Systemic Risk Survey

Survey results | 2012 H2

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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 H2 survey, which was conducted between 24 September and 25 October 2012.

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

- The perceived probability of a high-impact event in the short term has fallen back further relative to its 2011 H2 peak. 20% of respondents now consider the probability high or very high (-16 percentage points since 2012 H1) and 34% now consider it low (+11 percentage points).
- The perceived probability of a high-impact event in the medium term has also fallen back, though by slightly less and remains material. 41% of respondents considered it very high or high and 9% low.
- Confidence in the UK financial system has picked up to levels last seen in 2011 H1. 16% of respondents (+3 percentage points since 2012 H1) were completely confident or very confident in the stability of the UK financial system as a whole over the next three years, 71% fairly confident (+7 percentage points) and only 14% not very confident (-8 percentage points).

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 94% of respondents), the risk of an economic downturn (77%), risks around regulation/taxes (34%), funding risk (32%), the risk of financial institution failure/distress (25%), the risk of financial market disruption/dislocation (22%) and the risk of tighter credit conditions (16%).
- The top six of these were unchanged since the 2012 H1 survey. Sovereign risk is now cited by a greater proportion of respondents than previously recorded for any risk. The proportion of respondents citing funding risk has dropped noticeably (-13 percentage points on six months ago; -25 percentage points since its peak in 2011 H2).
- The proportion of respondents raising risks around public anger against, or distrust of, financial institutions jumped to 10% (up from 0% in 2012 H1), with the main concerns around repercussions from the Libor scandal. A new category of 'risks surrounding the low interest rate environment' — cited by 8% of respondents — was also added.

Risks most challenging to manage as a firm

- The top six risks respondents would find most challenging to manage as a firm were the same (and ranked in the same order) as the key risks listed above. The three most cited were sovereign risk (78% of respondents), risk of an economic downturn (41%) and risks around regulation/taxes (24%).

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 H2 survey, which was conducted by the Bank of England in the period from 24 September to 25 October 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-nine 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 17 June 2013.

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.

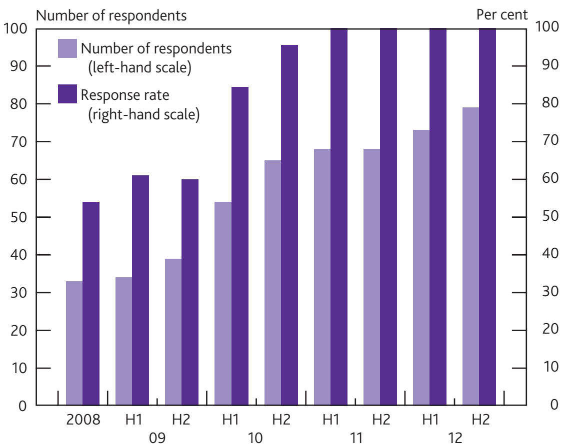
The *Systemic Risk Survey* has been undertaken biannually since 2009, following a pilot survey conducted in July 2008.(1) It was published for the first time in 2011 H2. The survey results complement other sources of information used by the Bank to identify system-wide risks. In particular, they capture 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 and so has the response rate — to 100% in the four most recent rounds. The survey is typically completed by executives responsible for financial institutions' risk management. Seventy-nine firms were invited to participate in the 2012 H2 survey (six more than in 2012 H1), including UK banks and building societies (19%), large complex financial institutions (LCFIs) and large foreign banks (20%), asset managers (22%), hedge funds (22%) and insurers (18%).(2)

The 2012 H2 survey was conducted between 24 September and 25 October 2012.(3)

The remainder of this report describes the results of the 2012 H2 survey and is split into 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.

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*.

Probability of a high-impact event

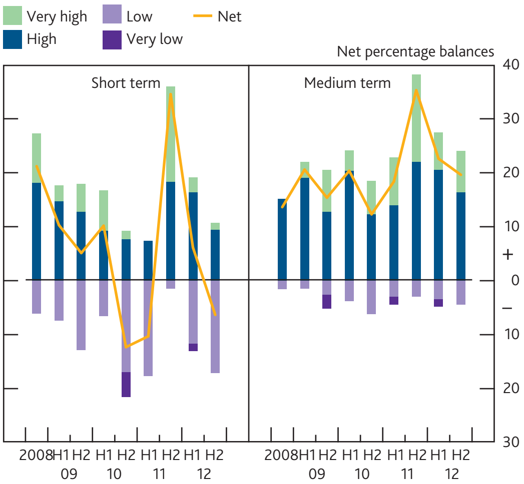
Respondents were asked for their view on the probability of a high-impact event in the UK financial system in the short and medium term (*question 2.1*), and how those probabilities had changed over the past six months (*question 2.2*). Since the 2009 H2 survey, short and medium term have been specifically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

