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, resilience 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

GEOPOLITICAL RISKS WAS CITED AS THE OVERALL TOP RISK
- 81% of respondents included this risk in their top 5, with 47% citing it as the number one risk impacting the global financial system in 2024.

INFLATION CONTINUES TO BE CITED BY RESPONDENTS AS THE SECOND MOST IMPORTANT RISK OVERALL
- Inflation was cited by 55% of respondents as a top 5 risk.

- This risk was cited by 51% of survey respondents as a top 5 risk, an increase from 21% in last year’s survey.

SUDDEN DISLOCATION IN FINANCIAL MARKETS AND DISRUPTION / FAILURE OF KEY MARKET PARTICIPANT WERE IDENTIFIED AS THE TWO MOST UNDERESTIMATED RISKS IN 2024
- Sudden Dislocation in Financial Markets was cited by 35% of respondents as the most underestimated risk in 2024.
- Disruption / Failure of Key Market Participant was cited by 31% of respondents as the most underestimated risk in 2024.

COMMERCIAL REAL ESTATE CRISIS WAS CITED BY 52% OF RESPONDENTS AS A MORE LIKELY RISK IN 2024, WHEN COMPARED TO A BANKING SECTOR CRISIS OR CORPORATE DEBT CRISIS
- Banking Sector Crisis and Corporate Debt Crisis were each cited by only 24% of respondents.
“When assessing the concerns at the top of this year’s survey, you see a diverse risk environment which highlights the need for cross-industry collaboration to identify and limit the potential impact of disruptions. This is particularly critical given the increasing interconnectedness of the global financial markets where a disruptive event can easily and quickly be transmitted across interconnected entities exponentially increasing the risk of disruption to the global financial marketplace.”

TIMOTHY CUDDHY
DTCC Managing Director, Group Chief Risk Officer, on: TOP SYSTEMIC RISKS
Respondents were asked whether they (dis)agree with a series of forward-looking statements related to inflation, interest rates and economic growth with respect to their geographical area.

Respondents expect a challenging macroeconomic environment to continue throughout 2024.

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>NORTH AMERICAN RESPONDENTS</th>
<th>RESPONDENTS OUTSIDE OF NORTH AMERICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>I expect inflation rates to be lower one year from now.</td>
<td>50% 32% 18%</td>
<td>52% 29% 19%</td>
</tr>
<tr>
<td>I am concerned that interest rates will be kept too high for too long in 2024.</td>
<td>50% 29% 21%</td>
<td>40% 40% 20%</td>
</tr>
<tr>
<td>I expect interest rates to be decreasing one year from now.</td>
<td>40% 36% 24%</td>
<td>31% 46% 25%</td>
</tr>
<tr>
<td>I expect economic growth to be positive for 2024.</td>
<td>39% 33% 28%</td>
<td>48% 27% 25%</td>
</tr>
</tbody>
</table>

When asked to identify the risk considered to be more likely in 2024, most respondents cited a Commercial Real Estate Crisis when compared to a Banking Sector Crisis or Corporate Debt Crisis.

Based on the feedback received, we identified some noteworthy regional differences.


Respondents outside of North America are more concerned, also in relative terms, with Geopolitical Risks, Climate Change and Extreme Weather Events, and Asia Economic Slowdown.
When asked to identify the top 5 systemic risks to the global economy, most respondents cited Geopolitical Risks, Inflation, U.S. Political Uncertainty and 2024 U.S. Presidential Election, Cyber Risk and Commercial Real Estate / Housing Markets. The graph compares results for the 2024 Risk Forecast (in green) with results for the 2023 Risk Forecast (in mint).*

**TOP 5 RISKS IDENTIFIED**

When asked to identify the two risks that will be most underestimated in 2024 with respect to the global economy, most respondents cited Sudden Dislocation in Financial Markets and Disruption / Failure of Key Market Participant.

* Banking Sector Stress and Excessive Global Public / Corporate Debt were added as new risk categories to the 2024 Risk Forecast.

**MOST UNDERESTIMATED RISKS**

- Sudden Dislocation in Financial Markets
- Disruption / Failure of Key Market Participant
- Market Liquidity
- Funding Liquidity
- Impact of New Regulations / Bank Capital Requirements
- Stretched Asset Valuations
- Leveraged Lending / Collateralized Loan Obligations (CLOs)
- CCPs as Single Point of Concentration
- Infectious Disease / Pandemics (Coronavirus)