Erratum

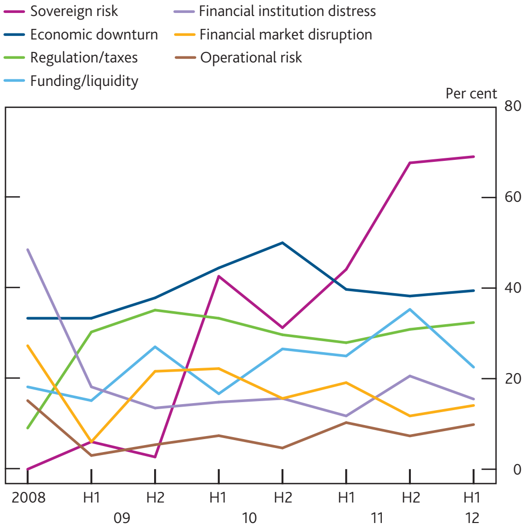
2012 H1 data on 'risks most challenging to manage as a firm' were initially misreported in this publication of the *Systemic Risk Survey*. The error affected **Chart 8** and **Table A3**. A corrected chart and table are presented on the following page.

Systemic Risk Survey

Survey results | 2012 H1

BANK OF ENGLAND

Corrected Chart 8 Risks most challenging to manage as a firm[(a)(b)]



Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) After respondents had listed the five risks they believed would have the greatest impact on the UK financial system if they were to materialise, they were asked which three of these risks they would find most challenging to manage as a firm. Answers were in a free format and were coded into categories after the questionnaires had been submitted; only one category was selected for each answer. Chart figures are the percentages of respondents citing a given risk at least once, among respondents citing at least one key risk. The chart shows the top seven categories only; see the data appendix for additional categories.
(b) Risks cited in previous surveys have been regrouped into the categories used to describe the latest data.

Corrected Table A3: Risks most challenging to manage as a firm[(a)]

	2008	2009		2010		2011		2012
		H1	H2	H1	H2	H1	H2	H1
Sovereign risk	0	6	3	43	31	44	68	69
Risk of an economic downturn	33	33	38	44	50	40	38	39
Risk around regulation/taxes	9	30	35	33	30	28	31	32
Funding risk	18	15	27	17	27	25	35	23
Risk of financial institution failure/distress	48	18	14	15	16	12	21	15
Risk of financial market disruption/dislocation	27	6	22	22	16	19	12	14
Operational risk	15	3	5	7	5	10	7	10
Risk of loss of confidence in the authorities	0	3	3	7	3	6	7	8
Risks surrounding monetary and fiscal policy[(b)]	6	3	5	9	5	1	1	8
Risk of infrastructure disruption	6	6	5	4	6	4	6	7
Risk of tightening in credit conditions	6	3	11	7	3	6	0	7
Geopolitical risk	0	0	0	0	2	4	0	6
Household/corporate credit risk	6	18	22	9	8	12	3	4
Risk of property price falls	18	6	5	6	8	4	0	4
Inflation risk	0	0	5	6	6	4	3	1
UK political risk	0	0	3	0	2	1	0	1
Other	6	3	5	2	6	3	3	0
Risk of lack of confidence in ratings, valuations and disclosure	6	9	3	7	2	3	3	0
Risks around public anger against, or distrust of, financial institutions	0	0	3	2	0	1	0	0
Cited at least one key risk, but did not cite any risk as challenging to manage (per cent)	0	3	0	2	2	0	0	3
Number of respondents citing at least one key risk	33	33	37	54	64	68	68	73

Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) After respondents had listed the five risks they believed would have the greatest impact on the UK financial system if they were to materialise, they were asked which three of these risks they would find most challenging to manage as a firm. Answers were provided in a free format and were subsequently coded into the above categories; only one category was selected for each answer. Risks cited in previous surveys have been regrouped into the categories used to describe the latest data. Table entries are the percentages of respondents citing each risk at least once in this second question, among those citing at least one key risk.
(b) This category also includes risks surrounding initiatives to support financial stability, such as the Special Liquidity Scheme.

BANK OF ENGLAND

Systemic Risk Survey

Survey results | 2012 H1

The *Systemic Risk Survey*

- The *Systemic Risk Survey* is conducted by the Bank of England on a biannual basis to quantify and track market participants' views of risks to, and their confidence in, the UK financial system.
- This report presents the results of the 2012 H1 survey which was conducted between 16 April and 15 May 2012.

