

How to become an analyst at a big bank in a big city

A guide to landing a graduate level
investment banking job

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Disclaimer

This guide is for entertainment purposes only.

Before the interview

Good marks will help you get interview. But, if you aren't willing to devote time to your applications, forget it. Although the interview process may seem overdone, note that it's expensive to train an analyst, so they need to make sure you're the one.

Deciding on becoming an analyst is the tough part

The following may help:

- (i) In the UK, you will make between \$100,000 and \$160,000 in your first year (including bonus)
- (ii) An 80-100 workweek is common
- (iii) Written career goals
- (iv) Your own research, e.g. vault.com, wetfeet.com
- (v) You could be earning \$600,000-\$800,000 a year by your late 20s

Once you have decided, it's a clockwork process.

This guide will help you become an investment banking analyst at a Bulge Bracket or *Group I* bank¹ in London, New York or Paris.

¹ See Appendix

The minimum requirements

You don't need a background in finance: a degree in music is fine². Once you're in, most banks have a six week training programme for all graduate hires.

What you need to demonstrate:

- (i) Logical thinking
- (ii) Competence with numbers
- (iii) Interest in finance
- (iv) Business acumen

Being bad at math might be your advantage

Bad news Odds of landing a position are close to 0%³

Good news A lot of people won't apply because they're afraid of failure

Luck is important. But, you can't be lucky if you're not on the list. Getting an offer has a lot to do with your ambition and discipline. High grades will help, but they're not enough.

Worrying about failure won't help you; submitting applications will.

"At the Olympic Games, it is not the finest or the strongest men who are crowned, but those who enter the lists."⁴

Let someone else cut you from the list. *Apply.*

² True for NYC or London, for Paris see Appendix

³ The process in a nutshell: of the applicants who are invited to take the online math test, they keep the top 25%; they then fly them in to do another test, keeping the top 25%; they then interview you, send you back and make another cut; they then fly them in again, interview them for a whole day and then *maybe* pick a few. Interviews don't mean the bank is hiring.

⁴ Aristotle, from Robert F. Kennedy's "Ripple of Hope" speech in Cape Town, 1966

One application period per year

Full-time positions:

Late August to early October	Applications
October to December	Interviews
December to January	Decision
Following Summer	Start date

Summer internships (8-12 weeks long):

December to February	Applications
...	
Summer	Internship

If you're good, you will be given an offer after your summer internship to start the following summer.

Apply to all Group I and Bulge Bracket banks

This is the minimum. There are twenty or so banks on these lists. Each application will take around 2-3 hours. So you may have to start working *now*.

"Strategy is a general direction followed by massive implementation..."⁵

Most banks will only accept *online* applications⁶.

Contents of the application:

- Personal details
- High-school marks
- University marks
- Written questions up to 300 words

⁵ Jack Welch, [Jack](#)

⁶ Although: I once got an interview by calling HR *every day* for three weeks in a row. I don't recommend doing this.

Draft your written answers in a word processor

When you come across an essay question, save it to file (Star Office Writer, &c.) and draft your answer there. That way you will have spell check, &c. working for you.

Use the four eyes principle⁷.

Recycle your written answers

In later applications: if questions are similar enough, your old answers may just need a touch up.

Time is precious.

Note: beware of copy & pasting errors, e.g. paste an answer praising Bank B in Bank A's application.

Apply in reverse order

Because your essays get better the more you write them, apply to your least favourite banks *first*⁸.

As a default strategy, apply to the Bulge Bracket banks *last*. They're good brands for your CV even if after working for a few years you decide banking is not for you.

Online numerical and verbal reasoning tests

If they like your profile, you will be given an online test. The more tests you write, the better you become.

Test specs:

- (i) 30~40 questions
- (ii) One minute per question
- (iii) Use basic math: + - x ÷

⁷ Four eyes at work: you proof read your work; your friend proof reads your work.

⁸ Starting salaries vary slightly between banks: \$65,000-\$75,000 in London

- (iv) *Trick* questions likely, e.g. a huge graph distracting you from the tiny one in the corner which you should be using
- (v) They take the top ~25%. So one mistake and you're out

LSAT style verbal reasoning tests are also possible⁹.

