



SYSTEMIC RISK BAROMETER SURVEY

2023 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 to support its member outreach efforts and to benchmark its risk management initiatives versus the concerns highlighted by respondents.

KEY FINDINGS

GEOPOLITICAL RISKS & TRADE TENSIONS WAS CITED AS THE OVERALL TOP RISK

- 68% of respondents included this risk in their top 5, with 24% citing it as the number one risk impacting the global financial system in 2023.

INFLATION ADVANCED SIGNIFICANTLY AND WAS IDENTIFIED AS THE SECOND MOST FREQUENTLY CITED OF THE TOP 5 RISKS

- This risk was cited by 61% of survey respondents as a top 5 risk, an increase from 34% in last year's survey.

CYBER RISK CONTINUES TO BE FREQUENTLY CITED BY RESPONDENTS AS THE THIRD MOST IMPORTANT RISK OVERALL

- Cyber Risk was cited by 47% of respondents as a top 5 risk.

U.S. ECONOMIC SLOWDOWN AND U.S. FEDERAL RESERVE MONETARY POLICY WERE IDENTIFIED AS THE FOURTH AND FIFTH MOST IMPORTANT RISKS OVERALL

- U.S. Economic Slowdown was cited by 40% of respondents as a top 5 risk, an increase from 17% in last year's survey.
- U.S. Federal Reserve Monetary Policy was cited by 35% of respondents as a top 5 risk, an increase from 28% in last year's survey

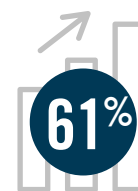
EUROPEAN ECONOMIC SLOWDOWN / EUROZONE DEBT CRISIS WAS AMONG THE LARGEST PERCENTAGE ADVANCERS FOR THIS YEAR'S SURVEY

- European Economic Slowdown / Eurozone Debt Crisis was cited by 31% of respondents as a top 5 risk, an increase from 6% in last year's survey.



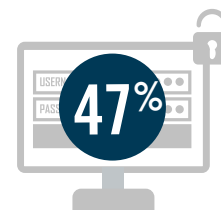
GEOPOLITICAL RISKS & TRADE TENSIONS

IDENTIFIED BY 68%
OF RESPONDENTS
AS A TOP 5 RISK



INFLATION

61% OF
RESPONDENTS
RANKED INFLATION
AS A TOP 5 RISK



CYBER RISK

IDENTIFIED BY 47% OF
RESPONDENTS AS
A TOP 5 RISK

PERSPECTIVES ON RISK

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

ALI WOLPERT

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

GEOPOLITICAL RISKS



“The results of the survey reflect the significant impact of geopolitical instability as a driver of risk and economic uncertainty. This outcome reflects the ongoing conflict in Europe, coupled with concerns about the increased complexity of a rapidly changing world order and expected tensions in the APAC region. Any escalation of these conflicts could have a profound effect on the global economy and global policy agenda.”

MICHAEL LEIBROCK

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

INFLATION



“The current macroeconomic environment is extremely challenging, as inflation in the U.S. and abroad is reaching levels that haven’t been observed in decades, while concerns about a global economic slowdown are rising rapidly. One of the key challenges for central banks going into 2023 will be to devise monetary policies that effectively ease inflationary pressures while having a minimal negative impact on employment and GDP.”

AJOY KUMAR

DTCC Managing Director and Chief
Information Security Officer, on:

CYBER RISK



“The cyber threat environment continues to evolve and staying ahead of the threats is a never-ending job. As cybersecurity threats continue to grow, firms must evolve their approach to cybersecurity to concentrate on resilience. Financial institutions should expand their focus from identification, detection, protection to swiftly respond and safely recover. The cyber-threat landscape requires a holistic view when building operational resilience across the value chain. Financial market infrastructures must not only adapt to these threats but also rapidly respond and safely recover its operational capabilities to facilitate fair and orderly markets.”

TIMOTHY CUDDIHY

DTCC Managing Director, Group Chief Risk Officer, on: **TOP SYSTEMIC RISKS**



“The concerns that rank at the top of this year’s survey – geopolitical tensions, cybersecurity threats, inflation and other macroeconomic risks – all have the potential to cause significant market turmoil in the year ahead. This highlights the need for central counterparties to assess multiple and interconnected risks to protect the stability and integrity of global financial markets.”

QUESTIONS ON INFLATION, INTEREST RATES, ECONOMIC GROWTH AND CLIMATE CHANGE

Respondents were asked whether they (dis)agree with a series of forward-looking statements related to inflation, interest rates, economic growth and climate change with respect to their geographical area.

RESPONDENTS EXPECT A CHALLENGING MACROECONOMIC ENVIRONMENT TO CONTINUE THROUGHOUT 2023.

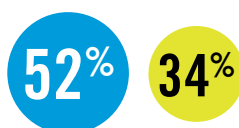
STATEMENT	NORTH AMERICAN RESPONDENTS			RESPONDENTS OUTSIDE OF NORTH AMERICA		
	AGREE	DISAGREE	UNCERTAIN	AGREE	DISAGREE	UNCERTAIN
I expect inflation rates to be lower one year from now.	56%	26%	18%	46%	32%	22%
I believe that the financial services industry should take actions to address the climate change threat to global financial markets.	51%	32%	17%	85%	5%	10%
I consider a sovereign debt crisis in the eurozone to be possible in 2023.	48%	15%	37%	46%	37%	17%
I expect interest rates to be increasing one year from now.	38%	43%	19%	59%	24%	17%
I expect economic growth to be positive for 2023.	27%	46%	27%	29%	39%	32%
I consider climate change to represent an imminent or short-term risk and threat to global financial markets and the financial services industry.	26%	59%	15%	44%	46%	10%

REGIONAL DIFFERENCES

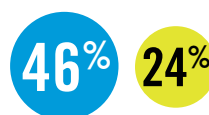
BASED ON THE FEEDBACK RECEIVED, WE IDENTIFIED SOME NOTEWORTHY REGIONAL DIFFERENCES.

