommend starting out in a line, custody, or account operations position because it will give you solid indication as to the daily pressures of producing work and getting it out accurately and timely. Be flexible and adaptable, be ready to adjust career plans based on new opportunities that arise. Move to different departments, but also move geographically. People who work in one place miss out on experiencing regional differences. You need to think and act globally if you want to work in a global custody role.

What should students be studying or doing to prepare for a career in global custody?

Math, science, accounting and engineering are all strong disciplines to pursue. I am a liberal arts graduate but returned to school. Global custody is a business of data, so being able to understand and harvest it to build models is important. The business is analytical, but communications - written and oral - with clients is equally important as you advance in your career. It’s not about simply doing the work, but being able to communicate it effectively. Try out different roles. If you’ve worked in operations, try working in sales or marketing. Often, people impose labels on themselves and this can be damaging.

Q&A

Jack Klinck, Executive Vice President & Global Head, State Street Corporate Development and Global Relationship Management

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Risk management can apply to a variety of aspects of the financial business. On a fundamental level, it involves protecting a company from negative events.

In the banking sector, risk managers strive to make sure a bank isn’t overexposed to borrowers or trading partners that might not repay debts or other obligations, plummeting stock markets, regulatory flaws, or other financial pressures that could jeopardize the strength of its balance sheet. Similarly, in the asset management and investment banking fields, risk management helps ensure the overall health of a firm’s portfolio and, sometimes, manages regulatory risk.

The insurance industry uses the term to describe services and products its corporate and business clients use to help protect themselves from potential losses. The insurance industry also has risk professionals on staff — including those on the underwriting or actuarial end — monitoring the exposures a company might suffer from policy coverage and its own investment decisions.

In corporate IT departments, risk managers are charged with ensuring the business can continue to function after a computer systems failure, terrorist attack, or natural disaster. They also track employee or business partner activities to prevent fraud.

In recent years, banks and investment firms struggled to contain their exposure to systemic risk — the potential for widespread, domino-like collapse of markets or institutions that began when the subprime mortgage market imploded. Many institutions slashed staff to cut costs, but those on the risk management side needn’t fear: Chief risk officers are beefing up their teams. Moreover, recent edicts by regulators and policy makers promise to lift the prestige and influence of banks’ risk managers compared with members of the money-making or trading side of the business who traditionally wielded far greater clout.

Banking executives try to manage three principal risks as defined by a series of international agreements known as the Basel Accords. These are a set of recommendations on banking laws and regulations promulgated by the Basel Committee on Banking Supervision, which is part of the Bank for International Settlements based in Basel, Switzerland.

First there’s market risk, which ties in with systemic risk. This is the hazard that a whole group of traded financial products, such as stocks, bonds, or commodities, will fall in value simultaneously. Market risk is caused by outside events, such as market fluctuations caused by rising oil prices, terrorist threats, a physical disaster, shifts in foreign exchange rates, or sudden interest rate hikes.

Credit risk is the risk that a particular company or individual will default on its obligation to repay its debts. This category of risk gained prominence recently, due in large part to the failure of new products that were designed to help manage it: credit default swaps, along with a plethora of complex credit derivatives. While the explosive growth of credit derivatives last decade boosted demand for Ph.D.-level quantitative modeling within banks’ credit risk departments, lately the pendulum has swung back toward more traditional, fundamental tools involving the analysis of company balance sheets, cash flows and debt ratios.

Finally, operational risk is the risk something might go wrong in the day-to-day running of a bank. This could come, for example, through the impact of a serious physical disaster or a large-scale fraud committed by employees or management. Reputational risk — sometimes considered a sub-sector of operational risk — is the risk something will happen to damage a firm’s reputation. The recent mortgage and credit collapse, along with an earlier wave of financial scandals surrounding biased equity research, improper mutual fund trading, and phony accounting, have made banks and investment houses increasingly sensitive to the need for reputation management after a crisis occurs.

Roles and Career Paths

Individuals working in an area specifically devoted to market risk at a large bank or investment house are typically situated on or close to the trading floor. Market risk specialists use statistical models such as value-at-risk (VaR) to work out the maximum amount of money their bank or investment firm would lose under normal trading conditions. They also work closely with traders to calculate the risk associated with specific transactions. These individuals possess mathematical modeling skills, in addition to tech skills related to the field. Smaller investment firms may combine the market risk activities with asset and liability management.

Professionals in credit risk analyze company balance sheets
Describe your career path.

While an undergraduate at Harvard I spent two summers as an intern for a small French investment bank in their New York and Hong Kong offices. After graduating in 2000 I joined JPMorgan syndicated and leveraged finance group, working on transactions for investment grade and leveraged clients. I moved to the special credits group, working on bankruptcies and restructurings, and then to the credit risk management group where I’ve been for the past three years. I cover investment banking clients in the consumer products industry and manage the firm’s credit exposure to these clients.

Describe your role at JPMorgan.

I’m responsible for our consumer product clients, mainly in the food, beverage, tobacco, and household products industries. We partner with investment banking coverage and product groups when they deal with these clients. I work with the various client teams to make sure that the risks we take are reasonable and accounted for.

What is a typical day like for you?

It depends on the number of deals I’m working on at a given time and what stage they are in. My goal is to protect the firm’s fortress balance sheet and I accomplish that by meeting with clients, performing due diligence, and working with the syndicated leverage finance group and legal counsel to devise financing terms. Regardless of the number of active deals there are, I must monitor all of my clients and stay current in the industry for news that may impact their performance.

What are the most important skills for a career in risk?

This work involves a fair balance of qualitative and quantitative skills. You need to have a strong analytical mind as the work requires you to take in a lot of information and derive conclusions. Strong communications skills are also important because you are always partnering with other groups, such as investment banking, and you’re also interacting with clients on a regular basis. It’s also important to be inquisitive and always have a view on a topic. You’ll need to be able to get to the bottom of things and assess all major risks.
Compliance
The internal watchdogs of the financial industry

When it’s time to party, are you always the designated driver? Would you be an FBI agent if only the pay were better? Do your friends still love you even after you’re forced to tell them how stupid they sometimes act? If you can answer yes to these or similar questions, compliance may the right niche in investment banking for you.

A compliance professional working for an investment bank, brokerage, mutual fund company or financial institution makes sure the firm follows local, state and federal laws, as well as the rules set by government regulators. To do this, they interpret ever-changing regulations, apply them to their company’s individual business, then communicate the rules to the firm’s employees.

Virtually no document that’s going to be released to the public - from marketing materials to financial reports - gets out the door without being reviewed by a compliance specialist. In many cases, that review is conducted by an attorney.

“It takes a unique and specific type of person to work in compliance, and it’s not an easy job,” says Jack Kelly, managing director at Compliance Search Group in New York. “You’re really an internal affairs police officer on Wall Street.”

To succeed, you’ll need both analytical chops and people skills. “You have to get along with people because you’re perceived to be the guy who’s trying to stop business from taking place, or as the one standing in the way of someone making money,” Kelly explains. Analytical ability is key, too, because if you miss something, you could cost the firm millions.

And by the way: Even though compliance experts at the top of the food chain might make $1 million a year, most earn between $150,000 and $250,000, so the people you’re watching over have historically made more money than you.

Recent Developments
Perhaps more than any other function within financial institutions, the jobs of compliance professionals have been reshaped – and for the most part, upgraded – in the aftermath of the global financial crisis. Just as the accounting scandals of a decade ago (and the Sarbanes-Oxley Act that was designed to address them) ushered in new standards for corporate accounting and internal controls and ramped up hiring for those skills, the recent bank bailouts spurred new controls on banks’ risk-taking and related practices, including how they compensate traders and other employees who commit a bank’s capital.