Don't let this happen to you...

Once, I considered applying for a scholarship to do NGO work in Africa. In the end I chickened out after looking at the requirements for the ideal candidate.

Randomly, I met up with the scholarship committee director who said that because of competent people who give up too quickly, he ends up awarding the scholarship to someone from a group of sub-par candidates (who didn't know any better than to try), for a lack of better choice.

⁹ Merrill Lynch

Day One interview primer

Think of it like a game where the objective is not to score, but to not get scored on: Day One consists of another math test and a behavioural interview. You can't prepare for the test, but you can prepare for the interview. Focus on not getting cut rather than 'winning' the job.

Focus on ticking 'the boxes'

If you score high enough on the test, you will receive an invitation to attend a Day One assessment centre.

Most major banks¹⁰ will fly you in to write another exam similar to the online test. Don't worry: they pay for the hotel and airplane¹¹. So if you cheated on the online test, you won't pass. These exams are taken in the morning. If you score in the top ~25%, you'll have *behavioural* interviews that afternoon, e.g.:

- "Tell me a time when you took on a leadership role..."

Success is a matter of ticking 'the boxes': each bank is looking for a set of behavioural traits. So say what they want to hear, not what makes you feel or sound impressive.

¹⁰ Except Macquarie London; they interview you over the phone

¹¹ If possible, try to stretch your trip over a weekend to travel or party: Sunday I was having an espresso a café at near Trocadero in Paris, Monday I was back at school

Coming up with behavioural examples

Follow up with personal examples. Have at least three examples per behavioural topic. Rehearse them. I'm serious. The career centre can help you here.

Typical behavioural topics:

- Teamwork
- Leadership
- Professionalism
- Determination
- A time when something went wrong
- Teamwork
- Conflict resolution
- Teamwork

It's all about *teamwork*.

You also need to do research on the bank you'll be interviewing with and follow a few stories well in the financial news:

- "Why us and not another bank?"
- "Talk to me about something that's going on in the market?"
- "Tell us about our analyst programme and what sets it apart from other programmes?"
- "Why banking?"
- "Why [your area of interest: mergers & acquisitions/trading/debt capital markets, &c.]?"

Commented [G1]: Write a section on the importance of picking the right division and what the divisions are.

And, you need to be able to discuss *everything* on your application. Print it out; read it on the flight.

Rehearse like Mr. Orange from Reservoir Dogs...

Recite your answers like Mr. Orange, when he's training to go undercover. This will help calibrate your interview game: you'll

come across like you know what you're doing and where you're going.

...but 'Word-for-word' makes you sound like a tool

Memorising answers makes you sound fake. Preparation with a little 'interview day nervousness' is best: you'll sound *genuine*¹²

How to guarantee failure

Lack of preparation will guarantee failure. It doesn't matter if you're a business major or play the stock market. Everyone needs to prepare; it's a specific skill.

Day 1: don't lose hope

They keep your application for a year. So you may contact you months after the process is over.¹³

Focus on applying.

¹² When I was in Paris, I met a teacher from HB Studio (acting) in New York. He apparently did some theatre work with Matthew Broderick. One of Matthew's performance beliefs was "the more nervous I am, the more *natural* I come across".

¹³ UBS contacted me 7 months after I wrote the online test

Day two preparation strategies

It's all about case studies and teamwork.

Pre-reading strategy

Get this far and you will be flown-in again to a Day 2 *final* (generally) assessment centre, a.k.a. *super Saturdays*. It's usually based around case analysis, teamwork with other candidates, and face-to-face interviews with various investment bankers.

Pre-readings are likely. Usually a case involving valuation will be given¹⁴. Texts tend to either be a 5-20 page handout or a 200 page binder.

- If it's < 20 pages, read it at least five times, analysing the issues and taking notes.

- If it's *unreasonably* long, read only what you think are the most important parts; be prepared to discuss what you read and why.