In the 2012 H2 survey, the perceived probability of a high-impact event in the short term fell back further relative to its 2011 H2 peak. Only 1% of respondents considered it very high (-2 percentage points since 2012 H1), 19% considered it high (-14 percentage points), and 34% considered it low (+11 percentage points). The perceived probability of a high-impact event in the medium term has also fallen back since the last survey, but remains material, with 41% considering it high or very high (-7 percentage points) and 9% (+2 percentage points) considering it to be low. **Chart 2** reflects these responses by weighting the probabilities into one measure.

These results tally with respondents' views on how the probability of a high-impact event had changed — **Chart 3**. A large net balance of respondents (23%) thought the

(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) Percentages do not add up to 100% due to rounding.
(3) 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)]

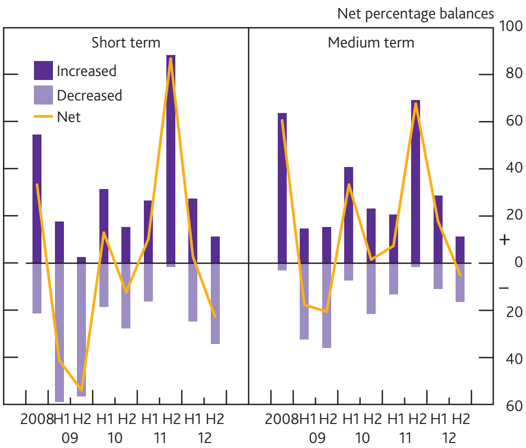


Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(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.

probability of a high impact event in the short term had decreased (34%) rather than increased (11%) over the past six months. A smaller net balance (5%) thought the probability of a high-impact event in the medium term had decreased (16%) rather than increased (11%) over the past six months.

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.

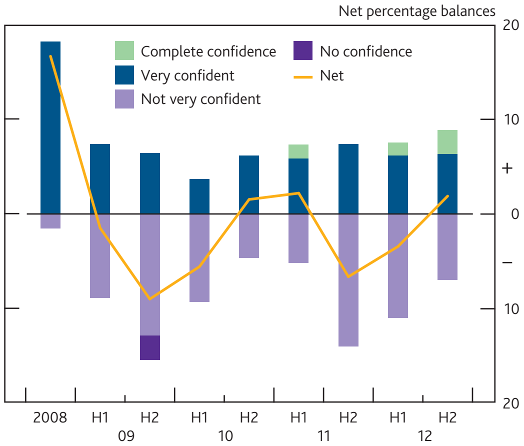
(a) Respondents were asked how the probability of a high-impact event in the UK financial system in the short and medium term had changed over the past six months. From the 2009 H2 survey onwards, short term was defined as 0–12 months and medium term as 1–3 years. The net percentage balance is calculated 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 has picked up to levels last seen in 2011 H1. 16% of respondents (+3 percentage points since 2012 H1) were completely confident or very confident in the stability of the UK financial system as a whole over the next three years, 71% fairly confident (+7 percentage points) and 14% not very confident (-8 percentage points). **Chart 4** reflects these responses by weighting the probabilities into one measure.

Chart 4 Confidence in the stability of the UK financial system as a whole over the next three years[(a)]

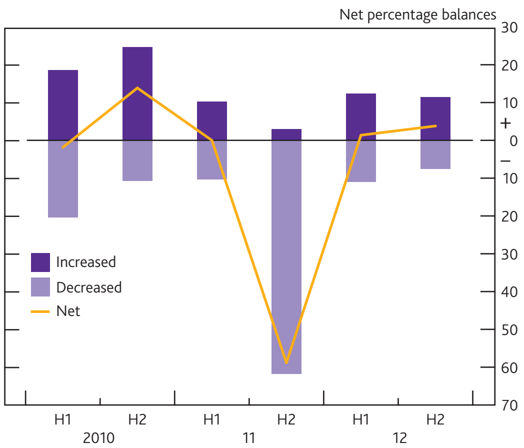


Sources: Bank of England *Systemic Risk Surveys* and Bank calculations.

(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.

And, consistent with this, a small net balance of respondents (3%) said their confidence had increased over the past six months (11% increased, 8% decreased) — **Chart 5**.