In 2011 and beyond, the Dodd-Frank Act will have a great influence on compliance careers – both in the financial industry itself, and in the many government agencies that oversee it. Banks, hedge funds and other affected institutions began beefing up in-house compliance and legal teams even before the Dodd-Frank financial reform law was finalized. Many are eager to hire former regulators, such as bank examiners. Moves to strengthen compliance teams also have a commercial motive. In the wake of the crisis and scandals such as the Bernard Madoff Ponzi scheme, both institutions and wealthy individuals are demanding greater integrity and greater transparency from firms that handle their money.

On the opposite side of the aisle, government regulatory agencies – traditionally a good source of jobs for people just out of college – are stepping up hiring too. The Securities and Exchange Commission, one of the most important agencies that oversees Wall Street, expects to add roughly 800 new positions in the next few years because of Dodd-Frank. The new law adds or expands SEC responsibilities for over-the-counter derivatives, credit rating agencies, hedge funds and private equity funds.

Other watchdog agencies given greater authority under Dodd-Frank include the Federal Reserve and the Commodity Futures Trading Commission. The Federal Reserve, for instance, will house a new consumer financial protection bureau that’s expected to have an initial budget of about $500 million and hundreds of employees (although many may simply be transferred from existing federal agencies). Other important regulators include the Federal Deposit Insurance Corporation, the U.S. Comptroller of the Currency, the U.S. Treasury Department, the National Credit Union Administration and a private-sector body, the Financial Industry Regulatory Authority (FINRA).

Roles and Career Paths
Jobs in compliance vary depending on the area in which you work. If you opt for money laundering, you’ll spend your time on the lookout for suspicious transactions. For exam-
ple, if someone pays cash for a large quantity of bonds, it's likely to warrant your attention - particularly if that person or organization has never dealt with the bank before.

Compliance training specialists focus on internal controls and preach the compliance message to a bank's employees. They create and present training courses explaining what the rules and regulations are, and why bankers need to follow them.

Monitoring specialists look out for infringements of rules and regulations that suggest employees are up to no good. Much of this role has been taken over by computers, which can monitor billions of e-mail messages per day and spot unusual activities such as dormant trading accounts that suddenly spring back to life.

Compliance advisors interpret regulations and apply them to particular business areas and products. An increasing number are product specialists who offer advice on particular types of financial products.

Product specialists sit on or near the trading floor, tell traders whether or not a particular trade can go ahead, and suggest alternatives that will still be satisfactory to the client. Compliance advisors need to know a lot about trading and about the products they're advising on. Some are ex-traders.

No matter where you decide to start in compliance, chances are you're going to be busy in the near term, thanks to the flood of rules coming out of the Dodd-Frank Act and other legislative and regulatory steps in recent years.

Skills and Qualities
- Self-confident and assertive
- Competent understanding of legal issues
- Methodical

Q&A

Patrick O’Leary, Compliance Officer
BNP Paribas

Describe your career path.
I graduated from law school in 1999 and took a job working at the SEC in corporate finance, reviewing documents when companies went public. Later I joined a start-up hedge fund and spent three years as an assistant bond trader. After it shut down, I began to look for a compliance role that would allow me to combine my legal and trading backgrounds. I joined CooperNeff Advisors in September, 2005, providing compliance support for the firm and BNP Paribas Asset Management for hedge funds and traditional asset managers.

Describe your role at BNP Paribas.
I am a compliance officer responsible for asset managers within BNP Asset Management and a fund administrator, BNP Paribas Financial Services. My job is akin to that of a referee - overseeing traders to make sure rules are followed. I work with U.S. large cap equities and European investment grade and sovereign bonds.

My job is making sure our SEC compliant program is in place and evaluating best execution on a regular basis, specifically determining whether we are getting best value for client trades. Finally, I work on anti-money laundering, “Know your Customer,” which is gathering documents on clients prior to accepting them. For instance, we need to make sure a client has the authority to enter into contract with us.

What is a typical day like for you?
About a quarter of my day is spent responding to questions from traders and our sales team. It's important that I interact with each team, so that questions about compliance can be answered. I need to be sensitive to the needs of the business. I’ll also spend time reviewing trades, marketing presentations and client reporting. Our home office in Paris will often send us documents or questionnaires to complete, and other reporting to make sure we have an efficient compliance program in place. We’ll also meet regularly with the bank’s internal controls committee.

What advice do you have for an up and coming compliance professional?
Practical experience is important, as it's difficult to find experienced compliance people who have this level of knowledge of markets and securities. The top priority is to serve clients, so you need to be practical. Ideally, rather than simply telling businesspeople a particular business can’t be done, compliance professionals work with the business to roll out a particular offering in a way that is compliant with applicable regulations.
Human Resources
The ‘people people’ of investment banks

When an industry is driven by human capital, leaders need human resources (HR) professionals to manage talent even during times of severe crisis. So despite massive layoffs in the securities industry, a few firms continue to hire human resource generalists to help retain and recruit talent. Since the industry stretches across the world, the most in-demand HR professionals have solid knowledge of investment banking and global markets.

In today’s market, HR professionals are at the forefront of helping Wall Street re-staff after the deep layoffs most firms instituted since 2007. They also form a defensive line, helping their own organization retain strong performers who rivals seek to lure away.

Like other departments, HR is being asked to increase productivity and reduce costs. In some cases, that means taking on the management of several business lines rather than focusing on a single area. In other cases, firms are outsourcing human resources, or moving backroom operations to lower-cost markets outside New York City.

Current economic, regulatory and market conditions have added to the challenges HR faces. For instance, HR must continue to recruit graduates despite limits on bonuses and recent negative publicity about banks of all types. With job candidates nervously listening to rumors, HR professionals must also take on the job of publicist to help bolster the bank’s image with current and prospective employees.

HR takes care of all the “people issues” that arise in a company. It writes and enforces rules covering issues such as hiring and firing, employee pay, diversity, discrimination and employee monitoring.

The life of HR professionals is a roller-coaster ride. When times are good, they scramble to bulk up the staff. When times are tough, they manage layoffs, including making sure managers follow the law when deciding who stays and who goes. Given the cyclical nature of finance, HR professionals can expect to shift from hiring mode to firing mode many times throughout their career.

In recent years, most banks have outsourced HR’s routine, peripheral activity. Questions about compensation, benefits or employee relations that once were addressed by HR people in each of a bank’s divisions now go to call centers.

Consequently, fewer HR people work directly for the bank. Those that remain must prove their value as strategic partners who understand the business and can advise department heads about how to attract and retain the best talent.

Roles and Career Paths
Jobs in HR usually fit into one of five categories:

- Employee relations, diversity and affinity group management
- Recruitment
- Compensation, benefits and compliance
- Training and development
- Generalist

It’s no easy task to find a job as a graduate trainee in an investment bank’s HR department. Few banks offer such traineeships, and those that do usually have no more than two or three places.

However, other options exist. Banks often recruit experienced professionals from large firms outside the industry. Former HR staff from Time Warner, General Electric and PepsiCo can all be found working in banks.

If you’re interested in working in recruitment, another option is to gain experience at a recruiting firm that helps investment banks find staff. These firms fall into two categories: contingent and retained. Contingency recruiters get paid only if their clients make a hire. By contrast, retained firms get paid regardless of whether they find anyone to fill a particular job.

