

# SYSTEMIC RISK BAROMETER SURVEY

## 2022 RISK FORECAST

DTCC

**ABOUT THE SURVEY:** First launched in 2013, the DTCC Systemic Risk Barometer Survey serves as an 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, which are based on feedback received from 216 respondents, to support its member outreach efforts and to benchmark its risk management initiatives versus the concerns highlighted by respondents.

### KEY FINDINGS

#### CYBER RISK WAS CITED AS THE OVERALL TOP RISK

- 59% of respondents included this risk in their top 5, with 24% citing it as the number one risk impacting the global financial system in 2022.

#### INFECTIOUS DISEASE / PANDEMICS (CORONAVIRUS) WAS THE SECOND MOST FREQUENTLY CITED OF THE TOP 5 RISKS

- This risk was cited by 52% of survey respondents as a top 5 risk, a decrease from 67% in last year's survey.

#### GEOPOLITICAL RISKS & TRADE TENSIONS CONTINUES TO BE FREQUENTLY CITED BY RESPONDENTS AS A TOP 5 RISK

- Geopolitical Risks & Trade Tensions was cited by 49% of respondents as a top 5 risk, an increase from 45% in last year's survey.

#### CLIMATE CHANGE AND INFLATION BOTH ADVANCED SIGNIFICANTLY, AND WERE IDENTIFIED AS THE FOURTH AND FIFTH MOST IMPORTANT RISKS OVERALL

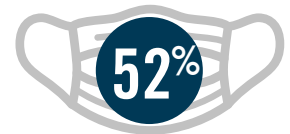
- Climate Change was cited by 38% of respondents as a top 5 risk, an increase from 20% in last year's survey.
- Inflation was cited by 34% of respondents as a top 5 risk, an increase from 7% in last year's survey.

#### U.S. FEDERAL RESERVE MONETARY POLICY AND FINTECH/CRYPTO ASSETS WERE AMONG THE LARGEST PERCENTAGE ADVANCERS FOR THIS YEAR'S SURVEY

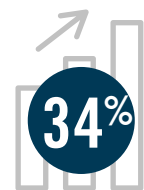
- U.S. Federal Reserve Monetary Policy and FinTech/Crypto Assets were cited by 28% and 25% of respondents as a top 5 risk, an increase from 10% and 7% in last year's survey, respectively.



**CYBER RISK**  
IDENTIFIED BY 59% OF  
RESPONDENTS AS  
A TOP 5 RISK



**INFECTIOUS DISEASE  
/ PANDEMICS  
(CORONAVIRUS)**  
IDENTIFIED BY 52%  
OF RESPONDENTS  
AS A TOP 5 RISK



**INFLATION**  
34% OF  
RESPONDENTS  
RANKED INFLATION  
AS A TOP 5 RISK

# PERSPECTIVES ON RISK

DTCC EXECUTIVES PROVIDE THEIR THOUGHTS ON THE TOP RISKS FACING THE FINANCIAL SERVICES INDUSTRY

## STEPHEN SCHARF

DTCC Managing Director and Chief Security Officer, on:

### CYBER RISK



“The cyber threat environment is moving constantly, and cyber criminals are devising new and better ways to infiltrate systems. As cybersecurity threats continue to grow, firms must evolve their approach to cybersecurity, building upon successful methods of the past and identifying new ways to bolster their defense and recovery strategies for the future. The complexity of the financial services industry, the interconnectedness of individual players, and the introduction of new and innovative technologies further heighten the risk of a large-scale cyber-attack on the financial sector. That’s why cybersecurity and resilience initiatives are never complete. We must continually assess our security measures against the risks we face.”

## DAVID LAFALCE

DTCC Managing Director, Global Business Continuity & Resilience, on:

### INFECTIOUS DISEASE / PANDEMICS (CORONAVIRUS)



“The Delta variant of Covid-19 continues to highlight the fragility of supply chains and creates an increasingly complex environment. Financial sector firms must take a fresh look at how they can further improve their operational resiliency so they can continue to function and provide critical services under disruptive conditions. Planning for operational resiliency will unquestionably be a strategic priority for firms over the course of 2022 and beyond. This was highlighted by the Covid-19 pandemic. At the same time, because of climate change, firms also need to consider the increased likelihood of natural disasters threatening significant operational disruption.”