Forget 'value investing'

Warren Buffet is a great investor, but during interviews *valuation* refers to the following¹⁵:

- (i) Trading comparables
- (ii) Transaction comparables
- (iii) DCF analysis

¹⁴ Dresdner Kleinwort, JP Morgan

¹⁵ I made this mistake myself.

There may be pre-reading going over these methods for those who aren't business majors. Read them even if you are.

Focus on teamwork and humility

There will be discussions with other candidates around the case and/or the morning news. Meanwhile, you will be evaluated on your behaviour.

Tips:

- (i) Don't dominate the conversation
- (ii) Don't intimidate others
- (iii) Invite others to participate
- (iv) Saying more doesn't necessarily improve your behavioural evaluation

"If A equals success, then $A = X + Y + Z$. X is work; Y is play; Z is keeping your mouth shut."¹⁶

If you find yourself in a group with one or two domineering candidates, step back: relax. These people weed themselves out. Remain calm, collected and attentive.

"The loudest person in the room is the weakest person in the room."¹⁷

Consulting-type problems are possible¹⁸:

- "You have six balls, one of them weights more than the other five, how would you determine which is different?"

These questions are uncommon. So if this is not your forte, only read books on this as a last item.

¹⁶ Albert Einstein

¹⁷ Frank Lucas from *American Gangster*

¹⁸ Gleacher, Natixis

After the final assessment centre, you will be flown back home and given an answer generally within a few days.

After the interviews

Offer or not—you have work to do.

Savour the moment when you get an offer

Enjoy these moments with delectation. Write it down even. It's a good feeling.

They're going to try to close you over the phone; don't accept *any* offer immediately. *Always* ask for time; tell them you're considering other options—even if you aren't. They'll likely give you around two weeks.

Get some guidance: talk to your professors, email me (david@dkstein.com), and contact a few people in the industry.

Career influences in descending order¹⁹:

- (i) Luck
- (ii) Your character
- (iii) The location
- (iv) The specific team you will work with
- (v) The bank

Don't take no for an answer

If you don't get an offer it's ok to feel bad, but don't lament or become a hermit: you put your name on the list; feel proud of all your hard work and dedication. And if you got a free trip to

¹⁹ The order of the last three are debatable

London or New York cherish the good times and adventure you've lived²⁰.

Top firms would rather turn away ten people who would have fit in, than hire one person who wouldn't have. Sometimes, they hold interviews but aren't hiring²¹.

Next steps:

- (i) Ask for some feedback on your application²²
- (ii) Improve your CV
 - a. Work locally in finance/accounting
 - b. Write a CFA exam
- (iii) Try again next year
- (iv) Pursue other strategies (see below)

²⁰ Make sure you enjoy that weekend...

²¹ Had lunch with an acquaintance who manages a trading desk at a Bulge Bracket bank: "although we are running the recruitment process, we are not hiring...we just want to be seen in the [graduate] market..."

²² Although some banks explicitly do not give feedback, you can practice your phone skills by phoning them up anyway

List of Banks

Apply to all Bulge Bracket and Group I banks

Bulge Bracket banks

- Goldman Sachs²³
- JP Morgan
- Lehman Brothers
- Merrill Lynch
- Morgan Stanley

Group I bank

- Bank of America
- Barclays Capital
- Citigroup
- Credit Suisse
- Deutsche Bank
- Dresdner
- JP Morgan Cazenove²⁴
- Lazard London
- Lazard Paris²⁵
- Macquarie
- Nomura
- Rothschild
- Royal Bank of Scotland
- UBS

²³ They're supposed to be 'the best'.