Probability of a high-impact event and confidence in the UK financial system

- In 2012 H1, the perceived probability of a high-impact event in the UK financial system in the short term fell from its 2011 H2 peak. Thirty-six per cent of respondents considered it very high or high and 24% low or very low.
- The perceived probability of a high-impact event in the medium term also fell, but by less, and remained elevated at its second highest level since the survey began in July 2008. Forty-eight per cent of respondents considered it very high or high and 8% low or very low.
- Interestingly, these results were not borne out by responses to a separate question on respondents' perceived change in the probability of a high-impact event over the past six months. In this case, a small net balance of respondents (2%) thought the probability of a high-impact event in the short term had increased rather than decreased over the past six months. A larger positive net balance (18%) thought so for the medium term. This perhaps reflects the high volatility in sentiment over the past six months or so, consistent with heightened uncertainty about the timing and impact of possible shocks to the UK financial system.
- Confidence in the stability of the UK financial system as a whole over the next three years remained low, around levels last seen in 2010 H1, though there was a small improvement on 2011 H2.

Key risks to the UK financial system

- The top seven risks considered to have the greatest impact on the UK financial system if they were to materialise were: sovereign risk (cited by 79% of respondents), the risk of an economic downturn (79%), funding risk (45%), risks around regulation/taxes (40%), the risk of financial institution failure/distress (25%), the risk of financial market disruption/dislocation (21%) and the risk of property price falls (21%).
- This list was unchanged from the 2011 H2 survey. Sovereign risk and the risk of an economic downturn remained the two most commonly mentioned risks, cited by almost 80% of respondents — more than for any risk since the survey began in July 2008. In both of the two most recent surveys, when asked to rank their risks, over 60% of respondents identified sovereign risk as number one. The number of respondents citing funding risk remained elevated, although fell somewhat from its level in 2011 H2.
- Compared with 2011 H2, there was an increase in respondents citing geopolitical risk (+7 percentage points), the risk of loss of confidence in authorities (+5 percentage points) and the risk of tightening in credit conditions (+4 percentage points) as key risks.

Risks most challenging to manage as a firm

- The top seven risks respondents would find most challenging to manage as a firm were the same as the key risks listed above. But the ordering was significantly different: the three considered most challenging to manage were the risk of an economic downturn (56% of respondents), risks around regulation/taxes (37%) and funding risk (34%). Sovereign risk fell from first to fourth risk most challenging to manage in the latest survey, after a sharp decline in respondents citing it (-44 percentage points on 2011 H2).

The *Systemic Risk Survey* is a biannual survey that asks market participants about perceived risks to, and their confidence in, the UK financial system. The survey is generally completed by executives responsible for firms' risk management activities. This report presents the results of the 2012 H1 survey, which was conducted by the Bank of England in the period from 16 April to 15 May 2012. The results presented are based on responses to the survey and do not necessarily reflect the Bank of England's views on risks to the UK financial system. Seventy-three market participants were invited to complete the survey, including hedge funds, banks, building societies, large complex financial institutions (LCFIs), asset managers and insurers. All of the firms (100%) responded.

Summary statistics are calculated by giving equal weight to each survey response.

This report is available on the Bank's website at www.bankofengland.co.uk/publications/Pages/other/srs/default.aspx. Additional background information on the survey is available in the 2009 Q3 *Quarterly Bulletin* article 'Bank of England *Systemic Risk Survey*', available at www.bankofengland.co.uk/publications/Documents/quarterlybulletin/qb090305.pdf.

The publication date for the next *Systemic Risk Survey* is 19 November 2012.

Systemic Risk Survey

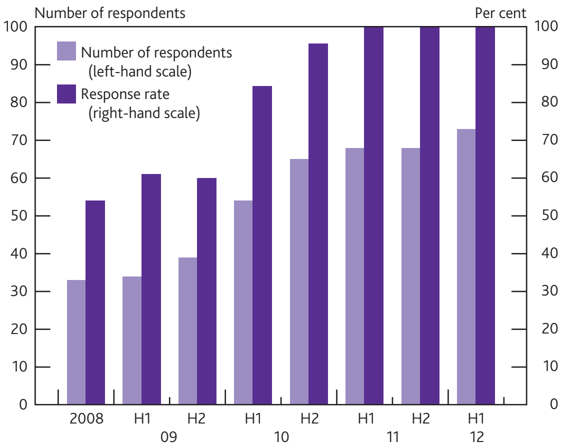
Introduction

As part of its statutory objective to protect and enhance financial stability in the United Kingdom, the Bank works to identify risks to the stability of the UK financial system. The *Systemic Risk Survey* contributes to this activity by quantifying and tracking, on a biannual basis, market participants' perceptions of such risks.

