

Systemic Risk Barometer Survey

2024 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, 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.

U.S. POLITICAL UNCERTAINTY AND 2024 U.S. PRESIDENTIAL ELECTION ADVANCED SIGNIFICANTLY AND WAS IDENTIFIED AS THE THIRD MOST FREQUENTLY CITED OF THE TOP 5 RISKS

- 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.



GEOPOLITICAL RISKS

IDENTIFIED BY 81%
OF RESPONDENTS
AS A TOP 5 RISK



INFLATION

55% OF
RESPONDENTS
RANKED INFLATION
AS A TOP 5 RISK



U.S. POLITICAL UNCERTAINTY AND 2024 U.S. PRESIDENTIAL ELECTION

IDENTIFIED BY 51% 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 how current and emerging geopolitical tensions in Europe and the Middle East combined with U.S. political uncertainties have emerged as a top risk across financial market participants globally. These concurrent tensions contribute to an uncertain environment in which unforeseen risk has the potential to drive instability thus producing a profound effect on the global economy.”

MICHAEL LEIBROCK

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

INFLATION



“Central banks have made significant progress in reducing inflation. However, inflation continues to prove persistent and challenging as interest rates remain historically high resulting in monetary policies aimed at reducing inflationary pressure. The challenge for central banks is identifying the right monetary policies to achieve a ‘soft-landing’ for global economies without significant impairment to GDP and employment growth.”

YONESY NUÑEZ

DTCC Managing Director and Chief Information Security Officer, on:

CYBER RISK



“The cyber landscape is constantly evolving and staying ahead of these threats is a never-ending job. Driven by the growing sophistication of threat actors, the proliferation of new technology adoption and an increasingly interconnected marketplace, cyber risk continues to rank as a top threat to the financial services ecosystem. The financial system’s interconnectivity has provided significant benefits across the industry but has also introduced new vulnerabilities making it more important than ever to advance opportunities to share best practices and partner on ways to mitigate cyber risk.”

TIMOTHY CUDDIHY

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



“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.”

QUESTIONS ON INFLATION, INTEREST RATES AND ECONOMIC GROWTH

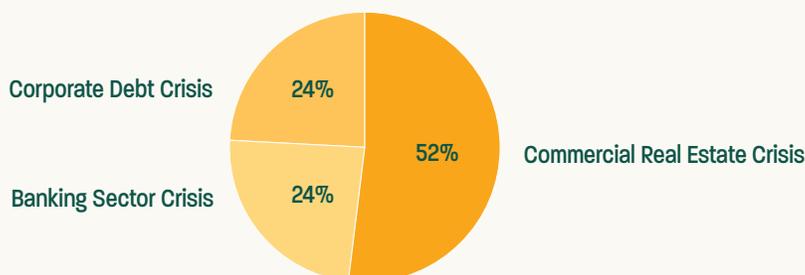
Respondents were asked whether they (dis)agree with a series of forward-looking statements related to inflation, interest rates and economic growth with respect to their geographical area.

Respondents expect a challenging macroeconomic environment to continue throughout 2024.

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.	50%	32%	18%	52%	29%	19%
I am concerned that interest rates will be kept too high for too long in 2024.	50%	29%	21%	40%	40%	20%
I expect interest rates to be decreasing one year from now.	40%	36%	24%	31%	46%	23%
I expect economic growth to be positive for 2024.	39%	33%	28%	48%	27%	25%

MORE LIKELY RISK IN 2024

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.



REGIONAL DIFFERENCES

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

In relative terms, North American respondents are more concerned with U.S. Political Uncertainty and 2024 U.S. Presidential Election, U.S. Federal Reserve Monetary Policy, and U.S. Economic Slowdown.

U.S. POLITICAL UNCERTAINTY AND 2024 U.S. PRESIDENTIAL ELECTION



U.S. FEDERAL RESERVE MONETARY POLICY



U.S. ECONOMIC SLOWDOWN



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.