²⁴ Different recruiting system than JP Morgan

²⁵ Different recruiting system than Lazard London

Group II banks

- BNP Paribas
- CIBC World Markets
- Houlihan Lokey
- HSBC
- Jefferies Broadview
- Keefe Bruyette
- Millenium Financial
- Mitsubishi UFJ
- Natixis
- RBC Capital Markets
- Schroders
- Scotia Capital
- Société Générale
- TD Securities
- WestLB

Boutique banks

- Blackstone²⁶
- Close Brothers²⁷
- Downer & Co.
- Evercore
- Gleacher Partners
- Greenhill London²⁸
- Greenhill NYC
- Hawkpoint
- Michel Dyens²⁹
- Oddo & Cie.³⁰
- Perella-Weinberg
- PJ Solomon
- Think Equity
- Toulouse & Associés³¹

²⁶ Not exactly a boutique bank: they're one of the few big name private equity groups with an analyst programme

²⁷ Close Brothers has an excellent and highly regarded debt advisory / restructuring practice in London (from a conversation with a partner at a private equity fund).

²⁸ Different recruiting system than Greenhill NYC

²⁹ Specializing in luxury and consumer goods

³⁰ Oddo is a regionally focused French bank with offices in Paris, Madrid and New York

³¹ Your best chance is by studying abroad at HEC Paris, France

Other tips and strategies

More determination = more options

Higher-risk strategies

You could *fly* to London or New York and find work there: there are plenty of head-hunters and you could also work in accounting, consulting in the mean time. You might even find something better (less work, more pay), e.g. work for a hedge fund or private equity group.

It's not impossible that a major bank recruits you randomly. This only happens if you are pro-active: keep in contact with the bank (stay in touch with your interviewers and HR: email once a three or four months, &c.), and get some experience—getting hired as a second year analyst is easier than as a first year.

You could also buy the ticket *first*, and then find an interviewer to pay for it *later*. I've done this.

It took me three years, at least 40 interviews and 15 flights to London to get my first full-time offer and it's for the better: I've now done corporate finance in Paris, Casablanca and soon Dubai.

Don't wait for chance, take it

Get into the habit of fighting for every bit of chance: a ¼% advantage is still an advantage; it may be all you have; no one will give it to you; you have to take it.

Tweaking your odds:

- (i) Your job is to get a job

- a. It's not about being right or wrong vs. other candidates
- b. Do not attempt to outsmart or outwit your interviewer. Smart does not equal successful
- c. Don't show off: do not bring up anything outside your competence that you haven't prepared for, e.g. Merger/ LBO/ DCF/ Black-Scholes models, gamma hedging, or volatility trades
- (ii) Being 'off' or wavering during interviews will hurt your odds
- (iii) Lying is worse than saying that you don't know, but can learn quickly
- (iv) "Why banking?"
 - a. Have a good story that unifies what you have been doing over the past few years. My challenge was making it clear that my travels around the world were a part of a 'master plan'
- (v) Read the financial news
 - a. London focus: Financial Times; NYC focus: Wall Street Journal; forget National Post or Globe & Mail
 - b. Follow 2 or 3 stories or listed companies
 - c. Have a few ideas about how and why you'd make money in the market (long, short, options, futures)
- (vi) Read
 - a. Barbarians at the Gate³² (at least the biographies, usually at the beginning of chapters, especially Ted Forstmann and Henry Kravis)
 - b. When Genius Failed
- (vii) Watch
 - a. Boiler Room
 - b. Wall Street
 - c. Glengarry Glenross
 - d. American Psycho
- (viii) Register to sit the CFA Level 1 exam (if you haven't passed it)

³² Interestingly enough, I met a former deputy finance minister of Canada, and he would show the movie to everyone who became a part of his team as in the movie, characters have to be able to make major decisions (and assume responsibility) on their feet—a key skill, in his opinion.

- a. The CFA isn't necessary, but it shows you are serious
- b. Helps if finance is not your forte

Masters of the Universe

Your first objective should be getting offers from any bank in a major financial centre. Only once you have a few offers should you get picky. Most people have a bias for working at Bulge Bracket banks. A good brand name on your CV will open doors, but ultimately *you* need to be exceptional:

