

General Banking Notes

- **Investment Banking** (referred to as “**Classic**” banking at Goldman)
 - The investment banking division at banks is split up into different industry groups: Healthcare, Consumer & Retail Group (“CRG”), Financial Sponsors (“Sponsors”), Natural Resources (“NR”), General Power & Utilities Group (“GPUG”, pronounced “G-Pug”), Technology, Telecom & Media (“TMT”), and Mergers & Acquisitions (“M&A”)
 - Every bank has different groups, so it’s important to look at their website before you talk to people, to try to see what exact groups they have and what they are called at that specific bank. For example, Goldman is unique in that it doesn’t have a separate M&A group (it does, but they don’t do the same kind of intense modeling that occurs in this group at other banks), because all of the industry groups at Goldman do their OWN M&A. At most banks, all M&A work is done in the M&A group. This is why at all other banks, the M&A group is the most prestigious group to be in, while at Goldman, it is kind of a dud group.
 - Investment bankers “specialize” in providing Merger & Acquisition (“M&A”) advice to **companies** (CEOs and Management Teams)
 - Investment Bankers advise Companies on their financial strategies. Here is an example. Pilsbury, the popular cinnamon maker, is thinking about purchasing a flour company. They currently have to purchase their flour from a very expensive flour producer, and they know that if they have their own flour company, they will be able to make their cinnamon for much cheaper, and therefore make more money off of them if they keep their prices in grocery stores the same.
 - Pilsbury will then talk to several different consumer retail investment bankers to seek advice on which flour company they should buy, and how much they should value the company for.
 - Let’s now say that Pilsbury wanted to buy the flour company with equity (issue shares of Pilsbury to the public in exchange for cash) and debt, then the investment banker would put Pilsbury in touch with the people in the bank who “specialize” in equity and debt, the **Capital Markets Team**
- **Capital Markets Team** (also known as the “**Financing**” groups at Goldman)
 - The Capital Markets division at banks is split up into different “product” groups: Equity Capital Markets (“ECM”), Investment Grade Debt (“IG”), Leveraged Finance (“Lev Fin”), and a bunch of other smaller groups, and these groups are also broken down further into industry groups, so for example, Gabe used to be in IG, focusing on NR, and Anna von Kula is currently in Lev Fin, focusing on NR
 - Unlike the investment bankers, who provide broad financial advice to companies, the equity capital markets teams are “experts” or “specialize” in their specific product. For example, ECM specializes in equity, and IG specializes in investment grade debt.
 - The Capital Markets division is similar to the investment banking division in that both divisions provide advice to **companies** (CEOs and Management Teams), but they differ in that the capital markets teams are more tied to the financial markets (they have to be up to date on what the stock market and debt markets are

doing, and they are the point people when CEOs have questions on what the equity markets are doing, what the debt markets are doing

- Therefore, capital markets teams usually sit on trading floors – aka floors where all the desks are in rows, it is a loud, energetic, fun environment, where everyone is talking either on the phone or to each other. Ashley Everett, who is an MD in IG at GS, says that she knew you'd flourish in a “financing” roll because she always liked doing her work in the Wilson Café, and hated doing her work in the quiet sections of the library – she wanted that energetic, fast paced environment
- If a company wants to IPO (stands for “Initial Public Offering”, means that accompany is going to sell shares or stocks to the public for the first time) they contact the ECM group at whichever bank they've chosen and the ECM group runs the process – for example, when Snapchat IPO'd last spring, GS's ECM group ran it
- **Sales and Trading**
 - Sales and Trading is all about the equity markets. They differ mostly from the above two groups in that their clients are mostly **institutional investors** (think hedge funds) rather than **companies**. You don't to do Sales & Trading because you like the idea of providing financial advice to **companies**, not institutional investors
 - This division at GS is called the “**Securities**” division

When you talk to people from the banks, it will be good to have a preference between capital markets and investment banking and a good reason why. Do you like idea of touching all aspects of financial advice or do you want to be an expert and focus on one product? Do you like the idea of learning more about company operations and profitability, or are you more interested in the financial markets, and want to learn more about what makes the stock market go up vs. down? Do you work better in a quieter, slower paced environment, or do you like a little bit of frenzy?

“Investment Banking” or “Classic Banking” jobs are harder to get, because they usually require a “nerdier” personality, and more of a brainy, numbers-oriented kid, given the fact that you do financial modeling in investment banking and you don't in capital markets. I think both jobs would look equally good on your resume when applying for consulting next year, but I'd ask Dad. It's important to have a slight preference for one or the other at this point, but to remain flexible when you're talking to people on the phone, especially if they are in the group that you've just told them isn't your preference. Say that you'd hope to have experiences in both groups throughout your banking career.

Goldman's Oddities

It is important to know that Goldman Sachs is unique in that it has combined its “Investment Banking Division” and its “Capital Markets Division” into one division, and calls both groups “Investment Banking”. They distinguish between Investment Banking and Capital Markets by calling the former “Classic” and the latter “Financing”. In the “Classic” banking groups, Goldman Sachs does not have a traditional prestigious M&A group because each industry group does its own M&A modeling and analysis – which is a huge plus to doing banking at Goldman.