To be a recruiter at a search firm, you’ll usually need previous experience. But search firms such as Russell Reynolds Associates, Korn/Ferry International and Heidrick & Struggles employ bright graduates as researchers and train them to become search consultants. International contingency recruitment firms such as Badenoch & Clark, Robert Walters and Michael Page run graduate training programs.

Skills and Qualities

- Broad range of interpersonal skills
- Intuitive reasoning
- Good judgment
- High degree of self-motivation
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Legal

Sound advice needed to handle a new wave of regulations

Banks are large and complex organizations, and most of their activities have legal implications. It’s the legal department’s responsibility to ensure all contracts signed by the bank are watertight, that the bank fulfills its contractual commitments, and that lawsuits are avoided.

Last decade, the Sarbanes-Oxley law enacted in 2002 brought new complexities to the role of general counsel in the form of corporate governance requirements, securities litigation, accounting, taxation, and reporting and disclosure requirements for all public companies (not just banks).

Now, the banking legal profession in particular faces another watershed moment in the form of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. To both influence and adapt to the coming vast array of new government regulations, banks, hedge funds and other institutions will need a steady stream of legal advice. Dodd-Frank also compels the creation of thousands of new jobs within regulatory agencies – whose staffs were growing even before the new law, and which often serve as springboards for legal and compliance careers on Wall Street.

At the same time, bank staff attorneys and outside counsel continue working on mergers, securities offerings and other bread-and-butter banking deals. Recent years also have seen banks increasingly involved with restructuring and bankruptcy law, since the recent credit crisis and recession deprived many companies of capital and credit, forcing them to restructure debts both in and out of court.

Other than joining a bank, a law firm or the government, the country’s largest corporations are a prime source of opportunities for attorneys. Corporate counsels are responsible for anything and everything legal at the company, including the negotiating and drafting contracts, overseeing employment law compliance, advising senior management, and helping craft legal and business strategies. More important, these roles often give attorneys a seat at the table when it comes to forming the corporate growth strategy. More than ever, the increasing importance of corporate governance has elevated corporate counsel to the highest levels in an organization.

Recent Developments

The Dodd-Frank Act was signed into law on July 21, 2010. It overhauls the current regulatory framework over a broad swath of banking, investment management and other financial services activities, including derivatives, trading, hedge funds, private equity, credit ratings, retail lending and credit cards, and even the racial and gender makeup of financial companies’ work forces. It also alters the current division of responsibilities among financial regulators, for example giving greater oversight power to the Federal Reserve, the Securities and Exchange Commission and the Commodity Futures Trading Commission, while abolishing the Office of Thrift Supervision and splitting its functions (and current employees) between the Office of the Comptroller of Currency and the Federal Reserve. Dodd-Frank also requires the creation of an entirely new federal agency, the Bureau of Consumer Financial Protection.

In a 130-page memo summarizing the legislation, the multinational law firm Davis Polk & Wardwell LLP observes: “U.S. financial regulators will enter an intense period of rulemaking over the next six to 18 months, and market participants will need to make strategic decisions in an environment of regulatory uncertainty. The legislation is complicated and contains substantial ambiguities, many of which will not be resolved until regulations are adopted… We expect that there will be both severe challenges for financial institutions as well as significant market opportunities, both at home and abroad, and that regulators and market participants will be dealing with the Act’s consequences, both intended and unintended, for many years to come.”

Davis Polk says the act requires 11 different federal agencies to undertake 243 new rulemaking proceedings and 67 studies. As of mid-2010, many institutions were already enlarging their legal and compliance teams in preparation for Dodd-Frank. Professionals with experience in regulatory agencies such as the Federal Reserve were especially sought after – not just for guidance on compliance, but also for the more immediate task of helping firms participate alongside regulators in drawing up detailed rules needed to implement the new law.

In the years preceding Dodd-Frank, taxpayer-funded bank bailouts spurred a plethora of government-mandated rules – some temporary, some permanent – over how banks manage their operations and compensate employees. The bailout-inspired regulations add yet another layer to banks’ need for legal counsel.

The government-driven boost for banking legal work comes...
at a time when demand for traditional transaction-related legal work is still struggling to recover from the recession. During 2008 and 2009, law firms and corporations laid off attorneys due to lower demand for their services. The early months of 2010 showed patchy improvement led by 9 percent growth in merger and acquisition (M&A) legal work, according to a report by legal industry consulting firm Hildebrandt International covering the year’s first quarter. General corporate work, tax, capital markets and even real estate all showed “very slight positive growth” for the quarter, while bankruptcy-related work grew 2.1 percent but was seen trending lower as the economy improves.

Roles and Career Paths
As a banking lawyer, you may specialize in the legal complexities of M&A deals. Or you could find yourself working on the trading floor, or with capital markets groups. Usually, a team of lawyers also works in a central legal office dealing with issues such as discrimination claims and major litigation.

M&A work can involve everything from preparing the documents expressing one company’s intention to buy another to conducting due diligence on the proposed purchase. If you work on the capital markets team you’ll deal with the legal complexities surrounding the issuance of new financial products. In addition, lawyers ensure the information provided by a company preparing to list on a stock exchange is correct and within the law. Trading floor lawyers advise on the legality of trades and deal with the documents required to buy and sell financial products. By determining which trades can and can’t go ahead, these attorneys play an important role in the development of new and complex derivative products.

Few investment banks train lawyers themselves. Instead, they typically get their start working for a major law firm.

Skills and Qualities
- Ability to assimilate information and pick out key points
- Very strong interpersonal skills
- Ability to grow and maintain client relationships
- Very strong lateral thinking skills
- Work well under pressure

Q&A
Lori Hoberman, Attorney
Chadbourne & Parke

Describe your career path.
I started at Pillsbury Winthrop as a tax attorney. Originally I worked on the venture fund side, but today about 85 percent of my practice is company focused. Representing emerging companies in various industries favored by the investment community in New York, I get to work with entrepreneurs - the most eclectic, creative, unusual and fearless group of clients a lawyer could have. I joined Chadbourne & Parke to help build out the new emerging company/venture capital practice.

What is a typical day like for you?
There are many interactions with clients. Also, the venture capital business requires a solid network of investors, public relations firms and investment bankers. So, I spend a lot of time developing this network. One recent day began working with a retail company and ended with a technology client, which is indicative of the opportunity I have to learn about different industries.

What advice do you have for an up and coming venture capital attorney?
Develop a solid network of contacts and sources. You can do this by attending and speaking at events. My business is people driven. I always need people to whom I could refer deals and from whom I can get referrals. I’ve created a quarterly networking lunch for New York City venture capitalists, and have been doing it for eight years. It’s a great way to bring the venture capital community together and discuss topics of interest and build a network.

What are the most important skills for a career in venture capital?
The ability to give savvy, logical, cost-effective advice. I attend most of my clients’ board meetings and find that they have taught me a great deal about business. In becoming an attorney, you don’t receive training in business, so getting this education has been most valuable to me in my practice.

What should people wanting to work in venture capital be doing to prepare, i.e. groups to join, networking, reading?
Attend local venture capital events. There’s a community and you need to be a part of it. Read some of the venture capital blogs, such as TechCrunch, or Fred Wilson’s blog. There is a lot of valuable information you can read that can help you to develop a sense of what’s going on in the business. In the end, it’s all about knowing who the players are and networking.
Information Technology

The work that’s increasingly outsourced overseas

An investment bank’s information technology (IT) department is responsible for the web of networks, computers and software that underpin any modern financial organization. Firms use technology for just about everything: communicating with staff, storing information on clients, and running complex computer models to price and trade financial products. They are known for having some of the world’s cutting-edge systems, especially for their trading floors.