- (i) Bigger banks mean bigger deals (tens of billions of Euros), but less responsibility. A smaller bank will allow you to see more of the process. So be clear about your ambitions—if you plan on being a partner at Carlyle or KKR you're going to have to realise that Goldman Sachs, Harvard Business School, McKinsey is probably going to be a strong suit
- (ii) A bigger bank may place you on a team unaligned with your personal interests where you will stay for the next two to three years, e.g. until you are fired or promoted. A smaller bank may be more inclined to let you move to a team of your choosing after proving yourself
- (iii) Will you fit into the corporate culture? Bigger banks tend to have more layoffs during downturns
- (iv) Your boss – the prime factor in how the workflow will be over the next few years: a well connected boss with poor project management skills could mean doing nothing until 4pm and then working 20 hours straight

I have met with two people who went from analyst to Managing Director or Partner in around 7 years: one from a Bulge Bracket background, the other started off in a boutique. These people were extraordinarily talented (both have roots at UBC!).

A little bit about the author...

See you on Jumeriah beach.

My background is travelling...

In September 2008, I'll be moving to Dubai to help rebuild our Middle East M&A team. I'll miss London, but I won't miss paying taxes!

In February 2007, I joined ABN AMRO (now the Royal Bank of Scotland). I am currently on their Special Situations & Distressed Capital team. We invest the bank's money in high-risk listed and unlisted assets.

In 2006, I was doing financial restructuring in Casablanca (through AIESEC).

In December 2005, I finished my Sauder B. Comm. as an accounting co-op major. For investment banking, I think accounting was as good a choice as finance: on a good day you spend your time doing financial statement analysis and reading the *Notes*, coming up with better inputs for models; on a bad day, you spend it on PowerPoint making slides. Knowing how to adjust financials for manipulation, comparability is important. I did my 2nd and 3rd co-op rotation at BNP Paribas, Paris in their luxury goods division.

In 2004, I did my 1st co-op rotation at Ernst & Young, Vancouver.

In 2003, I spent the summer in Guatemala studying Spanish (with help from AIESEC).

Important things I did at school

- (i) Travelling was one of the most important things
 - a. It's different when you're older: even now, there's a big difference between flying around Europe fettered by responsibility and backpacking without a single care in the world
- (v) Studying Spanish in Guatemala for a summer
 - a. One of my best investments ever: in a cosmopolitan city you interact with people from all over the world on a daily basis. Languages help accelerate rapport building
- (vi) Studying abroad
 - a. A great eye opener
- (vii) Taking acting classes and *improv* classes
 - a. Rhetoric, being in the moment and thinking on your feet (and the residual learning from studying them) are underestimated in their importance
 - b. Being a leader is less about technical skills that it is about dealing with people, politics, &c.
 - c. Technical skills can get you in, but your leadership ability and character take precedence in later levels
 - d. Johan de Rooy used to force us to take an *improv* session over a weekend. For career advancement: this was as important as learning accounting principles, if not more so.

For those who can't go to school...

*You **can** do it without a degree.*

Don't underestimate ambition and discipline

If you had no language skills, no degree, no international background and no experience, become an analyst is still possible—without any extra luck—so long as you had the ambition and self-discipline. You'll need a damn good story and killer interpersonal skills, but it is possible (people hire people they like).

Become a legend

Instead of a degree, you could have four-to-five years of work/life experience and focused skills, e.g. rather than English 110, you read the classics; you'll also learn accounting and finance much faster by starting a business and having to get up to speed or go bust.

If you started made serious efforts starting say in Grade 10, you could be an analyst as early as 20 or 19, which would make you an *associate*³³ by the time your average graduate becomes an analyst.

You could be rolling up to your friends' graduation ceremony in a Speed Yellow GT2.

³³ One rank higher than *analyst*

2007 work hours by bank

What makes it gruelling is the volatility of work hours: some weeks are relaxed, other times its 100+ hours for weeks on end

2007 Work Hours³⁴

Bank	Approximate Hours
UBS London	3,600
ABN AMRO London ³⁵	3,600
Lazard Paris	3,390
Rothschild Paris	3,360
Merrill Lynch Moscow	3,260
Deutsche Bank London	3,140
Millenium Financial Dubai	3,160
ABN AMRO London ³⁶	3,020
JP Morgan Madrid	3,000
Oddo Paris	2,650

Work doesn't equal pay: last year, the guy who had the most 20 hours days was given a pathetic bonus (a "please leave quietly" bonus), where as "No. 2" got a bonus equal to his base salary.