Chart 5 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.

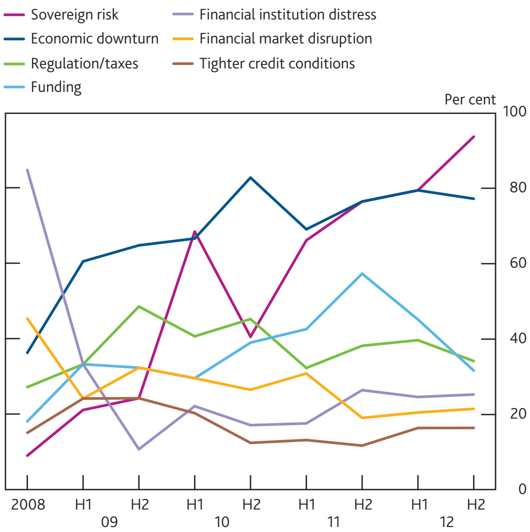
Key risks to the UK financial system

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 20 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 H2 survey were (**Chart 6**):

- Sovereign risk (cited by 94% of respondents).
- Risk of an economic downturn (77%).
- Risks around regulation/taxes (34%).
- Funding risk (32%).
- Risk of financial institution failure/distress (25%).
- Risk of financial market disruption/dislocation (22%).
- Risk of tightening in credit conditions (16%).

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.

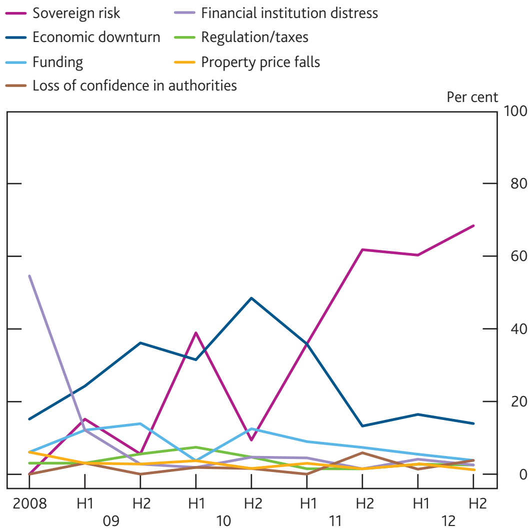
The top six of these risks were identical to those cited in the 2012 H1 survey. A drop-off in the number of respondents citing the risk of property price falls meant that it was replaced in seventh position by the risk of tighter credit conditions.

While the top risks were largely unchanged since the last survey, there were some particularly interesting changes in the proportion of respondents citing other risks. The number of respondents raising risks around public anger against, or distrust of, financial institutions jumped to 10% (up from 0% in 2012 H1), with the main concern around repercussions, in terms of financial penalties and reputational damage, from the Libor scandal. On account of 8% of respondents highlighting either an emerging search for yield or risks associated with negative real interest rates, a new category of 'risks surrounding the low interest rate environment' was introduced for this edition of the survey.

The top two risks — sovereign risk and the risk of an economic downturn — were also those cited as having the greatest potential impact (ie respondents' number one risk) (**Chart 7**):

- Sovereign risk (68% of respondents viewed it as their number one risk).
- Risk of an economic downturn (14%).
- Funding risk (4%).
- Risk of loss of confidence in the authorities (4%).
- Risk of financial institution failure/distress (3%).
- Risks around regulation/taxes (3%).
- Risk of property price falls (1%).

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 survey respondents that a crystallisation of sovereign risk would have the greatest impact on the UK financial system. This has become more pronounced, with an additional 15 percentage points (to 94%) citing sovereign risk as a key risk since 2012 H1 and an increase of 8 percentage points (to 68%) in respondents naming it as their number one risk. These scores are higher than previously recorded for any risk. Concern focused mainly on Europe (mentioned in 79% of the responses that indicated a particular area of sovereign risk), while the United States and the United Kingdom were cited in 9% and 12% of those responses respectively. Of the 79% of respondents citing Europe, six out of ten highlighted concerns over a break up or collapse of the euro area.

An economic downturn remained the number two risk (cited by 77%, down 2 percentage points, of respondents as a key risk). Respondents most frequently cited risks to the United Kingdom (45% of responses citing a particular region) and global (49%) outlooks. Two per cent cited the United States while only 1% cited the euro area and China respectively.