The *Systemic Risk Survey* has been undertaken biannually since 2009, following a pilot survey conducted in July 2008.(1)(2) It was published in standalone form for the first time in 2011 H2. The survey results complement other sources of information used by the Bank to identify system-wide risks. In particular, they capture market participants' views of aggregate risks to the UK financial system through the perceived likelihood of a high-impact event in the UK financial system in the short and medium term, and respondents' confidence in the stability of the UK financial system as a whole in the period ahead. They also capture respondents' views of specific sources of risks, including those that would have an especially large impact on the system if they were to materialise and those that would be particularly challenging for firms to manage.

The sample size of the survey has increased over time (**Chart 1**). The number of firms invited to participate has risen, to over 70 in 2012 H1; and so has the response rate, to 100% in the three most recent rounds. The survey is typically completed by executives responsible for financial institutions' risk management. Seventy-three firms were invited to participate in the 2012 H1 survey (five more than in 2011 H2), including UK banks and building societies (18%), large complex financial institutions (LCFIs) and large foreign banks (22%), asset managers (22%), hedge funds (24%) and insurers (including reinsurers and monoline insurers; 14%).

Chart 1 Survey response rates(a)



Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) The percentage and number of contacts that answered at least one question in the *Systemic Risk Survey*.

The 2012 H1 survey was conducted between 16 April and 15 May 2012. Throughout this period, euro-area developments were fast moving. Indeed, for some questions, there was evidence of higher perceptions of risk in responses that were received in the latter part of the survey period.

The remainder of this report describes the results of the 2012 H1 survey in four sections: 1) the perceived probability of a high-impact event in the UK financial system; 2) respondents' confidence in the stability of the UK financial system; 3) key risks to the UK financial system; and 4) risks that respondents thought would be particularly challenging to manage as a firm. **Tables A1–A3** in the data appendix provide an overview of the results.

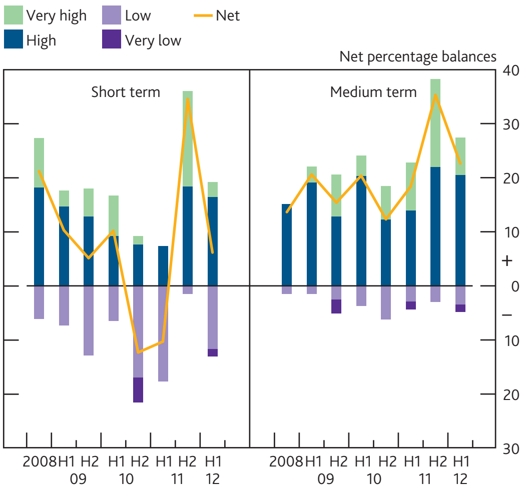
Probability of a high-impact event

Respondents were asked for their view on the probability of a high-impact event in the UK financial system in the short and medium term (*question 2.1*), and how those probabilities had changed over the past six months (*question 2.2*). Since the 2009 H2 survey, short and medium term have been specifically defined as 0–12 months and 1–3 years respectively. These terms were not explicitly defined in earlier surveys.

In the 2012 H1 survey, the perceived probability of a high-impact event in the short term fell from its peak in the 2011 H2 survey (conducted between 20 September and 21 October). Three per cent of respondents considered it very high (-15 percentage points on 2011 H2), 33% considered it high (-4 percentage points) and 24% considered it low or very low (+21 percentage points). The perceived probability of a high-impact event in the medium term also fell compared with the previous survey, but by less, and remained elevated at its second highest level since the survey began in July 2008. Seven per cent considered it very high (-9 percentage points on 2011 H2), 41% considered it high (-3 percentage points) and only 8% considered it low or very low (+2 percentage points). **Chart 2** reflects these responses by weighting the probabilities together into a net percentage balance measure.

(1) The introduction of the *Systemic Risk Survey* is described in more detail in Burls, S (2009), 'Bank of England *Systemic Risk Survey*', *Bank of England Quarterly Bulletin*, Vol. 49, No. 3, pages 226–31.
(2) Surveys from 2010 H1 onwards were carried out by the Bank. Earlier surveys were carried out by British Market Research Bureau (BMRB) on behalf of the Bank.