In recent years, a growing number of banking IT jobs are being outsourced to locations such as India and China. The good news is banks still need plenty of people in western financial centers to manage and coordinate with overseas employees. According to technology researcher Forrester Research, there will be no shortage of future demand for business analysts and project managers who understand the banking business and can manage the outsourced functions.

IT professionals who want to stay in advanced technology are being advised to couple their technical expertise with deep knowledge of a vertical industry, such as financial services or pharmaceuticals, or to combine IT with business skills, perhaps by earning an MBA. Recruiters say financial firms increasingly seek candidates with a combination of business and technology skills, such as an understanding of fixed income and Java, or knowledge of equity index products and C#.

In addition, firms want people who can communicate well, who can get their point across briefly and directly. They’ll often have to communicate with clients and interact with traders on the floor, so communication skills are very important.

While companies want combined skills, they often don’t offer an obvious path to acquiring them. So, IT professionals should keep an eye out for positions that offer a mentor who might help them broaden their role in the firm.

Recent Developments

The recent recession eliminated a large number of jobs in financial IT, and banks continue to be very selective in their IT hiring as of mid-2010. But as the industry reconstructs itself, “The bright spot is the financial services industry is more dependent on technology than any other industry,” says Paul Groce, a partner at search firm CTPartners’ New York office. “Financial services spend a greater percentage of dollars on technology than other industries, so it will continue to innovate and employ bright people.”

Indeed, BNY Mellon’s Chief Information Officer John Fiore says there’s a shortage of new college graduates for early-career financial IT roles, even while experienced candidates are plentiful. “At the junior or entry level, it’s more competitive” among employers, Fiore told Wall Street & Technology in June 2010, because there are fewer new graduates with the right skills. As a result, “We’re all competing for a smaller population.”

Wall Street firms’ key IT priorities for 2010 and 2011 include innovating processes around trading, portfolio management and risk management, according to a survey from the Securities Industry and Financial Markets Association (SIFMA) and IBM, released in June 2010. Professionals who answered the survey also foresaw increased IT investments for risk analytics used in compliance.

Another important cluster of IT skills banks seek these days revolves around managing new data technologies such as server virtualization and project management. And bank mergers are boosting the need for project managers and developers on a contract basis.

Philip John Venables, chief information risk officer for Goldman Sachs, says college graduates can expect a full spectrum of career opportunities, especially if they’re willing to learn and adapt. Because firms depend on technology — particularly as a key competitive differentiator — they’ll continue to invest in it. “Generally,” he says, “there will be a need for people who can take their strong knowledge of technology and marry it with a business specialty.”

Roles and Responsibilities

Jobs in IT generally fall into several categories:

- Development
- Business analysis
- Project management
- Infrastructure administration
- Technical support

If you become a developer, you may be responsible for
writing the computer programs that help financial firms do everything from pricing and booking trades to calculating risk. Programming languages used by banks include C++, Java and Microsoft’s .NET.

Those on the business analysis side include business analysts who look at the way technology is used in the bank and analyze the opportunities for making it work better. A trader might complain about the length of time it takes his computer to execute a trade, so it’s up to the analyst to investigate whether the complaint is valid. Once big changes are underway, the responsibility for managing them often passes to another part of the IT staff: the project managers. These are the people who plan, structure and fulfill IT projects. If IT development work is outsourced, the project managers work with providers to ensure efforts are completed correctly and within the mandated time frame.

Those who work in infrastructure administration are responsible for the day-to-day upkeep and maintenance of a company's hardware and software installations. Technical support staff requires razor-sharp technical skills and the thickest of skins to handle not only technology problems, but the frustration of irate traders as well. So customer service skills along with the ability to quickly diagnose a problem are essential. It’s a role that carries a lot of responsibility: A computer problem on a trading floor lasting a few minutes could cost millions of dollars. It’s up to the support staff to identify and resolve the problem.

Another specialization that’s gaining more importance is risk and security. In this area, roles range from designing network security systems to understanding systems and trying to figure out potential threats. People who work in information risk and security teams can come from different backgrounds, including MBAs or those with economic degrees.

**Skills and Qualities**

- Superior programming abilities
- Strong communication skills
- Innovative
- Client-focused
- Good problem-solving and decision-making

**Q&A**

**Caroline Arnold, Global Head, Client Relations and Facing IT Morgan Stanley**

**Describe your career path.**

I took a less traditional career path. I was an English major at Berkeley, and minored in economics. I was always good at computing, but early on I didn’t see it as my career path or the focus of my education. After graduation, I worked in theater. Programming was my waitressing; I did consulting work because it was flexible, and over time, I wound up starting my own consulting firm that worked with large banks and companies like Procter and Gamble. One of my consulting assignments was with Morgan Stanley, and at the end of my assignment, they offered me a permanent job as a developer in 1994. The next year I was promoted to vice president and began managing technology for our research business.

**Describe your current role at Morgan Stanley.**

I lead a practice area group that executes the technology strategy for client relationship applications, profitability, and many client-facing web sites. Nearly all of our software is custom built and I’m responsible for technical decisions and project execution. For example, my team built the auction system to handle Google’s initial public offering, still the largest IPO by auction ever conducted on Wall Street. In addition to our execution responsibilities, my team and I also put forward new ideas to build the business for the future.

**What skills are most important to be successful in IT?**

Deep technical skills are critical. Also, creativity and the ability to think critically about the business the technology supports. It’s important to question accepted wisdom as that is what drives innovation. Developing an open and direct communication style and the ability to persuade others is a key asset. And you want to think and operate like an owner. It’s important to be able to take ideas, move them forward to execution, and be accountable for the results. The most successful people in IT are great technologists who are able to strategize with the business about a new opportunity, and then execute. It’s a thrill to see products you’ve created make a difference to the bottom line.
It takes more than a lengthy contact list to build a firm’s brand

Wall Street’s public relations and marketing staffs are responsible for representing financial services companies to customers, clients, investors and the general public. Their role is to position the firm as it would like to be seen, but they fulfill that mission in different ways.

Although related, marketing and public relations are distinct functions. Marketers concern themselves with managing a firm’s reputation by deciding how its brand name, products and services are portrayed in advertising and promotional campaigns. Public relations people focus on how a bank is represented in the media and, in the case of public companies, to investors.

Financial firms spend substantial amounts of money to promote their brand names. Some sponsor sporting events like golf and tennis tournaments, while others purchase the naming rights to stadiums and arenas as a way of reinforcing their image. Financial companies are also regular advertisers on the Internet and in traditional media like newspapers, magazines and television. Managing the message across all of these channels is among the jobs marketing professionals perform.

Public relations professionals concern themselves with how their firms are portrayed by journalists. Staff at most Wall Street firms are forbidden to talk to journalists without the permission of the media relations staff. Still, most firms want to be seen as experts on the markets and the economy. Thus, they’re willing to make analysts, portfolio managers, executives and other professionals available to discuss their views on what’s driving market activity. It’s the PR staff that controls who’s made available to journalists and the topics staff members are permitted to talk about.

Recent Developments

The recent financial crisis elevated the importance of PR people by subjecting all manner of financial institutions — especially, the largest global banks — to intense scrutiny and fury from a public that perceived them as culprits. Being portrayed as a villain in the media isn’t just unpleasant, it’s bad for business. In its annual report for 2009, Goldman Sachs mentioned “negative publicity” as a “risk factor” affecting the firm’s business outlook: “Press coverage and other public statements that assert some form of wrongdoing, regardless of the factual basis for the assertions being made, often results in some type of investigation by regulators, legislators and law enforcement officials or in lawsuits. ...Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.”

