

Obtaining/Changing Jobs in the Evolving International Financial Services Industry

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This article briefly frames the landscape of obtaining a high paying job amongst new opportunities in the international financial services industry. The framing is accomplished by answering questions frequently posed to me by potential applicants to the Diamond LLM program at St. Thomas University School of Law:

1. Is the industry growing or has it stalled?
2. What are the new job opportunities?
3. Can smaller firms compete for my employment?
4. What skills must I have to land the job?
5. How do I distinguish myself from other job seekers?
6. What professional certifications apply to our industry?
7. Now, how do I get a job?

The article does not review continuing professional education which has been addressed in some of my previous articles published in *Offshore Investment*.

Is the financial services industry growing?

In my 900-page economic report on the offshore financial services industry, I examined and calculated the economic size and impact of the sector on local jurisdictions¹. But, for periods of global financial crisis, the sector had experienced double-digit annual growth and contributed robustly to the local economy and society.

Since 1996, the international financial services sector has expanded at an average rate of 10%. During this period, the number of HNW clients whom *Offshore Investment's* readers serve has almost doubled, from 4.5m to 8.7m, as have their assets, from USD16 trillion to USD33 trillion². An estimated one-third, USD11 trillion, is now held offshore³.

What are the new job opportunities?

In my 2004 speech to the BVI Financial Services Institute, after laying out the economic conclusions of my report, I forecast the offshore sector's growth for the coming decade, for whom it would occur, where it would occur, and why. I also forecast which firms' business would shrink and who would be shaken out altogether by a coming wave of competition and regulatory enforcement.

HNWIs are showing a lack of fidelity to older institutions and are migrating a portion of their portfolios to boutique investment firms and family office operations. By example, HNW clients have already diversified their portfolios to 20% alternative investment, up from just 3% in 2000⁴.

According to polling by Cap Gemini, several factors are driving this re-allocation. HNWIs, and in particular the new generation of HNWIs, are increasingly globally informed about investment opportunities and risks. HNWIs are engaging firm's investment teams that develop and use global strategies and products, sometimes with complex international hedging to mitigate risk. *Offshore Investment* readers should note the use of the word: "teams", not firms. High profile trouble, lacklustre performance, and lack of service, have shaken client confidence in large, traditional institutions enough to put their boutique collaborative-competitors on an equal footing.

Because the financial services sector continues to out or evenly pace other sectors in terms of firms' and employees' earnings, the sector has grown more competitive with new boutique firms entering monthly. Three types of boutiques have shown significant growth in the past five years. First, investment team boutiques that create and manage internationally oriented investment funds focusing on alternative investments, such as cross-border arbitrage strategies. These boutiques appeal to both HNWIs directly competing with larger institutions, and to the institutions themselves, in collaborative

arrangements. Second, family office firms employing holistic family business and tax management and lifestyle solutions, sometimes in combination with investment management services. Third, compliance and anti-money laundering (AML) firms and employees, that support financial service firms, have experienced the greatest growth in employment opportunities.

Can smaller sized firm compete for my employment?

Cohesive investment teams are also not a new phenomenon. Investment teams have since the 1980s moved horizontally within the industry among financial institutions, seeking greater compensation and access to investment funds. Since the mid-90s, the growth of transparent funds-of-funds and institutional re-branding of other institutions' funds have allowed investment teams to control their own destiny by establishing proprietary firms while maintaining access to investment funds. Institutions, in turn, now flexibly offer to their own client bases an institutionally-branded menu of many investment teams' opportunities and potential returns. Thus, international investment managers are now finding opportunities with teams as opposed to with institutions.

The family office service firm is not a new phenomenon. Rather, the family office is the branding of a re-packaged bundling of services that *Offshore Investment's* readers have been providing clients with since the development of the private bank. Often I am asked "Why are smaller boutiques taking market share from larger financial institutions?" The modern evolving family office branding requires a firm to paradigm shift from departments as the profit-centre to re-alignment into a team-solution, client-services approach. The team solution, if carried to its potential, requires a team profit centre wherein the client does not experience fragmented billing or advice. Some institutions cannot employ this evolution within their current business model, while some national regulatory regimes do not allow it.

Finally, AML and compliance firms and employees are a relatively new development in the last five years in the sense of a regulatory requirement for firms to employ such companies. Centralising this expertise and enforcement of evolving regulations to a new management level position known as the compliance officer at every firm, be it small or large, is significantly due to regulatory and licensing requirements. These regulatory and licensing requirements further require education and training of the compliance officer and the firm, which many jurisdictions require to be performed annually. By example of the USA Bank Secrecy Act § 5318:

In general, in order to guard against money laundering through financial institutions, each financial institution shall establish anti-money laundering programs, including, at a minimum –

- the development of internal policies, procedures, and controls;
- the designation of a compliance officer;
- an ongoing employee training program; and
- an independent audit function to test programmes.

In almost all offshore jurisdictions, substantially similar regulations apply to financial institutions and, unlike the US, to all trust/company providers. Failure of firms' AML policies has, in the US context, led to very large fines. For example, Bank Atlantic suffered a USD 10m civil penalty and AmSouth Bank a USD 50m fine. Since 2004, regulatory audits, actions, and fines of both large and small institutions and firms are significantly increasing. For conflict of interest reasons, traditional providers of services to a firm, such as the audit firm, may not also be able to provide AML and compliance assessments because these assessments may include assessing the service of themselves in relation to the assessed firm.

What skills must I have to land the job?