Chart 2 Probability of a high-impact event in the UK financial system[(a)]

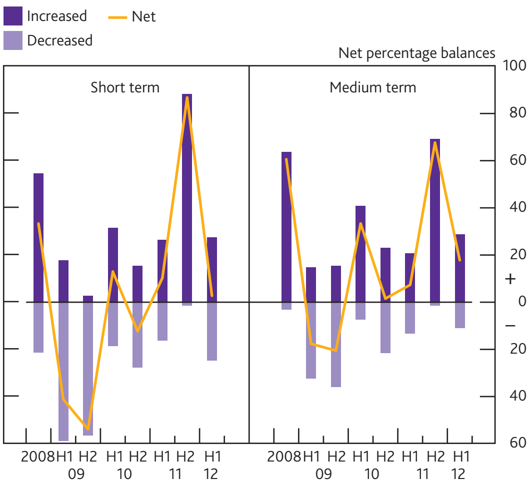


Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) Respondents were asked for the probability of a high-impact event in the UK financial system in the short and medium term. From the 2009 H2 survey onwards, short term was defined as 0–12 months and medium term as 1–3 years. The net percentage balance is calculated by weighting responses as follows: very high (1), high (0.5), medium (0), low (-0.5) and very low (-1). Bars show the contribution of each component to the net percentage balance.

Interestingly, these results were not borne out by responses to *question 2.2*. In this case, a small net balance of respondents (2%) thought the probability of a high-impact event in the short term had increased rather than decreased over the past six months (**Chart 3**). A larger positive net balance (18%) thought so for the medium term. This perhaps reflects the high volatility in sentiment over the past six months or so, consistent with heightened uncertainty about the timing and impact of possible shocks to the UK financial system.

Chart 3 Change over the past six months in the probability of a high-impact event in the UK financial system[(a)]



Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

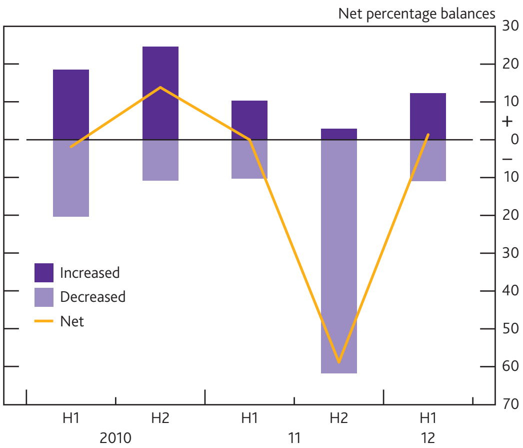
(a) Respondents were asked how the probability of a high-impact event in the UK financial system in the short and medium term had changed over the past six months. From the 2009 H2 survey onwards, short term was defined as 0–12 months and medium term as 1–3 years. The net percentage balance is calculated as the percentage of respondents that perceived an increase, less the percentage that perceived a decrease. Bars show the contribution of each component to the net percentage balance.

Confidence in the UK financial system

Respondents were also asked about their confidence in the stability of the UK financial system as a whole over the next three years (*question 2.3*), and how their confidence had changed over the past six months (*question 2.4*).

Confidence in the stability of the UK financial system remained low in 2012 H1. But there was a small improvement since the previous survey. A small net balance of respondents (2%) reported an increase in confidence over the past six months (**Chart 4**). And, consistent with this, the reported level of confidence was slightly higher than in 2011 H2, driven by an increase in respondents reporting they were fairly confident (+7 percentage points to 64%) and a decrease in those

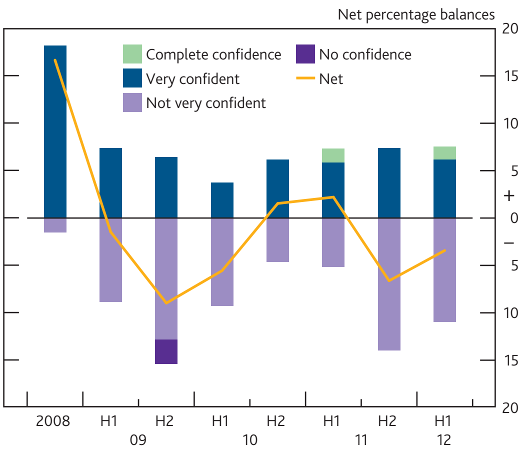
Chart 4 Change over the past six months in confidence in the stability of the UK financial system as a whole over the next three years[(a)]



Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) Respondents were asked how their confidence in the stability of the UK financial system as a whole over the next three years had changed over the past six months. The net percentage balance is calculated as the percentage of respondents reporting an increase minus the percentage reporting a decrease. Bars show the contribution of each component to the net percentage balance. Question only asked since May 2010.

Chart 5 Confidence in the stability of the UK financial system as a whole over the next three years[(a)]



Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) Respondents were asked how much confidence they had in the stability of the UK financial system as a whole over the next three years. The net percentage balance is calculated by weighting responses as follows: complete confidence (1), very confident (0.5), fairly confident (0), not very confident (-0.5) and no confidence (-1). Bars show the contribution of each component to the net percentage balance.

reporting they were not very confident (-6 percentage points to 22%); **Chart 5** reflects these responses by weighting the probabilities together into a net percentage balance measure.