In the wake of the crisis, independent PR firms are seeing an increase in the scope of work they perform for companies. Today, PR is about managing a financial brand. Where in the past an agency may have been primarily focused on media coverage, today firms are being hired to conduct full communications audits, or take a holistic look at the company’s communications in order to develop a set of best practices and policies. In addition, PR firms are preemptively reaching out to investors and analysts via perception studies to get a grip on what Wall Street and the general public think of their clients, and how they can improve their image.

Because of these increased demands, PR firms are moving beyond focusing on former financial journalists as employees and are seeking professionals with consultative skills and transactional experience in areas such as law and M&A. As a result, bankers and other professionals are joining PR firms, using their experience in developing valuations to explain the rationale behind new products and deals to analysts and journalists.

Increasingly, the roles of PR and marketing have become intertwined. Boutique PR agencies that cater to asset managers and hedge funds have given rise to a “one-stop shop” approach. These agencies will provide PR and marketing services such as the development of white papers, bylined articles, collateral and types of thought leadership meant to build credibility and establish the client company’s image.

Roles and Career Paths

Investment banks, brokerages, commercial banks and fund managers typically employ centrally focused marketing staffs to promote their firms as a whole. In addition, product-specific marketing people sit alongside sales teams. The role of marketing groups can include sponsoring events, producing brochures and other collateral, developing corporate logos, determining the pricing and positioning of products and services, and researching markets for potential new products.
Describe how you came into the business and how your career developed.

I got into financial public relations very much by accident. After 12 years as a journalist – the last two covering Wall Street for Dow Jones News Service – Merrill Lynch, the largest company in my beat, recruited me for its PR team. I began by overseeing media relations for the firm’s institutional business in New York. In 1997, I was transferred to London as head of media relations for Europe, the Middle East and Africa. I returned to New York two-and-a-half years later with a promotion to global head of media relations.

After the Sept. 11, 2001 attacks, in which I lost a member of my staff, I needed a change. I joined Honeywell as head of global media relations and crisis communications. But I missed the financial sector, so in 2003 I jumped to Lazard. After three-plus years at Lazard, I moved to Brunswick Group, a global PR firm, as the partner in charge of its financial institutions practice. I opened my own communications shop, Silverman Communications Group, in July 2008.

What are the key skills for gaining a foothold in financial communications?

Writing. You must be comfortable writing and be able to turn around assignments quickly. You also must be familiar with what’s going on in the financial markets. I’d also recommend getting comfortable with the fundamental principles of accounting. The world of numbers is a different language, and you have to be able to speak it. If your employer’s treasurer or CFO doesn’t have confidence in your ability to understand what they’re saying, they will be unwilling to walk you through critical financials. On the other hand, you gain tons of respect if you can gain a fundamental understanding of accounting.

In addition to accounting, I would suggest learning a second language, preferably Spanish. For years, demographic trends indicate more and more of the U.S. citizenry will be speaking Spanish in the future.

And finally, a large part of being a valued PR professional is gaining the ability to effectively communicate sophisticated and complex issues in a manner that is easily understood – and without appearing to be insulting or dumbing down the issues. This is an important quality that your client will undoubtedly appreciate.
Ratings Agencies
Grading the potential of market players

The role of ratings agencies is to assess the creditworthiness of companies and government agencies that issue debt instruments to investors. Although the debt issuers actually pay for the privilege of having their business scrutinized, the agencies are supposed to provide a neutral analysis of their ability to repay their obligations.

The debt ratings sector is dominated by three companies: Standard & Poor’s (S&P), Moody’s Investors Service and Fitch Ratings. Together, they’re believed to hold at least 90 percent of the market. With analysts based in business centers worldwide, S&P and Moody’s are by far the largest.

Another well-known agency, A.M. Best, specializes in rating insurance companies – both their debt and “financial strength,” or ability to pay policy claims. Best also rates U.S. banks and bank holding companies, including small and mid-sized community banks.

All four companies issue debt rankings in a similar format, making it easy for investors to compare the ratings of one organization to another. A debt issuer rated AAA (in the format used by S&P and Fitch) or Aaa (in the Moody’s version) is judged to be almost certain to repay its debts. Any bonds rated Ba or lower by Moody’s and BB by Fitch and S&P are considered to be speculative grade, or “junk.” Due to the greater perceived risk, debt consigned to this category will have to pay higher yields to attract investors. The lowest possible ranking is “D.” Buyers of these bonds face the greatest prospect of not getting their money back.

Over the years, the nature of debt financing has changed dramatically, and the ratings agencies have had to adapt accordingly. Wall Street has figured out ways to securitize everything from credit card debt to cosmetic surgery receivables. Gauging the risk in those deals falls to analysts on structured finance ratings teams, who are generally quantitative specialists.

Moody’s analysts follow the debt of more than 110 countries, 12,000 companies and 25,000 public finance issues. On top of that, it follows 106,000 structured finance deals — a catch-all term covering a broad range of obligations created from pools of other obligations, including mortgages and exotic credit derivative instruments.

Along with rating the default risk of thousands of issuers and securities, in recent years, ratings firms have built separate businesses that analyze and forecast trends and prices for various structured credit products. In 2005 Fitch acquired Algorithmics, a provider of enterprise risk management solutions. Moody’s set up Moody’s Analytics in 2008 to develop and market analytical tools used in credit portfolio management.

Recent Developments
The worldwide financial crisis strained ratings firms’ finances, business models and reputations. Besides losing business because new structured finance deals abruptly ceased, the credibility of the firms was hit hard by revelations that their analysts’ opinions – much like those of equity analysts around the time of the tech-stock bubble in 2000 — were improperly influenced by the firms’ efforts to curry favor with the debt issuers who pay their fees. Still, at the end of the day lawmakers and regulators opted not to tamper with the current business model in which issuers pay for their own ratings.

In the last decade, ratings firms were both major beneficiaries and major enablers of the unsustainable boom in structured debt products, especially those created from sub-prime mortgages. The firms came to depend on this relatively new market for the lion’s share of growth and profits. But the structured finance boom soon proved to be a bubble. When home mortgages and the structured bonds they’d been blended into began defaulting at ever-rising rates, sales of new structured bonds requiring debt ratings dried up. In 2008, Moody’s earned less than half the revenue from rating such deals as it did in 2007.

Perceptions of impartiality also took a beating from the crisis. Evidence indicated rating firms had rubber-stamped AAA ratings on structured products built out of sub-prime mortgage loans in order to generate more business. In Congressional testimony, Moody’s Chairman Ray McDaniel admitted, “Maintaining our standards may conflict with maintaining market share.”

The Dodd-Frank Act, the new law overhauling regulation of the broad U.S. financial industry, imposes several new requirements on the ratings business. The Securities and Exchange Commission will create a new office to enforce standards for rating agencies — including periodic inspections, a function the SEC has long performed for securities dealers and fund companies. Another important change
makes credit rating firms potentially liable for damages if their ratings appear in registration documents for securities that later lose value. (Until now, the firms have successfully invoked the First Amendment as a defense against liability for faulty ratings.)

The law firm of Skadden, Arps, Slate, Meagher & Flom’s analysis of Dodd-Frank, issued in July 2010, says this about credit rating firms: “Heightened corporate governance standards, new policies and procedures related to the credit rating process, and the potential for fines, penalties and increased private litigation are intended to increase the transparency and integrity of the rating process….The reforms will most likely result in higher fees charged by rating agencies to compensate them for incremental administrative, compliance and operating costs and increased exposure to third-party claims.”