Risks associated with regulation and/or taxes moved up from fourth to third most cited risk, though it was still cited by fewer respondents than in the last survey (down 6 percentage points to 34%). As in previous surveys, the focus fell on potential negative aspects of regulation, including excessive, inappropriate or poorly co-ordinated regulation, a loss of confidence in regulation, as well as the uncertainty created by regulatory change.

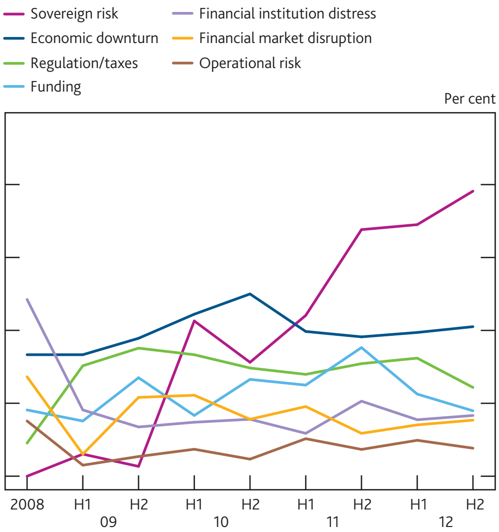
Perhaps underlining recent central bank action to ease funding conditions, noticeably fewer respondents highlighted funding risk (32%; -13 percentage points since 2012 H1, -25 percentage points on a year ago). Where they did cite this risk, respondents typically referred to the risk of bank funding difficulties. One respondent highlighted risks associated with the future refinancing of central bank liquidity schemes.

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.[1]

Respondents indicated they would find the same top six risks from **Chart 6** (also ranked in the same order) the most challenging to manage. Operational risk was, however, rated more highly than a tightening in credit conditions, claiming the seventh spot on the list:

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.

- Sovereign risk (78% of respondents).
- Risk of an economic downturn (41%).
- Risks around regulation/taxes (24%).
- Funding risk (18%).
- Financial Institution failure/distress (17%).
- Financial market disruption/dislocation (15%).
- Operational risk (8%).

The top two risks considered most challenging to manage as a firm in 2012 H2 were both cited by a higher proportion of respondents than previously, with sovereign risk up 9 percentage points to 78% and the risk of an economic downturn up 2 percentage points to 41%. The proportion of respondents citing regulation and/or taxes as the most challenging to manage as a firm fell by 8 percentage points to 24%.

(1) 2012 H1 figures on 'risks most challenging to manage as a firm' were initially misreported in the 2012 H1 publication of the *Systemic Risk Survey*. **Chart 8** and **Table A3** in this publication reflect the correct results for 2012 H1.

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	H2
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	1
High	36	29	26	19	15	15	37	33	19
Medium	42	53	44	61	45	50	43	40	46
Low	12	15	26	13	34	35	3	23	34
Very low	0	0	0	0	5	0	0	1	0
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	8
High	30	38	26	41	25	28	44	41	33
Medium	67	56	59	48	57	56	34	44	51
Low	3	3	5	7	12	6	6	7	9
Very low	0	0	3	0	0	1	0	1	0
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	11
Unchanged	24	24	41	50	57	57	10	48	54
Decreased	21	59	56	19	28	16	1	25	34
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	11
Unchanged	33	53	49	52	55	66	29	60	72
Decreased	3	32	36	7	22	13	1	11	16
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	3
Very confident	36	15	13	7	12	12	15	12	13
Fairly confident	61	68	59	74	78	76	57	64	71
Not very confident	3	18	26	19	9	10	28	22	14
No confidence	0	0	3	0	0	0	0	0	0
Change in confidence over the past six months[e]									
Increased				19	25	10	3	12	11
Unchanged				61	65	79	35	77	81
Decreased				20	11	10	62	11	8