## ALI WOLPERT

DTCC Managing Director, Head of Global Government Relations, on:

### GEOPOLITICAL RISKS



“Policy is often spurred by unexpected events or crises. This held true in recent times and we anticipate the impacts continuing to reverberate throughout 2022. Cybersecurity remains a priority and we continue to work in coordination with legislators across regions and jurisdictions to further strengthen efforts to combat cyber disruptions. We will continue to engage in global discussions as policymakers and industry stakeholders consider a broad range of issues, such as the potential evolution of digital currencies, risks associated with climate change and the impact of trade tensions on macroeconomic conditions and market volatility.”

## MICHAEL LEIBROCK

DTCC Managing Director, Chief Systemic Risk Officer and Head of Counterparty Credit Risk, on:

### INFLATION



“From a macroeconomic perspective, concerns related to inflation are taking center-stage worldwide. A key question for 2022 is to what extent inflation will prove to be a transitory phenomenon. Central banks face a difficult balancing act, as they need to manage inflation in a way that allows the post-pandemic recovery to continue, while simultaneously addressing rising concerns around record debt levels and stretched asset valuations. The combination of these circumstances creates a macroeconomic environment in which a relatively small shock could have disruptive consequences on both financial markets and the real economy.”

## ANDREW GRAY

DTCC Managing Director, Group Chief Risk Officer, on: **BUILDING INTELLIGENT RESILIENCE**



“Looking forward to 2022, risk managers face a set of challenges that is unprecedented both in terms of complexity and breadth. The interplay between macroeconomic risks, continued cyber threats, the rise of crypto assets and the impact of climate change - just to name a few areas - creates a dauntingly difficult terrain to navigate. In such an environment, continued vigilance and a cross-disciplinary approach to risk management are more important than ever.”

## QUESTIONS ON INFLATION, INTEREST RATES AND THE ECONOMIC RECOVERY

RESPONDENTS WERE ASKED WHETHER THEY (DIS)AGREE WITH A SERIES OF FORWARD-LOOKING STATEMENTS RELATED TO INFLATION, INTEREST RATES AND THE ECONOMIC RECOVERY WITH RESPECT TO THEIR GEOGRAPHICAL AREA.

RESPONDENTS EXPECT INFLATION TO CONTINUE THROUGHOUT 2022.

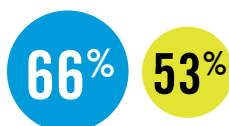
STATEMENT	NORTH AMERICAN RESPONDENTS			RESPONDENTS OUTSIDE OF NORTH AMERICA		
	AGREE	DISAGREE	UNCERTAIN	AGREE	DISAGREE	UNCERTAIN
One year from now, I expect inflation to be equal to or higher than current levels.	81%	9%	10%	74%	14%	12%
Looking ahead to 2022, I am concerned that rates will be kept too low for too long, creating continued inflationary pressure and/or asset bubbles.	67%	19%	14%	59%	27%	14%
Central bankers are overly optimistic about the transitory nature of inflation.	61%	20%	19%	47%	28%	25%
Inflation differentials among euro area countries will increase, causing renewed tensions within the eurozone over the next 12 months.	46%	10%	44%	47%	22%	31%
I am concerned about the risk of stagflation within the next 12 months.	42%	31%	27%	46%	34%	20%
Elevated sovereign debt levels will keep central banks from raising rates in 2022.	32%	29%	39%	43%	22%	35%
Looking ahead to 2022, I am concerned that rates will be raised too quickly, thus hampering the ongoing economic recovery.	26%	54%	20%	31%	43%	26%
Additional stimulus is needed to keep the recovery from stalling in 2022.	18%	65%	17%	58%	20%	22%

## REGIONAL DIFFERENCES

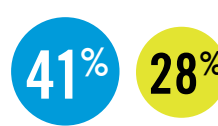
BASED ON THE FEEDBACK RECEIVED FROM 100 RESPONDENTS WITHIN NORTH AMERICA AND 116 RESPONDENTS OUTSIDE OF NORTH AMERICA, WE IDENTIFIED SOME NOTEWORTHY REGIONAL DIFFERENCES.

In relative terms, North American respondents are more concerned about Cyber Risk, Inflation and Interconnectedness Risk.

### CYBER RISK



### INFLATION

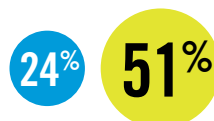


### INTERCONNECTEDNESS RISK

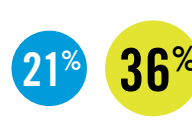


Respondents outside of North America are more concerned, also in relative terms, about Climate Change, Excessive Global Debt and FinTech/Crypto Assets.