One implication seems to be that rating firms, like other sectors of the finance industry, will need to expand their administrative and compliance staffs.

**Roles and Career Paths**

Ratings agencies look for people with training in finance, mathematics, economics and similar quantitative disciplines. Advanced degrees aren’t always required but can be helpful in landing a job.

Typically, analysts at ratings agencies specialize in particular product types such as corporate finance, which means rating particular companies; public finance, which follows local, state and provincial governments; sovereign debt, issued by countries; infrastructure debt, which might be issued by a utility or a government agency that funds development projects like road construction; financial institutions; or the structured finance arena. Depending on their area of specialization, staffers can expect some element of travel to go along with their work.

**Skills and Qualifications**

- Analytical, statistical and quantitative skills.
- MBA or other graduate degree useful and sometimes required.
- Strong written and oral communications skills.
- Ability to clearly express complex issues.
- Self-motivation and the ability to meet deadlines.

**Q&A**

**Claire Mezzanotte, Managing Director,**

**U.S. & European Structured Finance DBRS**

**Describe your career path.**

While in college, during summer and winter breaks I worked for my brother’s company, a boutique investment bank. After four years in Chase’s credit department, I moved to New York with the aspiration of finding an investment banking job. I got a job at Moody’s, then was recruited by Fitch Ratings where I stayed 12 years. At Fitch I worked first in municipal structured finance, then asset-backed securities, credit policy, and later managing the consumer asset-backed securities group where I was responsible for analytics, modeling and surveillance. I was then recruited by a former colleague from Fitch to join DBRS as head of credit policy. Today, I’m responsible for the asset- and residential mortgage-backed and covered bond groups for the U.S. and Europe.

**Describe your role at DBRS.**

I am responsible for the ratings’ group’s analytics, modeling and surveillance in addition to publishing rating methodologies. I meet with investors, issuers, and bankers regularly. I also speak at industry conferences on a variety of topics. One of my most important responsibilities is chairing our rating committees where analysts present rating recommendations for proposed structured finance transactions. I ensure we are abiding by our policies, procedures and rating methodologies. I also serve as a resource for the group and provide guidance on rating issues.

**What advice do you have for undergraduate students or aspiring ratings professionals?**

We look for people who possess both strong quantitative and qualitative skill sets. In this business, you need to be able to evaluate the financial viability of proposed financial structures, read legal documents and opinions, and integrate a variety of analytical components into a ratings presentation. You need to be able to write and articulate concepts and ideas effectively. You must also stay abreast of financial markets, and currently sovereign issues, regulatory reforms and how their affects may impact the companies and structures that are rated. It’s also important to network. Informational interviews are an effective way to learn about skills people need to be effective and how companies operate.
The fuel that powers the financial markets is a potent combination of real-time news and market data. Whether it’s the release of a company’s quarterly earnings report, the actions of central banks on interest rate policies, a significant merger or acquisition or a default or bankruptcy by a major debt issuer, market participants react to news every trading day. Events like these, big and small, drive trading activity. Because news inspires action, traders ultimately rely on accurate and timely market data as a basis for their buy-sell decisions. Trillions of dollars in stocks, corporate and government bonds, futures, options and a seemingly limitless number of exotic, over-the-counter derivative instruments — such as swaps or collateralized debt obligations (CDOs) — are bought and sold worldwide each day. Collecting, massaging and disseminating all of this trading data is the job of the information providers - the companies in the financial information industry.

The principal players in this realm are Thomson Reuters, Bloomberg, News Corp.’s Dow Jones subsidiary, and Standard & Poor’s, which is owned by McGraw-Hill Companies. Each company has extensive news operations and employs hundreds of people to gather and scrub for accuracy the data they redistribute to market professionals, corporate clients and other organizations. Another, smaller player is Interactive Data, whose various business units supply time-sensitive market price data, reference data and analytical tools to institutions and individual traders the world over.

Many other companies operate in specialized segments of the industry. Some are software developers building sophisticated tools and trading programs. Others focus on news or market analysis. Dow Jones, whose Dow Jones News Service has been covering the markets for more than 100 years, is one example of the latter. Its content can be delivered through distribution partners or directly to clients.

Vendors like Thomson Reuters and Bloomberg not only distribute data to the financial industry, they also collect it, then consolidate and sell it back to the same institutions that initially generated it.

In over-the-counter markets for bonds, foreign exchange, financial derivatives, and so on, pricing is supplied by dealers and brokers. For example, the trading desks at large investment banks like Citigroup or Goldman Sachs generally supply prices for securities that are in their inventory. Think of those as the advertised or list prices, which can differ from actual selling prices.

Brokers, on the other hand, are middlemen, and the data they provide reflect actual transaction prices. ICAP plc, a London-based, publicly traded company, is the largest inter-dealer broker. Cantor Fitzgerald was one of the first firms to report the prices for trades it brokered in the market for U.S. Treasury securities, which it still resells through its subsidiary, BGCanter Market Data. Other major suppliers of data feeds are the world’s stock, commodity and options exchanges.

When the Internet first became popular, data vendors feared their role would become less important as more information became available directly to investors and bankers alike. That trend has proceeded more slowly than originally feared, although it has driven consolidation in the industry.

Recent Developments

The sector has undergone high-level changes in recent years. Dow Jones & Co., the 125-year old company that publishes The Wall Street Journal and whose name is attached to the best-known U.S. stock-market index, was acquired by News Corp. in December 2007. Reuters and Thomson, two formerly separate firms with major footholds in the financial information space, merged in April 2008. And in July 2010, two private equity firms acquired Interactive Data, which had been a public company majority-owned by Pearson PLC (publisher of the Financial Times).

In another important ownership change, early in 2010 Chicago-based CME Group, a public company that operates the largest futures and options trading exchanges, acquired a 90 percent stake in the famous Dow Jones family of stock indexes. Many of the Dow Jones indexes now form the basis for tradable securities.

CME and its counterparts that run trading platforms for securities and derivatives make up a growing force in the information services field. A provision of the Dodd-Frank Act hands these industry-wide trading venues effective control over some types of derivatives contracts that until now have traded over-the-counter.

The year 2010 also saw the birth of the first certifica-
tion exam and designation for market data professionals: Financial Information Associate (FIA), administered by the Software & Information Industry Association’s Financial Information Services Division (FISD). The certification requires passing an online exam that covers financial markets, data, technology, and related issues and trends. A few financial employers say it could become a differentiator among candidates for financial information jobs.

Roles and Career Paths

The diversity of companies in the financial information sector makes it difficult to describe a single, precise career path. However, there are certain attributes that will lead to career success.

A strong understanding of how the markets operate is critical, whether one enters a sales, operations, data management or technical development role.

Technology expertise can be another important skill. Most trading has already shifted from stock and futures exchange floors and telephone based, person-to-person transactions, to screen-based dealings that are driven by sophisticated software programs. People with the skills to create the algorithms that drive these programs are in increasing demand.

The field offers numerous entry-level opportunities. Information companies seek individuals with a statistical background or financial training for the teams responsible for ensuring their distributed data is accurate.

Skills & Qualities

- Strong understanding of the financial markets or the ability to learn.
- Analytical and statistical skills.
- Good oral and written communication skills.
- Technology aptitude or programming abilities.

Q&A

Eric Frank, President, Investment & Advisory Thomson Reuters

Describe your career path.