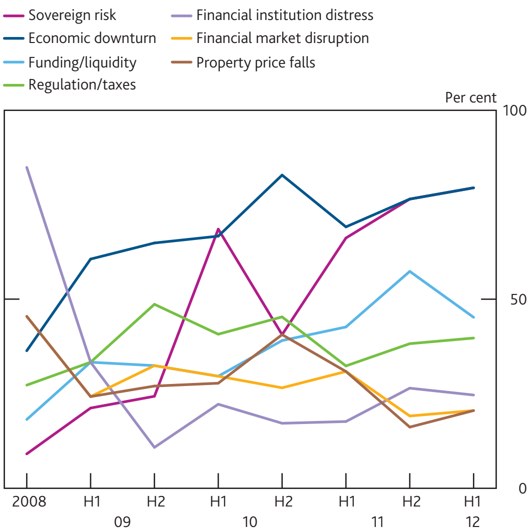
Key risks to the UK financial system

Turning to specific sources of risk to the UK financial system, respondents were asked to list the five risks they thought would have the greatest impact on the UK financial system if they were to materialise (*question 1.1*). Answers were provided in free format, but have been grouped into the 19 categories shown in **Table A2** in the data appendix to give an overview of the results. These summary categories are adjusted over time in order to better capture current risks; risks cited in previous surveys have been regrouped into the new categories to ensure comparability across survey rounds.

The seven risks most frequently cited in the 2012 H1 survey were the same as in 2011 H2 (**Chart 6**):

- Sovereign risk (79% of respondents).
- Risk of an economic downturn (79%).
- Funding risk (45%).
- Risks around regulation/taxes (40%).
- Risk of financial institution failure/distress (25%).
- Risk of financial market disruption/dislocation (21%).
- Risk of property price falls (21%).

Chart 6 Key risks to the UK financial system(a)(b)



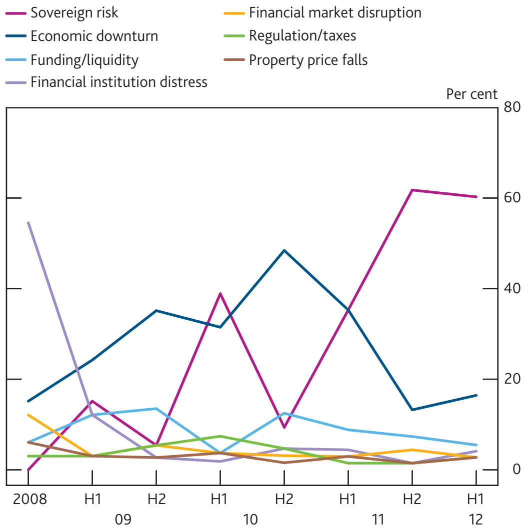
Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) Respondents were asked to list the five risks they thought would have the greatest impact on the UK financial system if they were to materialise. Answers were in a free format and were coded into categories after the questionnaires had been submitted; only one category was selected for each answer. Chart figures are the percentages of respondents citing a given risk at least once, among respondents citing at least one key risk. The chart shows the top seven categories; see the data appendix for additional categories.
(b) Risks cited in previous surveys have been regrouped into the categories used to describe the latest data.

These were also the risks that respondents cited as having the greatest potential impact (ie their number one risk), but in a slightly different order (**Chart 7**):

- Sovereign risk (60% of respondents).
- Risk of an economic downturn (16%).
- Funding risk (5%).
- Risk of financial institution failure/distress (4%).
- Risk of financial market disruption/dislocation (3%).
- Risks around regulation/taxes (3%).
- Risk of property price falls (3%).

Chart 7 Number one key risks to the UK financial system(a)(b)



Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) Respondents were asked to list the five risks they thought would have the greatest impact on the UK financial system if they were to materialise, in order of potential impact (ie greatest impact first). Answers were in a free format and were coded into categories after the questionnaires had been submitted; only one category was selected for each answer. Chart figures are the percentages of respondents citing a given risk as their number one key risk, among respondents citing at least one key risk. The chart shows the top seven categories; see the data appendix for additional categories.
(b) Risks cited in previous surveys have been regrouped into the categories used to describe the latest data.