GEOPOLITICAL RISKS



CLIMATE CHANGE AND EXTREME WEATHER EVENTS



ASIA ECONOMIC SLOWDOWN

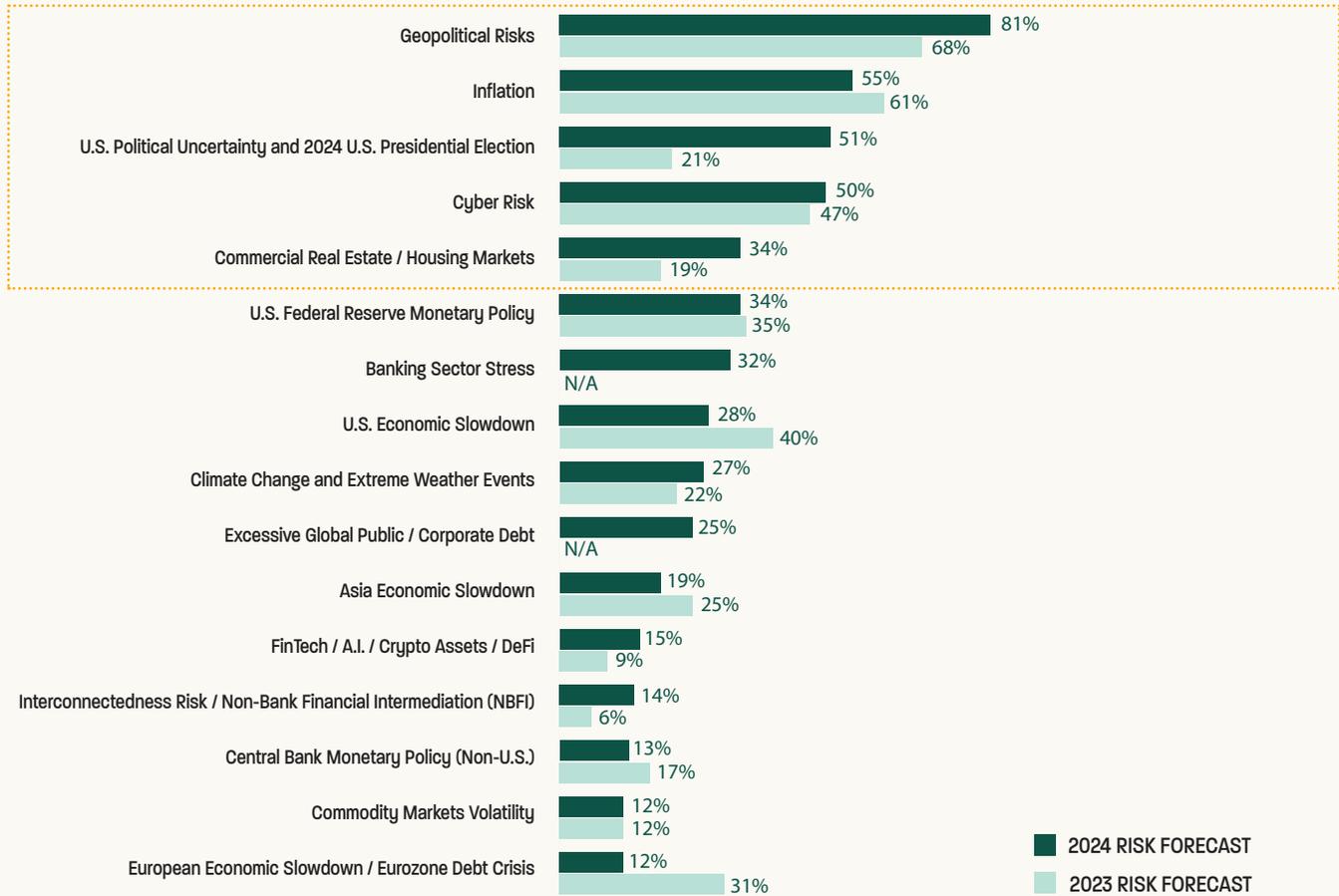


● North American Respondents ● Respondents outside of North America

TOP 5 RISKS IDENTIFIED

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).*

RISK TO GLOBAL ECONOMY



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

MOST UNDERESTIMATED RISKS

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.