The overriding theme of my presentations to government and industry has been the correlation of in-depth "international" education and training to a firm's and professional's economic success, and regulatory survival. Servicing modern HNWI's who now require international elements for their families and their business interests requires a dynamic ability to obtain economic and regulatory information, understand the clients' and the markets' issues and inefficiencies, and create solutions. Family office employees must be able to employ an international holistic team approach for an HNWI including business, tax, estate, legal, accounting, intra-family dispute resolution and lifestyle issues, and communicate operations and solutions to the HNWI and family members. The AML and compliance expert must be able to analyse a firm's/ HNWI's business and synthesise it with the different jurisdictional regulatory requirements. Thus, education in these aforementioned skill sets, leading to a potential employee's retooling, is the key to opening today's financial industry job market door.

How do I distinguish myself from other job seekers?

One method to achieve this level of expertise proved by an internationally recognised professional title is to obtain an industry and regulator recognised degree. Graduate programs in the US remain industry's "gold standard" according to ranking and placement services⁵. The PhD, JSD (US acronym for PhD in law) and LLM (Master of Law) titles carry the highest prestige in relation to fields requiring legal knowledge such as compliance, trust services, and tax planning.

The Walter H. & Dorothy B. Diamond online International Tax LLM and JSD may accept non-lawyers who have a university degree and industry experience. Eight years and almost 500 alumni after its founding, the two-year LLM program has increased to an

annual enrolment of 100 and now has curricular concentrations in five areas: offshore financial centres; trusts and estate planning; AML and compliance; US tax; and e-commerce. The program is taught interactively online using a mixture of legal jurisprudence and business school case study methodologies.

The LLM program offers students the in-depth study of topics such as: establishing and managing a family office; creating an institution's AML policy and procedures as well as testing of those procedures for shortcomings; drafting a tailored variable life insurance product; China's investment, tax and regulatory law; and forming/administering charities. A sampling of the pre-eminent faculty includes *Offshore Investment's*, Editor-in-Chief, Charles A. Cain and regular columnist, Marshall J. Langer.

Other established, excellent LLM programs in the field of International Taxation include University of Florida, New York University, Leiden University and the University of Vienna.

What professional certifications apply to our industry?

The cost, pre-requisites, time commitment, and available seats for degrees are simply not possible for the entire industry. But a robust, albeit gender, internationally recognised certification may be pursued. Three universally respected organisations, whose certifications lead to a professional designation, require attention. The Society of Trust & Estate Practitioners (STEP), the International Compliance Association (ICA), and the American Academy of Financial Management (AAFM) certify professionals through education terminating with an examination, and maintain certification via continuing professional development requirements.

Central Law Training (CLT), the administrator of STEP's well known Diploma in International Trust Management, now offers the highly successful Advanced Diploma in International Tax Planning, leading to the professional designation of Certified International Tax Counsellor. Over nine months, the study requires a face-to-face workshop, studying distance materials, and submitting marked assignments.

The ICA offers the industry- and regulator-certified designation of Fellow after successfully completing its nine-month program in either Compliance or Anti-Money Laundering, and a two-year membership. Both programs require face-to-face workshops, study materials, marked assignments, and a three-hour sat examination.

The AAFM offers educational programs leading to the professional designations of Chartered Wealth Manager, Chartered Portfolio Manager, and Chartered Risk Analyst. Its membership of the universally accepted top business school accrediting agency, AACSB, allows "waive in" to its professional designation from other AACSB accredited business school curricula. Other applicants may undertake a one-year AAFM diploma study of face-to-face workshops, study manuals, and examinations.

The AAFM Board of Standards has also recognised the Diamonds' LLM courses as a path to certification. Since the professional certification has become prevalent in the financial industry, the LLM program now offers a variety of non-degree curriculum of courses that lead to AAFM professional designations.

Now, how do I get a job?

The program attended, be it a degree, professional qualification or certification, should have a career services function. The career services function should also provide students/alumni with sample resumes/CV formats, salary surveys, as well as networking opportunities.

The most important function to entering the job market is still networking. But most entrants do not realise the amount of time and research required to land a fulfilling job. For example, placement firms estimate between three and six months to find a job, and sixteen hours per week on research about firms and networking if you are already employed in the industry against 30 hours if you are not. That is, searching for employment is a job in itself.

Contacting and meeting with placement firms and potential employers generally requires two to four interviews each if an opportunity crystallises into a written offer. This step can only be obtained after weeks of research on the types of jobs available by jurisdiction, salary levels, firm profiles, and contacting HR departments for hiring protocols. Finally and perhaps most importantly, employment research also includes examining potential compensation packages, because base salary is only part of the equation. Applicants should prepare different package opportunities for themselves, such as paid for ancillaries (housing, car, travel, education, professional memberships), bonus, employee equity programs, pension programs, medical insurance, vacation/family time, compensation (such as payment of incurred education expenses) and garden leave after termination.

www.llmprogram.org

ENDNOTES

- Report on the Economic, Socio-Economic, and Regulatory Impact of the Tax Savings Directive and EU Code of Conduct for Business Taxation upon Selected Offshore Financial Centres as well as a Competitiveness Report for Selected Offshore Financial Centres (Foreign Commonwealth Office 2004).
- Cap Gemini World Wealth Report 2006.
- Tax Haven Abuses: The Enablers, The Tools and Secrecy" (Sen. Rep., Perm. Sub-Comm. on Investigations, 1st August 2006).
- Cap Gemini World Wealth Report 2006.
- JobsInTheMoney.com quoting from Business Week (MBA Applications Rise, 21st August 2006).