Agreement was therefore broad among respondents that sovereign risk was the risk with the greatest potential impact, as in 2011 H2. In both of the two most recent surveys, over 60% of respondents have cited it as their number one risk — more than previously recorded for any risk. The specific concerns cited in the sovereign risk category related mainly to the euro area or countries in the euro area (cited by 66% of respondents), while the United Kingdom was cited less frequently than in 2011 H2 (-5 percentage points to 8%) as was the United States (-1 percentage point to 3%).[1] As for particular euro-area risks, responses included a break-up or collapse of the euro, disorderly debt restructuring, sovereign default and contagion. For the United Kingdom, risks cited included a loss of confidence in government solvency, an increase in the deficit and an increase in gilt yields.

The risk of an economic downturn remained the second most frequently cited risk. Respondents typically cited risks to the United Kingdom (+9 percentage points to 59%) and global

(1) The percentages do not sum to 79% because some respondents cited more than one area while others did not cite any particular area.

(-16 percentage points to 34%) outlooks. Eight per cent of respondents cited the European Union specifically, and only 3% cited the United States.

Funding risk remained the third most frequently mentioned category, although noticeably less so than in 2011 H2 (-12 percentage points to 45%). Responses typically cited bank funding difficulties; one respondent cited risks from LTRO maturities and two cited risks from ratings downgrades.

Risks associated with regulation/taxes remained fourth most cited (+2 percentage points to 40%). As in previous surveys, the focus was on potential negative aspects of regulation, including excessive/inappropriate regulation, regulatory uncertainty, inconsistency across jurisdictions and the implementation of UK-specific measures. Two respondents cited deleveraging pressures from Basel III implementation.

While the top risks were largely unchanged compared with 2011 H2, there were a number of changes in the proportion of respondents citing other risks. In particular, there was an increase in respondents citing geopolitical risk (+7 percentage points to 10%), the risk of loss of confidence in authorities (+5 percentage points to 15%) and the risk of tightening in credit conditions (+4 percentage points to 16%) as key risks.

Over a longer time horizon, the *Systemic Risk Survey* suggests a shift in key risks from the risk of financial institution failure/distress (cited by 25% of respondents in 2012 H1, -60 percentage points compared with 2008) and the risks of property price falls and financial market disruption (both -24 percentage points to 21%), towards sovereign risk (+70 percentage points to 79%) and the risk of an economic downturn (+43 percentage points to 79%).

Risks most challenging to manage as a firm

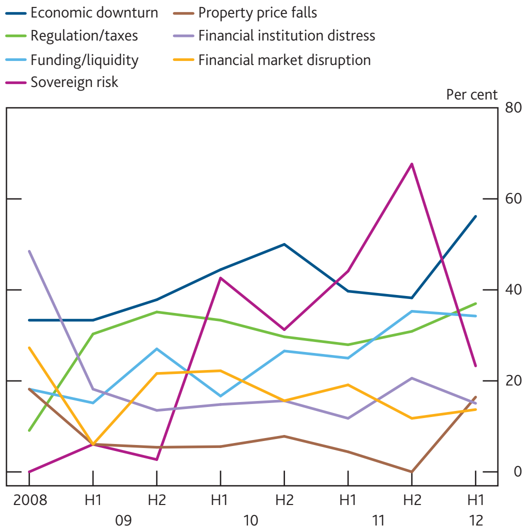
Respondents were also asked which three of the key risks they had listed would be most challenging to manage as a firm (*question 1.2*). **Chart 8** presents the results.

Respondents indicated they would find the same risks from **Chart 6** the most challenging to manage as a firm. But the ordering here was significantly different:

- Risk of an economic downturn (56% of respondents).
- Risks around regulation/taxes (37%).
- Funding risk (34%).
- Sovereign risk (23%).
- Risk of property price falls (16%).
- Risk of financial institution failure/distress (15%).
- Risk of financial market disruption/dislocation (14%).

The three risks considered most challenging to manage as a firm in 2012 H1 were the risk of an economic downturn (56%, +18 percentage points on 2011 H2), risks around

Chart 8 Risks most challenging to manage as a firm[(a)(b)]



Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) After respondents had listed the five risks they believed would have the greatest impact on the UK financial system if they were to materialise, they were asked which three of these risks they would find most challenging to manage as a firm. Answers were in a free format and were coded into categories after the questionnaires had been submitted; only one category was selected for each answer. Chart figures are the percentages of respondents citing a given risk at least once, among respondents citing at least one key risk. The chart shows the top seven categories only; see the data appendix for additional categories.
(b) Risks cited in previous surveys have been regrouped into the categories used to describe the latest data.

regulation/taxes (+6 percentage points to 37%) and funding risk (-1 percentage point to 34%).

