Investment Banking

What Is Investment Banking?

Skills
- Analytical and Quantitative Skills
- Competitive Nature
- People Skills
- Creative Ability
- Communication
- Ability to Synthesize Information Quickly
- Sales Skills
- Initiative
- Teamwork

I-banking is the term used to describe the business of raising capital for companies. Capital in this sense means cash or money. When firms need cash in order to grow and expand their businesses, I-banks sell securities to public investors to raise this cash.

Investment banks may work with corporations, governments, institutional investors and/or extraordinarily wealthy individuals to raise capital and provide investment advice.

Jobs in investment banks are divided into four areas: corporate finance, sales, trading, research.

Corporate Finance: Financial consulting to businesses. Specific activities range from underwriting the sale of equity or debt for a corporate client to providing advice on mergers and acquisitions, foreign exchange, economic and market trends, and specific financial strategies.

FAST STATS

<table>
<thead>
<tr>
<th>Position</th>
<th>Average Starting Salary</th>
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<tbody>
<tr>
<td>Analyst (Entry level)</td>
<td>$45,580-69,853</td>
</tr>
<tr>
<td>Associate (Midlevel)</td>
<td>$63,202-86,178</td>
</tr>
<tr>
<td>Vice President (Executive)</td>
<td>$115,019-206,893</td>
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<tr>
<td>Director (Senior Executive)</td>
<td>$191,247-354,683</td>
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<tr>
<td>Managing Director</td>
<td>$228,658-313,255+</td>
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Security Sales and Trading: An investment bank relies on its sales department to sell bonds or shares of stock in companies it underwrites. Investors who want to buy or sell a certain stock or bond will place an order with a broker or sales representative, who writes the ticket for the order. The trader makes the trade. Securities salespeople and traders are independent, working on commission to bring to market the financial products that others create.

Sales (Brokers or Dealers): The bottom line in sales is how well you can sell new debt and equity issues and how quickly you can translate news events or a market shift into transactions for your clients. These jobs are usually much less hierarchical than the banking side. Your sales volume and asset growth are what matter.

Trading: This is as close to the money as you can get. Trading is considered tougher, riskier, and more intense than any other job in finance. Traders manage the firm’s risk and make markets by setting the prices, based on supply and demand, for the securities Corporate Finance has underwritten. Similar to sales, you are tied to your desk and phones while the markets are open. Traders make money by trading securities. Although they’re the ones who transact trades for the brokers and their clients, traders are primarily responsible for taking a position in a security issue and buying or selling large amounts of stocks or bonds using an employer’s (or their own) capital.

From: www.salary.com
Positions within the Investment Banking Industry

Securities Sales Representative (Broker): Securities sales representatives, or brokers, act as intermediaries between buyers and sellers, and they make money off of commissions. In some cases, such as when trading stocks, bonds, and options, they need to be registered as agents of an investment house. Brokers give advice to customers and then make deals happen. Usually they specialize in a particular type of security, such as futures, options, or bonds. Brokers are sometimes called dealers, investment advisers, investment counselors, or investment representatives, but the work is the same.

Branch Manager: Senior sales representatives who have proven themselves on the trading floor may become branch managers. Branch managers hire salespeople, fire those who don’t do well, and make sure that brokers meet sales and revenue targets. While branch managers make additional income in the form of commission overrides (a percentage of the commissions made by the brokers working under them), they’re responsible not just for their sales, but their office totals.

Floor Trader: Floor traders run around the floor of an exchange (e.g., the NYSE), swapping tickets and making trades. Floor traders are responsible for locating the buyers and connecting them with the sellers (or connecting the sellers with the buyers). As prices change quickly in a turbulent market, traders are under constant pressure to get deals executed at the prices their clients (or their employers) specify. If a trader can’t find somebody to buy or sell at a specified price, the buy or sell order won’t go through, and nobody profits—not the buyer, not the seller, and not the trader (or the trader’s employer)—because there’s no commission. Traders work during an exchange’s hours of operation, usually without breaks. While floor traders used to be common, there are predictions that this track will phase out over the next few years, as more brokerages work with electronic trading tools.

Desk Trader: NASDAQ is what might be called a virtual stock exchange, as there is no physical building where traders meet to make deals with each other. Brokers have a "NASDAQ desk," which means they can trade on NASDAQ. That desk is actually a bank of traders, all staring intently at their computer screens to see how the market is shaping up, speaking into several phones at once in a mad rush to find buyers or sellers whom brokers or online investors have requested. (Trades made through an online account, such as at Charles Schwab or TD Waterhouse, go directly to the trader, bypassing the broker.)

Research Analyst: Research departments are generally divided into fixed income (debt) and equity. Both do quantitative research (corporate-financing strategies, product development, and pricing models), economic research (forecasts for U.S. and international markets, interest rates, currencies), and individual company coverage. An equity analyst usually focuses on a particular sector—software, oil and gas, or health care, for example. You move up in this profession by consistently predicting the movement of specific company stocks.