

## Industry insight – Banking, investment and insurance

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### In a nutshell

The UK's banking, investment and insurance industry includes employers such as investment banks, commercial banks and building societies, broking firms, independent financial advisers, insurance and reinsurance companies.

Although the industry has been strongly hit by the recession, it is optimistic that it is now slowly recovering. There are still many opportunities for skilled graduates as the industry remains one of the UK's largest sectors and important to the country's economy.

### What kind of work can I do?

- **Retail banking** - covers financial services provided by the high-street banks and building societies for individual customers and small businesses such as personal loans, savings, mortgages and credit cards. See [Banker](#)
- **Investment banking** - covers the provision of specialised financial services and advice to industrial, commercial and government clients, such as the sale of shares, bonds and securities. See [Operational investment banker](#), [Corporate investment banker](#) and [Investment analyst](#).
- **Private banking** - specialist banks offering banking, investment and financial services to high net-worth individuals. The range of financial services offered is wide and can be tailored to the needs of the customer, e.g. asset management, estate planning. This is done on a more personal basis, with dedicated bank advisers. See [Financial adviser](#)
- **Mergers and acquisitions** - the financial management of buying, selling or combining different companies.
- **Actuarial** - concerned with long-term financial planning and assessing risk in areas such as insurance and pensions. See [Actuary](#).
- **Property insurance** - covers insurance services in areas such as fire, flood and home insurance. See [Insurance account manager](#) and [Insurance claims inspector](#).
- **Life assurance**.
- **Insurance broking** - analysing client needs and negotiating the best deal with insurance companies. See [Insurance broker](#).
- **Reinsurance** - insurers purchasing their own insurance as a method of risk management.
- **Underwriting** - assessing clients' eligibility for products by analysing risks and then setting premiums. See [Insurance underwriter](#).
- **General management or operations** - functions covering accountancy, marketing, management services, IT and human resources.
- For further roles see [financial management and accountancy](#) and [insurance and pensions](#).

### What's it like working in this industry?

- The work environment is often fast-paced and dynamic.

- The majority of the work is office based, although travel may be necessary when visiting clients.
- Although the work culture differs depending on the firm, working hours are not always the standard 9am - 5pm. They can be long and vary from week to week, particularly in some areas such as investment banking.
- Full-time employment is typical.
- Self-employment is possible in some areas of the industry. There are approximately 60,000 self-employed workers in the industry ([Financial Skills Partnership](#), 2010).
- Despite the current recession, graduate salaries within the financial services industry are among the highest in the UK. Investment banks, in particular, are still offering very competitive starting salaries to graduates.
- Graduates entering the industry can earn an average salary of £29,000, with students entering investment banks expected to earn an average salary of £42,000 (High Fliers Research Limited, 2011).
- Many employers offer additional benefits such as signing on bonuses, gym memberships, pension schemes, private health insurance and company bonus schemes.
- Many employers within the industry have diversity initiatives in place. Programmes include [Diversity Now](#), which works with jobseekers from diverse backgrounds interested in a career in the industry.
- There are good opportunities for progression within firms and the industry as a whole.
- There are over 1.1million people currently working in the UK financial services industry.
- The financial services industry employs around 4.4% of the UK workforce (Office for National Statistics, 2011).
- More than 34,000 organisations make up the UK's financial services industry, which includes private, public and not-for-profit organisations. The majority of organisations are small businesses with less than 250 members of staff. However, the large companies account for the majority of the workforce.
- Although The City of London is the focal point of the UK financial services industry, it accounts for just one-third of overall industry jobs.
- There are thriving financial districts in other large cities such as Manchester, Leeds, Bristol, Edinburgh (internationally recognised centre for asset management), Glasgow, Cardiff, Birmingham, Norwich and Belfast.
- The financial services industry is largest in England. However, Scotland employs 9% of the workforce, Wales 4% and Northern Ireland 2% ([Financial Skills Partnership](#), 2010).
- Many of the organisations in the UK financial services industry are part of international groups or have international interests and clients based outside of the UK.
- Opportunities to work overseas may be available to those who make their careers with global firms. Despite the recession there are still opportunities abroad, especially in emerging markets in Asia, the Middle East and Latin America.

