Training and education in banking and finance – developments since the crises

All over the world, the financial industry has to cope with the consequences and the lessons from the financial, economic and political crises which continue (e.g., there is more than 50 percent youth unemployment in Spain). Belatedly, the crisis also impacts the curriculum and content of the financial training institutions.

In the upswing of the decade after the IT-bubble in 2000, bankers, brokers and consultants were among the most prominent and largest recruiters of MBA graduates from the top American and European Business schools – notably those with quantitative degrees. In parallel with the restructuring and scaling down of the investment banking departments of some of the large international banks, resulting from the financial crisis starting in 2008, there was a marked drop in the demand and enrolment for MBAs with a partial exception: new demand from Asia and Latin America – especially from the BRICS markets.

This development was reinforced by the second wave of globalization that had started already before the end of the 20th century and caused a move away from the G-7 countries towards Asia[1]. Service jobs were farmed out or newly created in the new service hubs such as Singapore, Dubai or Hong Kong. These service hubs needed to develop clusters of banking, finance, IT and related services and therefore invested strategically in the education and training of these professions, including through joint ventures with foreign institutions.[2]

1. Integrate the crises lessons into the curriculum

The banks' first reaction to the crisis was to reorganize and to slash lending dramatically, particularly cross border. Next came the reduction of external education costs by up to 70 percent – maybe a somewhat shortsighted approach – and the setting up of in-house and mixed teaching with external consultants and in-house professionals. During this time, a handful of huge global banks (predominantly from the United States) with their bonuses and their consultants increased their dominance even further.[3] The other smaller and medium sized banks will have to overhaul their strategies, get more specialized and flexible, and fight the compressed margins among others by improved productivity and new IT technologies – a process which has started but will take years.

With regard to the content and approach of bankers' training – part of the university researchers and the public put the whole notions of 'homo economicus' and 'rational markets' into question. Others took a more pragmatic approach, aiming at repairing and improving the present economic and political system. Nearly everybody agreed that better risk management should not result in adding more to the thousands of risk officers that the large international banks had already hired, but rather in better and leaner approaches with better structured and possibly smaller, specialized banks as well as in an end to the paradigm of VAR as a panacea risk tool and that 'too big to fail' and higher core capital requirements apply in due time not only to Europe but also to the US and China. The remaining 'zombie' banks will have to be restructured or closed. Finally, last but not least, the banks' past short-term incentive system with large bonuses will have to be replaced largely by sustainable remuneration concepts.

With the new insight[4] also came new research[5] and courses in behavioral finance and sustainable finance to answer the demand for better risk and compliance management as well as better corporate governance and Board qualifications. Moreover the situation also called for a better understanding of national differences of the various international market places, including the BRICS countries, as well as for taking into account developments in technology, including high frequency trading.

With a view to the urgent need of better training for the thousands of relationship managers, we think that sooner or later there will be training courses with compulsory exams and refreshers in Switzerland as we know it for years already for exchange and derivative traders.

On an international scale, the newest development in teaching combines the judicious use of large-scale teaching by some of the best professors on the internet with follow-up intensive seminars at top universities, in Switzerland the EPFL or the IMD in Lausanne.

In Switzerland there already is a multi-lingual and multi-layered training system with excellent institutes in different cities as well as in-house schools. Some examples are outlined below.

2. Selection of new, innovative courses in Switzerland

CAS, DAS and MAS in Banking & Finance

Kalaidos, the only private university of applied sciences (FH / HES) in Switzerland, controlled by the Swiss Government, offers this modular program in German for three years already in Zürich. As of this September, it will be offered in French, in Geneva and Lausanne. There are four modules or Certificates of Advanced Studies (CAS) to choose from: CAS in Managing Banking Operations, CAS in Marketing and Distribution, CAS in Wealth and Asset Management and CAS in Retail and Com-

1 The part of the G7 in the global GDP rose from 20 percent in 1820 to 66 percent in 1988 but decreased again to 50 percent from 1988 to 2008. The G7 part of world trade decreased from 50 percent to 32 percent by 2008.

2 For details see Richard Baldwin from the HEID, Geneva, for instance in NZZ of April 17, 2013.

3 For a critical survey of these developments see: 'Wall Street is back' in the Economist of May 11, 2013.

4 Professor Robert Shiller, for his part, preached already in the 1990s and definitively in his 2003 book 'The new financial order – risk in the 21st century' the need to analyze the macro markets and the macro risks – but also to break risks down to individual dynamic customer risk portfolio profiles.

5 New institutes were set up, such as for instance, the GFRI of Prof. R. Gibson at the University of Geneva and Prof. E. Fehr at the University of Zürich.

mercial Banking. While the CAS certificates can be taken individually, students can combine two CAS to a one year Diploma of Advanced Studies (DAS) with 30 ECTS, or take three CAS, a research project and the master's thesis for a Master of Advanced Studies (MAS) with 60 ECTS. The MAS aims at bank managers with a bachelor degree or similar (e.g. ESBF) and several years of experience. The part time courses take place on Fridays and Saturdays in small classes of some 20 participants, are highly interactive and allow a 90–100 percent workload next to the studies which represent some 30 percent of the invested time. Half of the training takes place with individual-, group- and tutorialized transfer activities on the job. It is an innovative program from professionals for professionals. www.kalaidos.ch and www.isfb.ch

Master of Arts in International Trading, Commodity Finance & Shipping

The University of Geneva and the Geneva Trading, Commodity Finance & Shipping Association (GTSA), one of the world's largest, together launched this newly created Master grogram in 2008. The program is founded on the principle of a strong coordination between academia and the GTSA community. This particularly reflects the desire to create a highly specialized academic program for people wanting to work while studying in the trading field in the Geneva area. Classes are small with approx. 30 participants – all working in different GTSA companies during their studies which allows for intensive interactive teaching and group work. The courses are in English and take place in modular form mainly Thursday and Friday afternoons and Saturday mornings.

Next to some university professors a whole series of the instructors are professionals from the involved industries, but also from the specialized companies, consultants and lawyers as well as representatives from the specialized international organizations in Geneva, such as the OMC or UNCTAD. The content of the program is comprehensive and covers in the first term the different components of trading from basics of commodity trading, energy markets, metals, agricommodities, shipping and logistics up to legal and environmental aspects. The second term covers commodity hedging and price risks, technical analysis and derivatives. The third term focuses on commodity finance and financial risk management, organizational and HR issues. The course ends with a mini thesis. http://tradingmaster.ch

Financial Market Operator

This new program of Azek started in 2012 and fills a gap in training for mid- and back-office specialists as well as IT and logistic professionals. The FMO program offers some 300 teaching hours (Monday and Wednesday afternoons) and requests some 400-800 hours of individual studies. Part of the program is taught jointly with the analysts and the portfolio managers. www.azek.ch

HEID Geneva

New courses are also offered at HEID Geneva's Centre for Finance and Development and Centre for Trade and Economic Integration. HEID Geneva also offers an Executive Master in International Oil and Gas Leadership. www.graduateinstitute.ch/excutive.

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