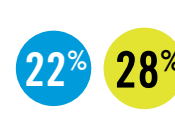
### CLIMATE CHANGE



### EXCESSIVE GLOBAL DEBT



### FINTECH/CRYPTO ASSETS

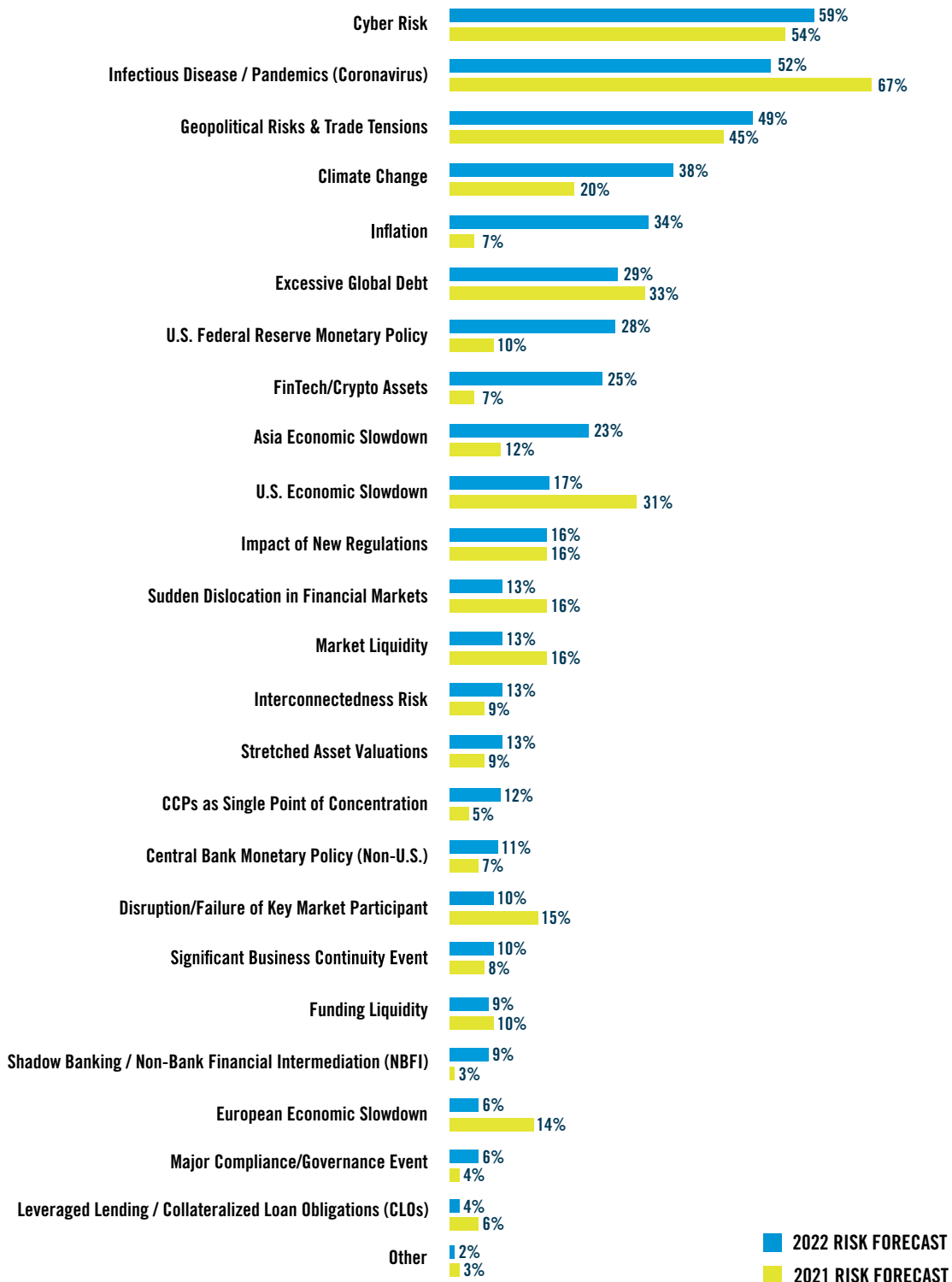


● North American Respondents ● Respondents outside of North America

## TOP 5 RISKS IDENTIFIED

When asked to identify the top 5 systemic risks to the broader economy, most respondents cited Cyber Risk, Infectious Disease / Pandemics (Coronavirus), Geopolitical Risks & Trade Tensions, Climate Change and Inflation. The graph compares results for the 2022 Risk Forecast (in blue) with results for the 2021 Risk Forecast (in yellow).\*

### RISK TO BROADER ECONOMY



\*U.S. Presidential Election Outcome and Britain Exit from the E.U. (Brexit) were removed as risk categories for the 2022 Risk Forecast.