I graduated from the University of Michigan in 1987 and wasn’t sure what I wanted to do. After sending out some resumes and literally going to companies door to door, I landed a position at JPMorgan. I spent 10 years working in its American Depositary Receipt division. During my time there, I spent a few years in Europe and saw an opportunity to leverage the Internet to help JPMorgan assist foreign companies with ADR issues. I left JPMorgan early in the dotcom era to pursue this passion, partnering with the Carson Group. In 2001, we sold the company to Thomson Financial. After a few years at Thomson the company was reorganized and I became head of investment management, the division that provides products and services to the buy side, including portfolio managers and analysts.

Describe your role at Thomson Reuters.

I lead the division of the company that encompasses our off-trading floor products and services. This includes analytics, content and workflow tools for customers in corporate services, investment management, investment banking and wealth management around the world. In January, I relocated to Hong Kong to drive global growth for the business locally from the Asia Pacific region.

What is a typical day like for you?

As there are roughly 4,000 people in the division, a big part of my day involves communication and getting a handle on the pulse of the organization. This entails engaging with my management team to ensure we’re on the same page regarding our global strategic priorities. Additionally, now that I am based in Asia, I spend a lot of time learning what the opportunities are in the region and how we can grow the business around our customers’ needs in the market. I do this by spending time with customers, intermediaries, and regulators, amongst others.

What advice do you have for undergraduate students or someone wanting a job working for an information providers?

The successful people in our organization bring solid work habits and a breadth of experience that aren’t necessarily taught in a classroom and apply it to their job. They ask questions that revolve around customer needs and what the bigger organization at Thomson Reuters is about. We’re looking for people with a passion for understanding our customers: what they need, what they’re doing on a daily basis, and what opportunities they have. They must be able to build relationships and think in terms of both the short- and long-term.
Resources
News you should use

Information moves the markets—whether it’s stock, bond or futures quotes, breaking news driving commodities trading, the release of a company’s annual report or turnover among its executives or staff.

To succeed on Wall Street, you have to keep up. Among other things, that means staying up-to-date on developments in business, politics, economics and the world in general. That’s no small task in today’s media-crazed world, especially if you want to focus your career in specialized areas like hedge funds or risk management.

This list is meant as a starting point, a collection of information resources you can use to keep abreast of what’s going on in business and general news around the world. In addition to these, each market sector offers a variety of trade publications that focus on narrow areas of expertise.

Don’t forget to read the information presented by companies themselves in their 10-Ks, 10-Qs, annual reports and press releases, which you can almost always find on their corporate Web sites.

### General and Business News

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<tr>
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<td>BusinessWeek</td>
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<td>CNN</td>
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<td>Financial News</td>
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<td>The Financial Times</td>
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<td>Fortune</td>
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<td>Reuters</td>
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<td>US News and World Report</td>
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<td>The Wall Street Journal</td>
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### General Financial and Investing News

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<td>FierceFinance</td>
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<td>MarketWatch</td>
<td><a href="http://www.marketwatch.com">www.marketwatch.com</a></td>
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<td>The New York Times’ Dealbook</td>
<td>dealbook.blogs.nytimes.com</td>
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<td>TheStreet.com</td>
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<td>The Wall Street Journal’s</td>
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### Career Information and Career Development

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<td>eFinancialCareers</td>
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<td>and its Campus Connection</td>
<td><a href="http://campus.efinancialcareers.com">http://campus.efinancialcareers.com</a></td>
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<td>Association of Latino Professionals in Finance and Accounting</td>
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<td>Career Opportunities for Students with Disabilities</td>
<td><a href="http://www.cosdonline.org">www.cosdonline.org</a></td>
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<td>Management Leadership for Tomorrow</td>
<td><a href="http://www.ml4t.org">www.ml4t.org</a></td>
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<td>National Black MBA Association</td>
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<td>Sponsors for Educational Opportunity</td>
<td><a href="http://www.sec-usa.org">www.sec-usa.org</a></td>
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<td>Women on Wall Street</td>
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### Sector News

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<td>The Deal</td>
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<td>Fund Action</td>
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<td>HedgeWorld</td>
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<td>Inside Market Data</td>
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<td>On Wall Street</td>
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<td>Risk Magazine</td>
<td><a href="http://www.risk.net">www.risk.net</a></td>
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<td>Wall Street &amp; Technology</td>
<td><a href="http://www.wallstreetandtech.com">www.wallstreetandtech.com</a></td>
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### Others

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<td>Securities Industry and Financial Markets Association</td>
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<td>The American Institute of Certified Public Accountants</td>
<td><a href="http://www.aicpa.org">www.aicpa.org</a></td>
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<td>The Institute of Management Accountants</td>
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## Diversity Initiatives

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<tr>
<td>American Indian Graduate Center (AIGC) (<a href="http://www.aigcs.org">www.aigcs.org</a>)</td>
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<tr>
<td>American Institute of Certified Public Accountants (AICPA) (<a href="http://www.aicpa.org">www.aicpa.org</a>)</td>
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<td>Graduate Management Admission Council (GMAC) (<a href="http://www.gmac.com">www.gmac.com</a>)</td>
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<td>Native American Finance Officers Association (NAFOA) (<a href="http://www.nafoa.org">www.nafoa.org</a>)</td>
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<td>Fellowships, Internships, Professional and Leadership Development, Job Posting, Mentoring</td>
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**Note:** This list includes organizations that support diversity initiatives in financial markets. It is not exhaustive and is meant as a resource for individuals interested in exploring opportunities in this field.
Glossary
Banking terminology the top banks will expect you to know

To search the full glossary online, visit our Campus Connection Jargon Buster. www.efinancialcareers.com/campus

Back Office
Refers to all the behind-the-scenes processes at an investment bank, which don’t directly bring in revenues. Most of the work is largely IT-related or administrative.

Block Trade
A trade that involves a large quantity of stock (e.g., 10,000 shares or more) or large dollar amount of bonds (e.g., $200,000 or more).

Bonds
Unlike equities, bonds are a kind of debt. Instead of getting a bank loan, companies sell bonds and promise to pay the money back to whoever buys them in X years’ time. Until then, they pay the bondholder a small amount of money each year. Because the amount of money paid annually is fixed at the start, bonds are also known as “fixed income” products.

Bulge Bracket Bank
A nebulous term referring to the biggest investment banks. Five U.S.-based firms are widely viewed as bulge bracket: Bank of America (through its 2008 purchase of Merrill Lynch), Citigroup, Goldman Sachs, JPMorgan and Morgan Stanley. Europe’s leading global banks, including Deutsche Bank, Credit Suisse and UBS, are considered bulge brackets as well.

Buy Side
A generic name for organizations that buy financial products (securities) in an attempt to make money out of their changing value. Fund managers are buy-side firms, as are hedge funds.

Clearing and Settlements
The activities that take place behind the scenes after a financial product has been traded. In the first part (clearing), banks add up all the trades done with one company, and look at any problems that arise. In the second part (settlements), the products traded are delivered in return for payment.

Commodities
Raw materials such as precious metals or grains whose contracts are bought and sold on commodities exchanges.

Credit Protection (a.k.a. Credit Default Swap)
A tradable contract that transfers the risk of loss if a company or other entity defaults on its debt.

Debt Capital Markets (DCM)
The division of a bank that solicits, structures and executes bond deals and related product businesses, including new issues of both public and private debt.

Derivatives
A financial contract whose value is based on another financial product (e.g. a stock, bond or foreign currency), or on changes in a financial index or rate (e.g. the Dow Jones index of the 30 largest U.S. companies, an interest rate, or an exchange rate). Derivatives can range in complexity from futures contracts on single commodities, which have been around for a century, to complex structured products that can be priced only with the help of sophisticated statistical models.