## Further information

- [The Actuarial Profession](#) - includes job vacancies, careers information and examination/study details
- [The Association of British Insurers \(ABI\)](#) - includes a latest news and events section
- [The British Insurance Brokers' Association \(BIBA\)](#) - includes industry guidance and hot topics

- [The International Underwriting Association of London \(IUA\)](#)
  - [Pensions Management Institute \(PMI\)](#) - professional body for those working in pensions and employee benefits. Includes information on qualifications.
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## Entry and progression

### How do I find a job?

- Competition for jobs is fierce. One of the toughest areas to get into is investment banking, with a large number of applicants for each vacancy. Insurance is an expanding area with a number of jobs available. Related areas such as accounting, business services or technology may be of interest.
- Major employers offer structured internship and graduate schemes. Deadlines occur all year round, although deadlines for investment banks and insurance companies are mostly in the autumn term.
- Smaller organisations may advertise their vacancies throughout the year, especially during the summer.
- Application details can usually be found on the company's website. Some companies will deal with applications as soon as they are received so it is advisable to apply early.
- Internships and graduate schemes are advertised online and on university careers service websites.
- Specialist recruitment agencies and the local and national press also advertise vacancies.
- Many companies attend careers fairs or give presentations either on campus or at their premises. These events provide networking opportunities so it is essential to research beforehand the companies that interest you.
- Many firms now hire graduates via their work placement schemes. This means that competition for internships is fierce and the recruitment process is as rigorous as it is for graduate schemes. You may be put through to the latter stages of a company's graduate scheme recruitment process, e.g. the assessment centre or interview, if you have already completed an internship with them and made a good impression.

### What skills do I need?

Most companies welcome applications from all subject disciplines, although a numerate subject such as economics, finance or mathematics can be particularly relevant. An IT degree is usually required for technology graduate schemes. The majority of larger employers ask for a minimum of a 2:1 and will sometimes also specify UCAS points. Requirements set by smaller companies may vary.

Employers generally look for evidence of:

- excellent numeracy skills;
- the ability to work with figures and statistics;
- a genuine interest in finance;
- analysis skills;

- self-motivation;
- accuracy and attention to detail;
- negotiation skills;
- teamworking skills;
- leadership skills;
- the ability to learn quickly and work under pressure;
- excellent communication and interpersonal skills.

Internships, work experience and being an active member of industry-related societies can help you to develop the skills that employers look for and demonstrate initiative, motivation and commitment.

### **Where can I find work experience?**

Many companies now offer internships to students in their penultimate year, either as a year-long industrial placement or during the summer period. They are increasingly seen as an important entry step on to a graduate programme, with many employers aiming to make employment offers at the end of the internship.

Most large companies advertise internship schemes on their websites. University careers services also advertise work experience and voluntary opportunities. You might also obtain an internship by networking with people who already have contacts in the industry.

### **Is postgraduate study useful?**

Although a postgraduate qualification is not essential, if your undergraduate degree is in a non-vocational discipline you can study for a vocational Masters degree to enhance your knowledge. There is a wide range of courses available in specialised subjects such as investment management, financial risk management, insurance and risk management, and accounting.

It is usual for firms within the financial services industry to support further study and industry specific professional qualifications, and to pay for exam fees and courses as well as allocating study leave. Undertaking a qualification may be required for career progression. Membership of an industry specific professional body is also useful and in some areas is compulsory. For example, to work in stockbroking you must be an 'authorised person' with the [Financial Services Authority \(FSA\)](#).

Graduates in front office roles, such as sales or trading, are expected to pass a regulatory threshold qualification within six months of joining an organisation.

You will be expected to keep your knowledge up to date through continuing professional development (CPD).

### **How can my career develop?**

Graduates generally enter the industry as trainees. Some graduate schemes are structured so that progression and development within the company is clear. Other schemes have an element of flexibility, allowing individuals the opportunity to work where their strengths lie. Graduate schemes offer rotations around various functions and

departments so that graduates can experience different areas before choosing their specialism.

There is no typical career path within the financial services sector and movement across the industry is common.

Many companies will sponsor relevant professional qualifications, such as the Chartered Financial Analyst (CFA) programme for those working in investment and risk management.

There are great opportunities for fast progression to senior managerial positions for those who can demonstrate commitment, dedication and results. Networking is particularly important for career progression - you may get headhunted after a few years in your role.

There are increasing opportunities for career development internationally, particularly in emerging markets.

## Further information

- [British Bankers Association \(BBA\)](#) - includes information on training and qualifications and latest news.
  - [CFA \(Chartered Financial Analyst\) Institute](#)
  - [Chartered Banker Institute](#) - trading name of The Chartered Institute of Bankers in Scotland (CIOBS). Includes information on banking and financial services qualifications.
  - [Chartered Insurance Institute \(CII\)](#) - includes information on CII education and qualification services, membership and insurance careers.
  - [ifs School of Finance](#) - details of ifs professional qualifications and courses.
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## Typical employers

Typical employers include retail banks, investment banks and insurance companies. Supermarket chains are emerging as major employers as they now offer financial services and products. The numbers of graduates recruited varies from a handful to hundreds, depending on the size of the firm and its position in the market.