In relative terms, North American respondents are more concerned with Cyber Risk, U.S. Economic Slowdown and U.S. Political Uncertainty.

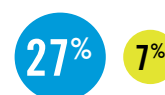
CYBER RISK



U.S. ECONOMIC SLOWDOWN

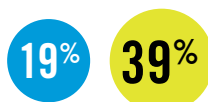


U.S. POLITICAL UNCERTAINTY

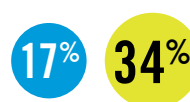


Respondents outside of North America are more concerned, also in relative terms, with Asia Economic Slowdown, Climate Change and Housing Markets.

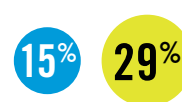
ASIA ECONOMIC SLOWDOWN



CLIMATE CHANGE



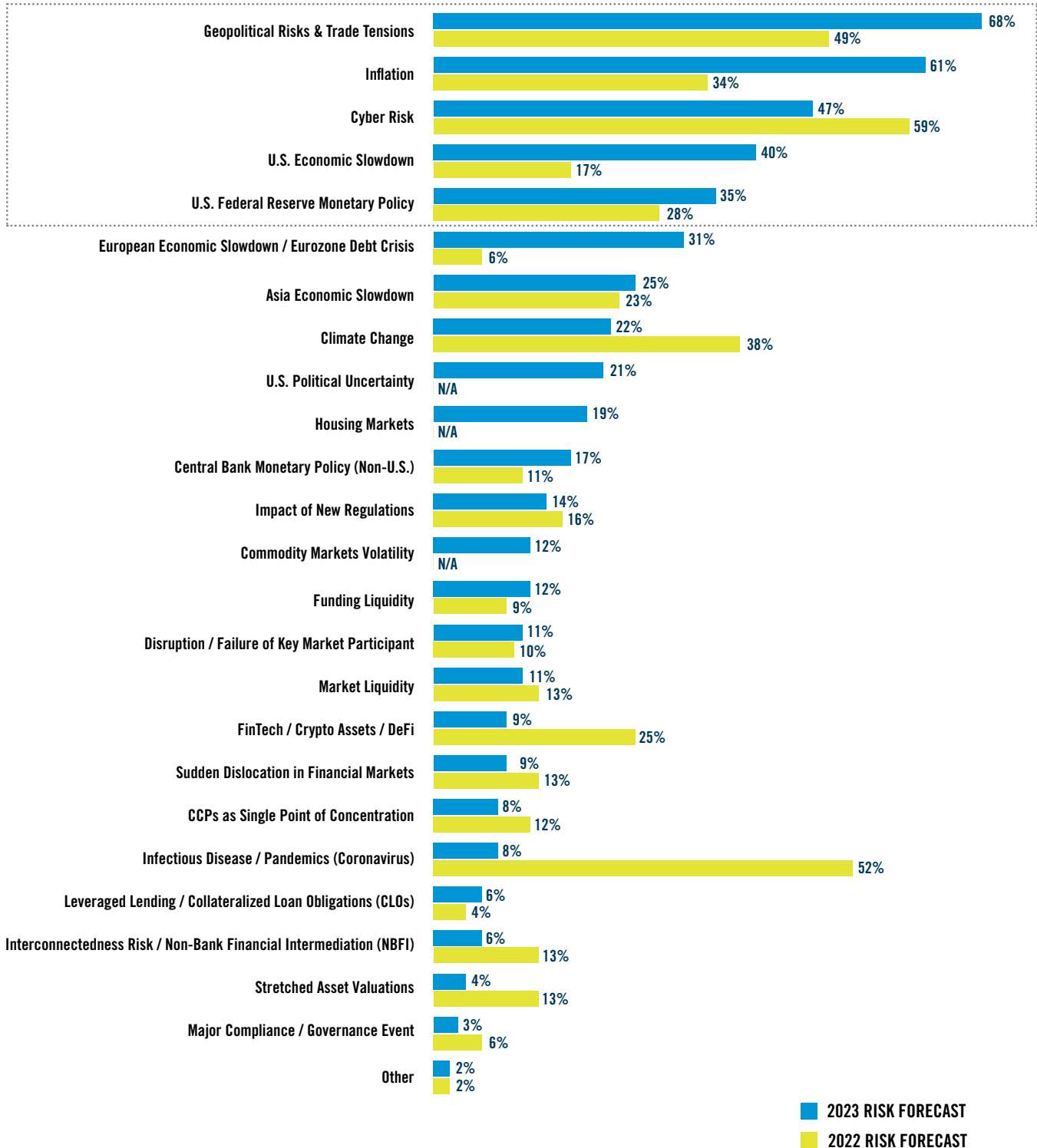
HOUSING MARKETS



TOP 5 RISKS IDENTIFIED

When asked to identify the top 5 systemic risks to the broader economy, most respondents cited Geopolitical Risks & Trade Tensions, Inflation, Cyber Risk, U.S. Economic Slowdown and U.S. Federal Reserve Monetary Policy. The graph compares results for the 2023 Risk Forecast (in blue) with results for the 2022 Risk Forecast (in yellow).*

RISK TO BROADER ECONOMY



*U.S. Political Uncertainty, Housing Markets, and Commodity Markets Volatility were added as new risk categories to the 2023 Risk Forecast. Significant Business Continuity Event was removed as a risk category for the 2023 Risk Forecast.