Dodd-Frank Act
The Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law July 21, 2010, overhauled U.S. banking regulation in the wake of the global financial crisis. Among other things, the 2,300-page law expands regulators’ power to liquidate failing financial institutions, creates a new financial consumer protection agency, and restricts banks’ involvement in proprietary trading, hedge funds and private equity (see “Volcker Rule”), as well as derivatives dealing.

Equities
Another word for company stocks or shares. The name comes from the notion that stockholders share equally in the ownership of the company (according to how many shares they own).

Equity Capital Markets (ECM)
Undertakes the origination, structuring, marketing and pricing of public offerings and private placements of equity and equity related securities.

Flow Trading
Trades that a dealer makes to execute orders placed by customers.

Front Office
The revenue-generating areas of the bank. People in the front office interact with clients to bring in business and create profits. Front office employees include salespeople, traders and corporate financiers. Front office bankers typically earn the most money.

Futures
An exchange-traded contract that represents an obligation to either buy or sell a specific amount of a financial or physical commodity on a specified date (which can be months or years in the future) for a price set today but not paid until the settlement date. Most futures contracts are “offset” before settlement by the buyer or seller taking an opposite position in the same contract, thereby cancelling out the obligation to trade the underlying commodity. An offsetting or “closing” trade may be at a different price than the initial one, resulting in a profit or loss.
IPO
Initial Public Offering, meaning the first time a company sells its shares on the open market. Privately owned companies that launch on the stock exchange “float” an IPO, for example, as a way to raise capital.

Libor
An acronym for London Interbank Offered Rate, the most widely quoted short-term interest rate for international lending between banks.

Middle Office
Positioned between the front and back office of a bank, the middle office is concerned with risk management and the calculation of profit and loss. People who work here are, therefore, typically risk managers and accountants.

Origination
As opposed to “execution,” (doing a deal), “origination” is the word bankers use to describe the process of winning business in the first place. Origination bankers are senior bankers with strong client relationships.

Pitchbook
The research books that junior bankers (analysts) typically compile to help senior M&A bankers win business.

Price/Earnings Ratio
A popular statistic used to analyze whether the price of a stock is reasonable. It is calculated by dividing the current price of a stock with that company’s earnings per share.

Proprietary Trading
When a firm buys or sells securities for its own account. The alternative is customer or “flow” trading, in which a bank or securities dealer executes orders for its customers’ accounts, without risking its own capital.

Primary Market
The financial market where investors buy brand new securities which haven’t been traded anywhere else previously. Shares released during an IPO are sold on the primary market.

Sarbanes-Oxley
A 2002 U.S. law intended to protect investors from companies and executives who issue false financial statements.

Secondary Markets
The markets in which existing financial products are exchanged between investors. The New York Stock Exchange and Nasdaq are secondary markets, for example.

Securities
All financial products that can be bought and sold. These include shares, bonds, and derivatives.

Securities and Exchange Commission (SEC)
The federal agency that enforces securities laws and sets standards for disclosure about publicly traded securities, including mutual funds. It was created in 1934 and consists of five commissioners appointed by the U.S. President and confirmed by the Senate.

Sell Side
Refers to organizations that sell financial products to clients, including fund managers (buy side). Investment banks are sell-side organizations, for example.

Short Selling
The practice of selling stock that you don’t own. This can be advantageous when you borrow stock, sell it expensively, and then buy it back cheaply when prices have fallen.

Structuring
The process of assembling complex financial products.

Swap
A contract in which two parties agree to exchange, or swap, a series of periodic payments based on different interest rates, currencies or asset returns. In a plain vanilla interest rate swap, for instance, one side agrees to pay a constant (“fixed”) rate on each payment date and the counterparty pays a variable (“floating”) rate that will change with market conditions. On each payment date, the two amounts are netted and recipient of the higher rate is paid the difference by the other party.

TARP
An acronym for Troubled Asset Relief Program, a bank bailout program enacted by the U.S. Congress in 2008.

Underwriting
The process by which banks agree to buy any leftover shares in an IPO or other share issue. Banks charge an underwriting fee to cover this risk.

Volcker Rule
The colloquial term for a section of the Dodd-Frank Act meant to reduce banks’ involvement in risky activities including proprietary trading, hedge funds and private equity.
A Higher Sense of Responsibility

The recent crisis in the financial industry, which triggered a major global recession, may cause many prospective financial professionals to question their career choice. Will opportunities for a good career still be there? Should the excesses that led to such negative consequences for the economy cause people to question their ability to make a positive contribution to society by pursuing a career in the financial markets?

It is certainly true that the financial industry going forward will be a more challenging place to work than in recent years: more regulation, probably lower profit potential, less chance of an easy path to a successful career. But for those willing to face the challenges squarely, this industry still offers promise of a rewarding career. Perversely, the large negative impact from failed financial products and institutions shows just how important to general welfare it is to have good people running this industry properly. Everyone working in a financial firm will need to take personally the obligation to operate with a higher sense of responsibility.

Clear Communication Is Vital

A parallel set of concerns applies to the more technical aspects of finance: the use of financial models, academic theories, financial engineering, and risk management.

Some would argue that the failures of models, forecasting, structured products, and risk measurement in the recent crisis imply that these skills should be drastically devalued. While some complex products that required these skills will justifiably be severely curtailed, many other products that utilize financial engineering will remain in demand. Abandoning these tools will leave us more exposed to risk, not less exposed.

The next generation of financial professionals will be expected to understand both the benefits and the shortcomings of modern quantitative finance tools. The key to making sure they are used properly is clear communication. Everyone who contributes to the technical side of models, forecasts, structured products and risk management must have a thorough commitment to clearly communicating assumptions and limitations of the tools. That includes learning to communicate in a way that will be understood by those who come from different disciplines.

No one should be permitted to utilize technical expertise as a way of hiding from probing questions. Hiding behind attitudes such as “I have no time to explain this to you” or “You need to master the technical material before I will talk to you,” must be seen as so unacceptable as to be career-endangering.

Likewise, those with less technical expertise must not allow themselves to be discouraged from asking probing questions. If one “expert” will not or cannot communicate clearly, then seek out other experts. Work to acquire a large enough knowledge base that understanding is possible.

Reassessing Two Widely Used Models

Consider certain models emphasized in academic finance: portfolio theory, the capital asset pricing model, and options models based on dynamic hedging. These models have all been criticized for encouraging overconfidence in calculations of diversification and hedging effectiveness that led to massive overinvestment in very risky portfolios of low quality mortgages.

I would suggest that a good deal of this overconfidence came from ignoring essential aspects of these models.

- Portfolio theory and the capital asset pricing model promise to reduce risk by portfolio diversification. But an equally important part of their message is to identify systematic risk that cannot be diversified and to insist that this risk be properly measured. Even the most badly flawed of the models used for valuing bundles of mortgages would have identified the high degree of undiversifiable risk from exposure to the overall level of house prices.

- Options models based on dynamic hedging, when properly taught, rest on the availability of liquid instruments for hedging and emphasize a need to measure risk that can result from loss of liquidity. The bonds and derivatives that were used to invest in portfolios of low quality mortgages never possessed any significant degree of liquidity.

So as you prepare to make your mark in financial markets, remember that your prospects for success as a researcher, trader, portfolio manager or banker ultimately rest on how well you understand the full range of issues regarding the tools of your trade – and how effectively you are able to communicate that understanding to clients and teammates.
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