Once employed, you may need to take a professional qualification. The choice of professional institute will depend upon your area of specialisation, for example the [British Bankers Association \(BBA\)](#) or the [Chartered Insurance Institute \(CII\)](#).

## Big players

### Retail banking

- Employers include UK clearing banks, building societies, foreign banks with a UK branch network and finance houses.
- Big players include Barclays, HSBC, Lloyds Banking Group (including Lloyds TSB, Halifax and Bank of Scotland), Nationwide and The Royal Bank of Scotland (RBS).

- Typically employers can offer up to 30 positions on graduate schemes annually, depending on the size of the company.

### **Investment banking**

- Big players include Barclays Capital, Bank of America, Credit Suisse, Goldman Sachs, Houlihan Lokey and Morgan Stanley.
- There are also universal banks that deal in both investment and commercial banking. These include Deutsche Bank, Credit Suisse and UBS.
- Typically employers can offer up to 30 positions on graduate schemes annually, depending on the size of the company.

### **Private banking**

- There are fewer opportunities given that this is a smaller sector.
- Investment and universal banks, such as J.P. Morgan and UBS, usually have a private banking stream.
- Key players include Barclays Wealth, Cater Allen (subsidiary of Santander), Coutts & Co (member and UK private banking arm of The Royal Bank of Scotland group), Rathbones and Investec Wealth & Investment.

### **Insurance companies**

- Typical employers are Allianz Insurance, Aviva, AXA Insurance, Lloyd's of London and RSA.
- There are smaller insurance brokers or actuarial consultants that also offer graduate positions.
- Due to the expansion of the insurance industry companies require more graduates than before and there is a great variety of positions available.
- Numbers of graduate vacancies available per company can vary widely, but are usually between five and ten annually.

### **Small to medium-sized enterprises (SMEs)**

SMEs are organisations with less than 250 employees and an annual turnover of no more than £44million. Working for a smaller company can be rewarding because you are more likely to forge a path for yourself within the company, although opportunities to try other departments may be limited.

SMEs are unlikely to use the testing and assessment techniques of larger companies, or follow lengthy recruitment procedures. SMEs are more likely to advertise their vacancies through the local press, university careers service bulletins, local graduate vacancy listings, jobcentres, and word of mouth, rather than rely on their reputation and a presence at graduate recruitment fairs.

Your university careers service should have listings of jobs with small firms. See also the [Department for Business, Innovation and Skills \(BIS\)](#).

At the beginning of 2010 there were 76,000 SMEs in the financial and insurance sector, making up 24.6% of SME employment altogether (BIS, 2011).

SMEs in the banking, investment and insurance industry usually specialise in a particular area of work, e.g. credit derivatives, and they usually do not have structured graduate programmes. Competition for jobs is strong at the moment as SMEs recover from the recession.

## Self-employment

Although self-employment is not particularly common in the industry, there has been an increase as a result of redundancies and restructuring. However, self-employment in the financial services industry remains a lot lower than in the wider economy.

Self-employment usually involves working as an independent financial adviser or a consultant on short-term contracts, for example in IT or change management.

## Further information

- [Association for Financial Markets in Europe \(AFME\)](#) - includes a list of members and industry facts and figures
  - [Financial Services Authority \(FSA\)](#) - independent body that regulates the financial services industry in the UK. Includes information on careers with the FSA.
  - [Financial Skills Partnership](#) - includes information on careers, employers and qualifications
  - [London Stock Exchange \(LSE\)](#)
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## Opportunities abroad

Many of the large companies operate on a global basis providing opportunities for their employees to work abroad. Working abroad could involve learning a foreign language and adapting to a different workplace and culture.

The opportunity to work abroad depends on a particular country's financial market. For example, it may be easier to find work in China or India as their markets are expanding. Speaking the language of the country you wish to work in and having a good level of knowledge of the industry can increase your chances.

If you are offered a job with a global firm with headquarters or offices overseas, your role might involve training and working abroad or this may be part of your career progression. For example, some US firms send new members of staff to their US headquarters for training. Also, if you are given responsibility for a particular region as part of your role, e.g. Russia or the Middle East, you may get the opportunity to work there on a long-term basis.

Opportunities for graduates are available globally:

- New York is the financial centre for the US. However, there are also major banking districts in Chicago (home of the leading derivatives market), Miami ('Gateway to the Americas'), Boston, Los Angeles, Washington DC and San Francisco.
- Tokyo, Hong Kong, Shanghai and Singapore are Asia's financial centres.

- Europe is dominated by Zurich, Geneva, Paris and Frankfurt.
- Countries such as Brazil, Russia, India and China are going through a period of rapid economic growth and also have opportunities for graduates. Other countries on the edge of a surge in growth are Mexico, Australia, Vietnam, Indonesia, Nigeria and South Africa.

