First launched in 2013, the DTCC Systemic Risk Barometer Survey serves as a semi-annual pulse check to monitor existing and emerging risks that may impact the safety, resiliency and stability of the global financial system. It is designed to help identify trends and foster industry-wide dialogue on potential threats to financial stability. The survey is a key component of DTCC’s thought leadership with respect to systemic risk. In addition to promoting transparency, DTCC also uses these survey results to support its member outreach efforts and to benchmark its risk management initiatives versus the concerns highlighted by respondents.

KEY FINDINGS

CYBER RISK REMAINS THE TOP RISK OVERALL
- More than a third (36%) of survey respondents view cyber risk as the number one threat to the broader economy in 2018, with 78% of respondents ranking it as a top 5 risk – a 7% increase from the last survey.

GEOPOLITICAL RISKS AND CONCERNS CONTINUE TO SURGE
- Geopolitical tensions in Asia, as well as prolonged uncertainties associated with Brexit negotiations, have positioned geopolitical risk as a top risk to watch in 2018.
- Geopolitical Risk saw the most significant increase (+17%) of any risk category from the prior survey as 69% of respondents view it as a top 5 risk versus 52% holding that view in our Q1 2017 survey.

US FEDERAL RESERVE MONETARY POLICY BREACHES TOP 5 RISKS
- The U.S. Federal Reserve Bank has announced its intent to start reducing its $4.5 TN balance sheet, as other central banks across the globe start to conclude their quantitative easing programs.
- A quarter of respondents indicate concern over this shift in monetary policy, enough to include it on the list of the 5 most significant risks overall for 2018.

FINTECH MAY POSE RISKS TO FINANCIAL STABILITY
- Fintech risk, which was included in this survey for the first time, was acknowledged as a significant source of risk by 15% of respondents. While fintech is generally recognized as holding great promise, these results demonstrate a growing awareness of potential emerging risks, highlighting the need to evaluate both risks and rewards associated with fintech initiatives.
“We’ve learned that no companies or sectors are immune to the threat of cyber attacks - as firms and leaders are continuing to accept the inevitability that they will be forced to address and respond to a cyber attack. As such, it is becoming increasingly imperative not just to safeguard systems and infrastructure - but for companies to prepare response plans and maintain crisis management playbooks to respond to cyber attacks.”

“Numerous factors have forced the enhancement of the risk management practices across the financial services industry including; the global regulatory response to the 2008 crisis; the explosion of new technologies; the evolution of trading strategies, financial products and market structure; as well as the growing interconnectedness of global markets. As a result, the scope of risk management has broadened and risk managers now must think more holistically, focusing not just on risks concentrated within their respective firms, but risks that could materialize due to their interconnections across all components of the financial services network. Financial services firms must continue their focus on building resiliency, as the impact of systemic shocks that occur in the future may be even more impactful than historical shocks. DTCC is committed to identifying new and emerging risks and being a thought leader in risk management; the Systemic Risk Barometer Survey is an example of that commitment.”
Cyber risk has consistently been cited as the top risk since DTCC launched its systemic risk barometer survey. However, the remainder of the top 5 risks have fluctuated with geopolitical risks and impact of new regulations among the most frequently cited risks.

### Historical Look Back on Top 5 Risks

<table>
<thead>
<tr>
<th>Q3 2017</th>
<th>Q1 2017</th>
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<tbody>
<tr>
<td>Geopolitical Risk</td>
<td>Cyber Risk</td>
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<td>Cyber Risk</td>
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<tr>
<td>US Federal Reserve Monetary Policy</td>
<td>IMPACT OF NEW REGULATIONS</td>
<td>Britain Exit from EU</td>
<td>IMPACT OF NEW REGULATIONS</td>
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<tr>
<td>Cyber Risk</td>
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<td>Cyber Risk</td>
<td>Geopolitical Risk</td>
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<tr>
<td>INTERCONNECTEDNESS RISK</td>
<td>US Presidential Election Outcome</td>
<td>CYBER RISK</td>
<td>IMPACT OF NEW REGULATIONS</td>
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<td>Sudden Dislocation in Financial Markets</td>
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| Risk size is proportionate to level of response

### Regional Differences

Compared to the rest of the world, North American respondents are:

- **More concerned** about cyber risk and a US economic slowdown
- **Less concerned** about Brexit and an Asia economic slowdown

### Functional Differences

Risk managers are more concerned about interconnectedness risk, search for yield and market liquidity while non-risk professionals are more focused on a major compliance/governance event, impact of new regulations and funding liquidity.
When asked to identify the top 5 systemic risks to the broader economy, looking ahead into 2018 and beyond, most respondents cited Cyber Risk, Geopolitical Risk, Impact of New Regulations, Britain Exit from the EU and US Federal Reserve Monetary Policy. The results below reflect changes compared to 2017 Q1.

**Fintech was added as a risk category and Lack of Liquidity/Decreasing Liquidity was split into Market Liquidity and Funding Liquidity for the Q3 2017 DTCC Systemic Risk Barometer Survey.**