At Lazard Paris, they tend to work very hard (100+ hours) during the five-day work week, but with weekends off, whereas London banks tend to work over the weekend.

Don't worry, you get used to it.

³⁴ From peers and myself

³⁵ Vincent

³⁶ David

Boutique banks and Paris

You will need an accounting or finance background to work in Paris or at a boutique bank.

I love Paris!

Paris is a different game. Ignore most of the above process. Getting a job in Paris is based on your CV (1-page A4 paper format), the school you went to (e.g. an elite French business school?), how well you can speak French, your family (do you come from a distinguished aristocratic family?), your connections (are you *somebody* or their son/daughter?), and how good-looking you are³⁷ (I'm serious).

Good news

You can do an exchange programme at HEC Paris, the French equivalent of Harvard Business School. This is your best bet is to do an exchange there in the September to December term, attend their finance forum in late October (every major bank is there) and drop your CV off to 20 or so potential employers. You can increase your odds by chatting up the people and making them like you. Get the international office to help you with your work permit

Conversational French will be an advantage, written skills aren't necessary e.g.: at BNP Paribas Paris, meetings were in French, documents were in English. Being a *native* English speaker this is a plus.

³⁷ French CVs include your age, your birthday, your photo, and your nationality. You can probably get away with not following this if you're non-European

Realities of corporate France

In practice, France does not seem to have the same level of employer-employee norms as in Canada. This means a higher chance of favouritism (hired because you're beautiful) or sexual harassment in the workplace.

Lazard Paris: like the Gilded age...

Lazard Paris is an elite French investment bank that's always understaffed so they don't have to fire people in downturns (it's difficult to fire someone in France...). Their total pay is on par, but based on a higher fixed salary and a slightly smaller bonus (cash + equity).

The bank is also old fashioned: as your seniority increases, your workload decreases—not generally the case at large American banks³⁸.

You can't hide at a *boutique* bank

Smaller banks are hands-on and entrepreneurial: you really need to know what you're doing because there's no fancy graduate training programme.

Smaller banks cannot generally afford training programmes. They will expect you to be able to hit the ground running if you get hired.

This is the same with most Paris based banks as you are expected to be from a finance background if you want a job in finance; schooling is more structured over there).

The upside is that you will know what you're doing (responsibility); the downside is that people won't be prone to

³⁸ A friend put me in touch with a managing director at Morgan Stanley in San Francisco. From what I remember from our conversation, he was saying "I woke up at 4:30am this morning, driving 30 minutes down a highway, to get into the office...are you sure you want this job?" (I forgot to ask what kind of car he was driving)

think much of you because you don't have a global brand name on your CV. You'll have to counter this with impressive interpersonal and general business skills. Then again, if you're a maverick, you don't care what other people think.

A classmate from HEC Paris was at Downer & Co. and had a blast travelling around Europe advising clients active in cross-border mergers and acquisitions.

Be prepared for technical questions

Technical questions are almost guaranteed at boutique banks.

Sample technical questions:

- (i) Take me from revenues to Free Cash Flow
- (ii) Explain the CAPM model?
- (iii) What is market risk premium?
- (iv) When would you use the DCF method?
- (v) What is beta, mathematically and in layman's terms?
- (vi) What is the pure-player method of generating beta, including the formula (de-leveraging, re-leveraging beta...)?
- (vii) Tell me about the main valuation methods and their strengths and weaknesses: DCF, Trading Comparables, and Transaction Comparables
- (viii) What's Enterprise Value, EBITDAR/EBITDAL³⁹, EBITDA, EBIT, Free Cash Flow (FCFF, FCFE why one not the other) and what is it good for?
- (ix) Why you doesn't an EV/Net Income multiple make sense?
- (x) What are issues with WACC and P/E?

³⁹ EBITDAR/EBITDAL = EBITDA + operating leases/rentals. Useful for industries that use a lot of operating leases, e.g. the airline industry