## **Will my qualifications be recognised?**

For most countries a relevant degree in business administration, economics, finance or mathematics is essential for entry into the industry. However, you may find that your degree is not regarded as highly abroad as it is in the UK. Despite this, the skills you acquire during your degree are highly transferable.

Qualifications for investment banking or insurance may not be recognised internationally as each professional body is different. Contact the relevant professional body in the country you wish to work in for more information.

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## **Future trends**

### **The globalisation of markets**

Over the last couple of decades the progress of the globalisation of the world's markets has been continuous. Even though the recession may have slowed this process down over the last few years, it is still developing at a reduced rate. This globalisation is due to the increase in international trade, and the capital markets becoming self-reliant but also responsible for each other. With barriers and borders within markets and between countries reduced, opportunities for work are likely to increase.

### **Growth of emerging economies**

The growth and success of emerging markets in Latin America, Eastern Europe and Asia are predicted to continue at a faster rate than the economies of advanced countries. This growth will bring increased economic influence for the most politically stable and larger emerging markets and also greater opportunities for organisations to invest in these markets. Consequently, there is likely to be an increase in the number of opportunities for graduates to work in countries such as Brazil, Russia, India and China.

### **Technology**

Advances in technology have changed the way the industry operates. Technology will continue to play a key role in the sector and the need for graduates with specialist IT knowledge is expected to increase. However, banks are now taking on contractors rather than permanent IT staff to undertake big technology projects. Systems and IT resources are always evolving and developing and the majority of this IT work is in risk, change management, information security and front office trading systems.

The recession has had an impact on IT strategy within the industry as external regulators have been brought in to monitor how businesses operate. This means that IT professionals will have to work closely in the future with internal legal and corporate-affairs teams and external regulators to help prevent financial crime. This also relates to the increased use of internet banking.

## Risk management

Due to the recession, the risk management industry underwent significant changes. Audit committees and executives had to reassess their risk management processes. As a result, there is an increase in the demand for risk management professionals and the development of new risk management platforms. This trend ties in with the developments in technology and the prevention of financial crime.

## The changing face of insurance

There has been a large expansion in the services provided by insurance companies, with many of the larger providers now offering a range of services. Insurance companies, building societies, banks and supermarkets increasingly find themselves battling for the same financial services markets. In order to survive this trend, it is predicted that in the future there will be few companies or brokers left dealing solely in insurance.

## Demographics

With an ageing population in the UK, it is predicted that the labour market will continue to grow slowly. This is in comparison with the demographic profile of countries with an emerging market and a younger population, resulting in an influx of new workers. The consequent concern over the continuing pensions' gap means that pensions, retirement planning and healthcare insurance are likely to become growth areas in the insurance industry.

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## Jargon buster

- **AIM** (Alternative Investment Market) - the London Stock Exchange's international market for smaller growing companies.
- **Back office** - support functions within an organisation dedicated to running the company, e.g. IT, accounting and human resources.
- **Broker** - a person who acts as an intermediary between a prospective buyer and a seller.
- **Credit crunch** - occurs when the supply of credit decreases and there is a reduction in the availability of loans.
- **Derivatives** - the group term for financial contracts between buyers and sellers of commodities or securities.
- **Emerging markets** - rapid growth and expansion of business and financial markets of developing nations/countries.
- **Financial Services Authority (FSA)** - regulator of the UK's financial services industry.
- **Foreign Exchange Market** - otherwise known as Forex, FX or currency market. It is the international money market in which currencies are traded.
- **Front office** - function that relates to revenue generating activities for a financial firm and departments that have customer/client interaction.
- **FTSE (Financial Times Stock Exchange)** - a provider of stock market indices and data services. The FTSE 100 Index lists the most highly capitalised companies on the London Stock Exchange.
- **GDP (gross domestic product)** - the total value of goods produced and services provided in a country within a set period of time.

- **Hedge funds** - a private investment fund that is involved with a variety of investment and trading activities and a range of assets. They are usually only open to a limited range of qualified investors and a performance fee is charged.
- **Instrument** - a tradable asset, typically stocks, bonds, futures, options and currencies.
- **LSE** - London Stock Exchange.
- **OECD** - Organisation for Economic Co-operation and Development. Group of over thirty countries working towards identifying good practices and coordinating domestic and international policies on economic, environmental and social issues.
- **Recession** - a general slowdown in economic activity for two consecutive quarters of the year as measured by GDP.
- **Risk management** - management of the risks to which a company might be faced with. Involves analysing all possible risks and determining how to handle these through trading out, or transferring the risk through derivatives.
- **Trader** - person who buys and sells instruments in the financial markets.
- **Underwriting** - assesses the ability of a customer to buy/receive a company's products. It can guarantee a buyer for an entire issue of stocks and shares.

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