Sovereign risk fell from first to fourth risk most challenging to manage in the latest survey, after a sharp decline in respondents citing it (-45 percentage points to 23%). Given that responses to *question 1.1* continue to highlight sovereign risk as having the greatest potential impact on the UK financial system as a whole, this implies that, for some reason, firms now consider themselves more insulated from its crystallisation than in 2011 H2. For example, they may have taken specific action which they believe — rightly or wrongly — mitigates the impact of sovereign risk on them. The survey does not provide information on why participants say a risk is hard to manage, or on what actions firms have taken to guard against risks.

Compared with 2011 H2, there were increases in the number of respondents citing the risks of property price falls (from zero to 16%), household and corporate credit defaults (+9 percentage points to 12%) and tightening in credit conditions (from zero to 7 percentage points) as key risks that would be most challenging to manage as a firm.

Data appendix

The tables in this appendix in Excel format and the survey questionnaire are available on the Bank's website at www.bankofengland.co.uk/publications/Pages/other/srs/default.aspx.

Table A1: Aggregate risks to the UK financial system[(a)]

	2008	2009		2010		2011		2012
		H1	H2	H1	H2	H1	H2	H1
Probability of a high-impact event in the UK financial system in the short term[(b)]								
Very high	9	3	5	7	2	0	18	3
High	36	29	26	19	15	15	37	33
Medium	42	53	44	61	45	50	43	40
Low	12	15	26	13	34	35	3	23
Very low	0	0	0	0	5	0	0	1
Probability of a high-impact event in the UK financial system in the medium term[(b)]								
Very high	0	3	8	4	6	9	16	7
High	30	38	26	41	25	28	44	41
Medium	67	56	59	48	57	56	34	44
Low	3	3	5	7	12	6	6	7
Very low	0	0	3	0	0	1	0	1
Change in the probability over the past six months of a high-impact event in the UK financial system in the short term[(c)]								
Increased	55	18	3	31	15	26	88	27
Unchanged	24	24	41	50	57	57	10	48
Decreased	21	59	56	19	28	16	1	25
Change in the probability over the past six months of a high-impact event in the UK financial system in the medium term[(c)]								
Increased	64	15	15	41	23	21	69	29
Unchanged	33	53	49	52	55	66	29	60
Decreased	3	32	36	7	22	13	1	11
Confidence in the stability of the UK financial system as a whole over the next three years[(d)]								
Complete confidence	0	0	0	0	0	1	0	1
Very confident	36	15	13	7	12	12	15	12
Fairly confident	61	68	59	74	78	76	57	64
Not very confident	3	18	26	19	9	10	28	22
No confidence	0	0	3	0	0	0	0	0
Change in confidence over the past six months[(e)]								
Increased				19	25	10	3	12
Unchanged				61	65	79	35	77
Decreased				20	11	10	62	11

Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) Entries are percentages of respondents and may not sum to 100% due to rounding.
(b) Respondents were asked what the probability of a high-impact event in the UK financial system was in their view, for both the short and medium term. In the 2009 H2–2012 H1 surveys, short term was defined as 0–12 months and medium term as 1–3 years.
(c) Respondents were asked how the probability had changed over the past six months for the short and medium term. In the 2009 H2–2012 H1 surveys, short term was defined as 0–12 months and medium term as 1–3 years.
(d) Respondents were asked how much confidence they had in the stability of the UK financial system as a whole over the next three years.
(e) Respondents were asked how their confidence had changed over the past six months. The question was asked from 2010 H1 onwards.

Table A2: Key risks to the UK financial system[(a)]