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 H2 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 H2 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	H2
Key risks[b]									
Sovereign risk	9	21	24	69	41	66	76	79	94
Risk of an economic downturn	36	61	65	67	83	69	76	79	77
Risks around regulation/taxes	27	33	49	41	45	32	38	40	34
Funding risk	18	33	32	30	39	43	57	45	32
Risk of financial institution failure/distress	85	33	11	22	17	18	26	25	25
Risk of financial market disruption/dislocation	45	24	32	30	27	31	19	21	22
Risk of tightening in credit conditions	15	24	24	20	13	13	12	16	16
Risk of property price falls	45	24	27	28	41	31	16	21	14
Household/corporate credit risk	12	36	49	17	19	25	10	14	14
Operational risk	21	18	8	13	17	15	10	12	14
Risk of loss of confidence in the authorities	3	9	3	9	6	7	10	15	11
Geopolitical risk	3	6	3	0	5	7	3	10	11
Risks around public anger against, or distrust of, financial institutions	0	0	5	6	0	1	0	0	10
Risk of infrastructure disruption	12	9	8	6	9	6	10	10	9
Risks surrounding the low interest rate environment[c]	0	3	3	2	0	1	0	4	8
Inflation risk	6	9	14	13	9	19	6	5	5
UK political risk	0	0	3	17	8	6	1	3	5
Risks surrounding monetary and fiscal policy[d]	12	0	22	7	8	10	1	5	4
Other	12	9	8	9	9	3	7	1	3
Risk of lack of confidence in ratings, valuations and disclosure	12	18	8	11	2	4	4	4	1
Number one key risks[e]									
Sovereign risk	0	15	6	39	9	36	62	60	68
Risk of an economic downturn	15	24	36	31	48	36	13	16	14
Funding risk	6	12	14	4	13	9	7	5	4
Risk of loss of confidence in the authorities	0	3	0	2	2	0	6	1	4
Risk of financial institution failure/distress	55	12	3	2	5	4	1	4	3
Risks around regulation/taxes	3	3	6	7	5	1	1	3	3
Risk of property price falls	6	3	3	4	2	3	1	3	1
Risks surrounding monetary and fiscal policy[d]	0	0	6	2	2	0	0	1	1
Risk of infrastructure disruption	0	0	0	0	2	0	1	0	1
Risks surrounding the low interest rate environment[c]	0	0	0	0	0	0	0	0	1
Risk of financial market disruption/dislocation	12	3	6	4	3	3	4	3	0
Geopolitical risk	0	3	0	0	2	4	1	1	0
Inflation risk	0	0	0	2	2	1	0	1	0
Operational risk	0	3	0	0	0	1	0	0	0
Other	0	0	3	0	5	0	0	0	0
Household/corporate credit risk	0	15	14	0	2	0	0	0	0
Risk of tightening in credit conditions	3	0	3	0	2	0	0	0	0
UK political risk	0	0	3	4	0	0	0	0	0
Risk of lack of confidence in ratings, valuations and disclosure	0	3	0	0	0	0	0	0	0
Risks around public anger against, or distrust of, financial institutions	0	0	0	0	0	0	0	0	0
Number of respondents citing at least one key risk	33	33	37	54	64	68	68	73	79

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) New category for 2012 H2.
(d) This category also includes risks surrounding initiatives to support financial stability, such as the Special Liquidity Scheme.
(e) 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[b]	H2
Sovereign risk	0	6	3	43	31	44	68	69	78
Risk of an economic downturn	33	33	38	44	50	40	38	39	41
Risks around regulation/taxes	9	30	35	33	30	28	31	32	24
Funding risk	18	15	27	17	27	25	35	23	18
Risk of financial institution failure/distress	48	18	14	15	16	12	21	15	17
Risk of financial market disruption/dislocation	27	6	22	22	16	19	12	14	15
Operational risk	15	3	5	7	5	10	7	10	8
Risk of loss of confidence in the authorities	0	3	3	7	3	6	7	8	8
Risk of infrastructure disruption	6	6	5	4	6	4	6	7	6
Household/corporate credit risk	6	18	22	9	8	12	3	4	6
Risks surrounding the low interest rate environment[c]	0	0	0	0	0	0	0	4	6
Geopolitical risk	0	0	0	0	2	4	0	6	5
Risks surrounding monetary and fiscal policy[d]	6	3	5	9	5	1	1	4	4
Risk of property price falls	18	6	5	6	8	4	0	4	3
Inflation risk	0	0	5	6	6	4	3	1	3
Risks around public anger against, or distrust of, financial institutions	0	0	3	2	0	1	0	0	3
Risk of tightening in credit conditions	6	3	11	7	3	6	0	7	1
UK political risk	0	0	3	0	2	1	0	1	1
Other	6	3	5	2	6	3	3	0	1
Risk of lack of confidence in ratings, valuations and disclosure	6	9	3	7	2	3	3	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	1
Number of respondents citing at least one key risk	33	33	37	54	64	68	68	73	79

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) 2012 H1 numbers for this table were initially misreported in the 2012 H1 *Systemic Risk Survey* publication. **Chart 8** and **Table A3** in this publication reflect the correct results for 2012 H1.
(c) New category for 2012 H2.
(d) This category also includes risks surrounding initiatives to support financial stability, such as the Special Liquidity Scheme.

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