Career Opportunities in INVESTMENT BANKING

Description of the field
Investment banking can be defined as a specific type of banking that relates to creating capital for other companies through large and complex financial services. Within this field, one may underwrite new debt and equity securities for various types of corporations and advise issuers regarding the issue and placement of stock. In addition, they may participate in the sale or trading of securities. Investment banks may aid in facilitating mergers and acquisitions (the consolidation of companies) or reorganization (restructuring of a company during financial hardship or bankruptcy), and broker trades for institutions and private investors.

Career Paths

Possible Career Tracks
INVESTMENT BANKER
Investment bankers are like financial consultants for corporations—which is precisely where the Corporate Finance Group comes into play. As a member of Banking or CorpFin, you serve the sellers of securities—Fortune 1000 companies in need of cash to fund growth, and private companies that are looking to complete an IPO—by buying all the shares or all the bonds a company has for sale, which are then resold by your firm’s sales force to investors on the market.

MERGERS & ACQUISITION
The mergers and acquisitions group (known as M&A) provides advice to companies that are buying another company or are being acquired. M&A work can seem very glamorous and high-profile. At the same time, the work leading up to a headline-grabbing multibillion-dollar acquisition (such as Pfizer’s acquisition of Wyeth in 2009) can involve a herculean effort to crunch all the numbers, perform the necessary due diligence, and work out the complicated structure of the deal.

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PUBLIC FINANCE
Public finance is similar to corporate finance except that instead of dealing with corporations, it works with public entities such as city and state governments and agencies, bridge and airport authorities, housing authorities, hospitals, and the like. Although the basic services and the financial tools are similar to those used for private sector clients, numerous political and regulatory considerations must be assessed in the structuring of each deal.

RESEARCH
Research departments are generally divided into two main groups: fixed-income research and equity research. Both types of research can incorporate several different efforts, including quantitative research, economic research, and individual company research. It's important to understand that these are "sell-side" analysts, rather than the "buy-side" analysts who work for the institutional investors themselves.

Challenges of the Field
Investment banks have faced a series of challenges over the last several years. The new regulations that followed the financial crisis have changed the industry in a number of ways, making it difficult to profit from many traditional lines of business by creating onerous capital, funding, and liquidity requirements and increased costs and operational complexity. Although investor confidence and deal flow have recovered somewhat, the trading environment for previously very profitable business lines in fixed income, currencies, and commodities has remained challenging.

At the same time, advances in technology have upended client interaction models, execution platforms, and operational processes. Competitors and new entrants have seized ground across the banking industry’s value chain. Innovative technology applications have reduced the barriers to entry for challengers, resulting in a real competitive threat. Although in principle established banks can retaliate, their existing technology platforms, outdated and inflexible as they are, can hamper the timely incorporation of new technologies.

Demand
Investment banks will be on the hunt for new sources of revenue that are less capital intensive and aren’t subsidized by deploying the bank’s balance sheet. They also will be looking to reduce costs. Pressure on margins will persist, forcing investment banks to unbundle offerings and start charging for services like research and pricing data that they used to give away to win business. In short, investment banks will be smaller, more specialized and home to technologists instead of traders. Instead of mastering the universe, they will seek to dominate smaller domains.
(Source: www.wsj.com/articles/radical-changes-are-on-the-way-for-investment-banks-1464904499)

QUALIFICATIONS TO ENTER THE FIELD
+ A bachelor's degree in finance, accounting, economics, or business administration (minimum academic preparation for financial managers)
+ Ideally, a master's degree in business administration, economics, finance, international business, or risk management.
+ A solid background in business-related courses such as accounting, business finance, money and financial markets, statistics, micro- and macro-economics.
+ Ability to analyze a corporation’s growth potential, profitability, industry niche, future projections, etc., and to read and understand annual reports, balance sheets, income statements and cash flows.
Internet Resources

- www.seocareer.org/IBInterview
- www.ibankingfaq.com/category/for-further-learning
- www.investopedia.com/terms/i/investment-banking.asp
- Vault: www.vault.com
- Wall Street Journal Online Careers: www.careerjournal.com
- Wall Street Prep: www.wallstreetprep.com/knowledge/about-investment-banking