	2008	2009		2010		2011		2012
		H1	H2	H1	H2	H1	H2	H1
Key risks[(b)]								
Sovereign risk	9	21	24	69	41	66	76	79
Risk of an economic downturn	36	61	65	67	83	69	76	79
Funding risk	18	33	32	30	39	43	57	45
Risks around regulation/taxes	27	33	49	41	45	32	38	40
Risk of financial institution failure/distress	85	33	11	22	17	18	26	25
Risk of financial market disruption/dislocation	45	24	32	30	27	31	19	21
Risk of property price falls	45	24	27	28	41	31	16	21
Risk of tightening in credit conditions	15	24	24	20	13	13	12	16
Risk of loss of confidence in the authorities	3	9	3	9	6	7	10	15
Household/corporate credit risk	12	36	49	17	19	25	10	14
Operational risk	21	18	8	13	17	15	10	12
Geopolitical risk	3	6	3	0	5	7	3	10
Risk of infrastructure disruption	12	9	8	6	9	6	10	10
Risks surrounding monetary and fiscal policy[(c)]	12	3	24	9	8	12	1	10
Inflation risk	6	9	14	13	9	19	6	5
Risk of lack of confidence in ratings, valuations and disclosure	12	18	8	11	2	4	4	4
UK political risk	0	0	3	17	8	6	1	3
Other	12	9	8	9	9	3	7	1
Risks around public anger against, or distrust of, financial institutions	0	0	5	6	0	1	0	0
Number one key risks[(d)]								
Sovereign risk	0	15	5	39	9	35	62	60
Risk of an economic downturn	15	24	35	31	48	35	13	16
Funding risk	6	12	14	4	13	9	7	5
Risk of financial institution failure/distress	55	12	3	2	5	4	1	4
Risk of financial market disruption/dislocation	12	3	5	4	3	3	4	3
Risks around regulation/taxes	3	3	5	7	5	1	1	3
Risk of property price falls	6	3	3	4	2	3	1	3
Inflation risk	0	0	0	2	2	1	0	1
Geopolitical risk	0	3	0	0	2	4	1	1
Risk of loss of confidence in the authorities	0	3	0	2	2	0	6	1
Risks surrounding monetary and fiscal policy[(c)]	0	0	8	2	2	1	0	1
Household/corporate credit risk	0	15	14	0	2	0	0	0
Risk of infrastructure disruption	0	0	0	0	2	0	1	0
Risks around public anger against, or distrust of, financial institutions	0	0	0	0	0	0	0	0
Risk of lack of confidence in ratings, valuations and disclosure	0	3	0	0	0	0	0	0
Operational risk	0	3	0	0	0	1	0	0
Other	0	0	3	0	5	0	0	0
Risk of tightening in credit conditions	3	0	3	0	2	0	0	0
UK political risk	0	0	3	4	0	0	0	0
Number of respondents citing at least one key risk	33	33	37	54	64	68	68	73

Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) Respondents were asked which five risks they believed would have the greatest impact on the UK financial system if they were to materialise, in order of potential impact (ie greatest impact first). Answers were provided in a free format and were subsequently coded into the above categories; only one category was selected for each answer. Risks cited in previous surveys have been regrouped into the categories used to describe the latest data.
(b) Percentages of respondents citing each risk at least once in their top five, among those citing at least one risk.
(c) This category also includes risks surrounding initiatives to support financial stability, such as the Special Liquidity Scheme.
(d) Percentages of respondents citing each risk as their number one risk (ie the risk with the greatest potential impact), among those citing at least one key risk.

Table A3: Risks most challenging to manage as a firm[(a)]

	2008	2009		2010		2011		2012
		H1	H2	H1	H2	H1	H2	H1
Risk of an economic downturn	33	33	38	44	50	40	38	56
Risks around regulation/taxes	9	30	35	33	30	28	31	37
Funding risk	18	15	27	17	27	25	35	34
Sovereign risk	0	6	3	43	31	44	68	23
Risk of property price falls	18	6	5	6	8	4	0	16
Risk of financial institution failure/distress	48	18	14	15	16	12	21	15
Risk of financial market disruption/dislocation	27	6	22	22	16	19	12	14
Risk of loss of confidence in the authorities	0	3	3	7	3	6	7	14
Household/corporate credit risk	6	18	22	9	8	12	3	12
Operational risk	15	3	5	7	5	10	7	10
Risk of infrastructure disruption	6	6	5	4	6	4	6	8
Geopolitical risk	0	0	0	0	2	4	0	7
Risks surrounding monetary and fiscal policy[(b)]	6	3	5	9	5	1	1	7
Risk of tightening in credit conditions	6	3	11	7	3	6	0	7
Risk of lack of confidence in ratings, valuations and disclosure	6	9	3	7	2	3	3	4
Inflation risk	0	0	5	6	6	4	3	4
UK political risk	0	0	3	0	2	1	0	3
Other	6	3	5	2	6	3	3	0
Risks around public anger against, or distrust of, financial institutions	0	0	3	2	0	1	0	0
Cited at least one key risk, but did not cite any risk as challenging to manage (per cent)	0	3	0	2	2	0	0	0
Number of respondents citing at least one key risk	33	33	37	54	64	68	68	73

Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(a) After respondents had listed the five risks they believed would have the greatest impact on the UK financial system if they were to materialise, they were asked which three of these risks they would find most challenging to manage as a firm. Answers were provided in a free format and were subsequently coded into the above categories; only one category was selected for each answer. Risks cited in previous surveys have been regrouped into the categories used to describe the latest data. Table entries are the percentages of respondents citing each risk at least once in this second question, among those citing at least one key risk.
(b) This category also includes risks surrounding initiatives to support financial stability, such as the Special Liquidity Scheme.

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