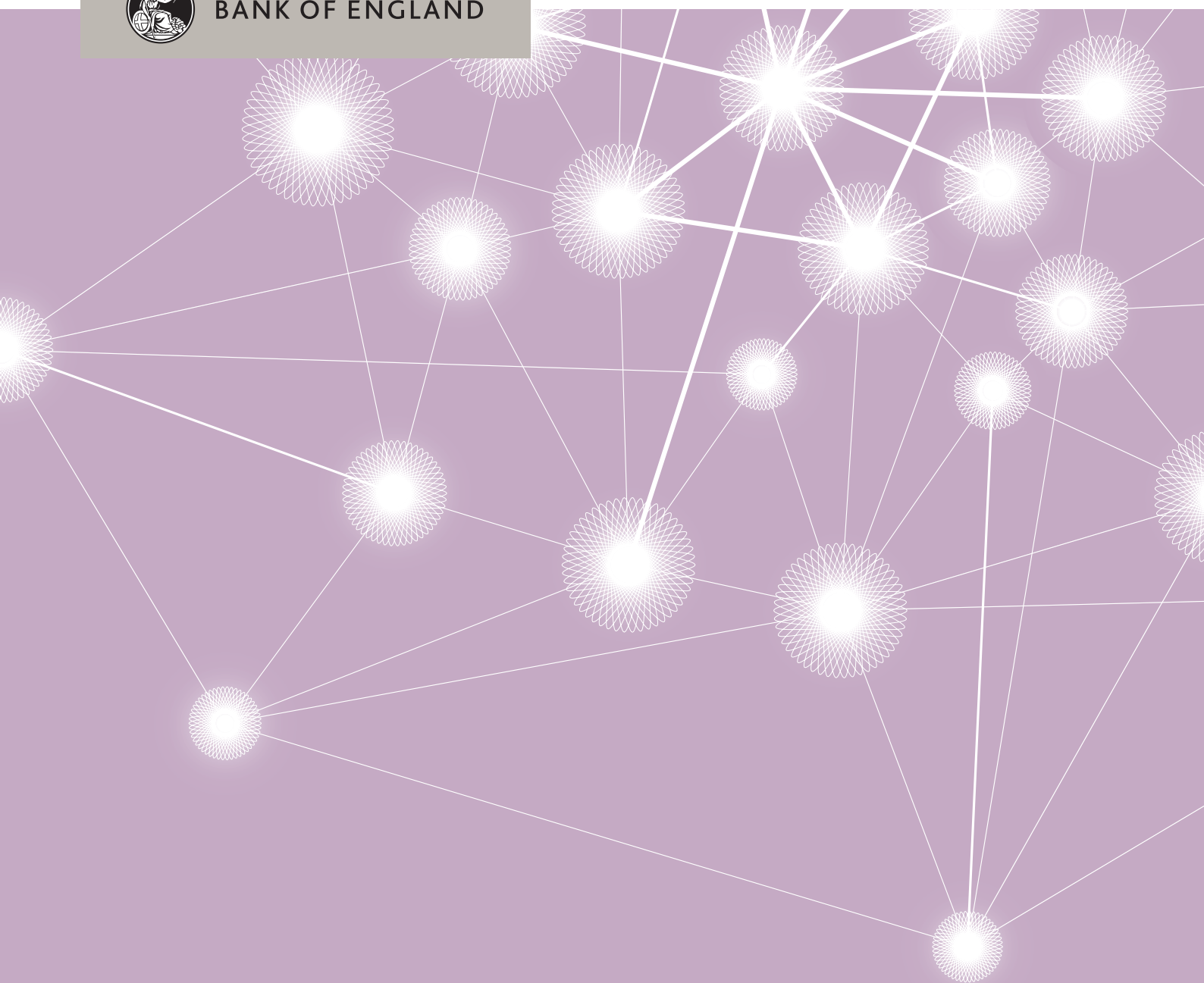


Systemic Risk Survey

Survey results | 2018 H1



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Systemic Risk Survey

Survey results | 2018 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 stability of the UK financial system.
- This report presents the results of the 2018 H1 survey, which was conducted between 9 April and 3 May.

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

- The perceived probability of a high-impact event in the UK financial system over the short term has increased slightly relative to the 2017 H2 survey. The perceived probability of such an event over the medium term was broadly unchanged.
- Confidence in the stability of the UK financial system over the next three years has increased. The proportion of respondents judging themselves to be fairly confident, very confident or completely confident increased to 94% (+4 percentage points).

Sources of risk to the UK financial system

- UK political risk was the risk to the UK financial system most cited by respondents (mentioned by 91% of respondents, unchanged since 2017 H2). Around 80% of responses that cited UK political risk explicitly referred to the implications of Brexit. UK political risk also remains, by a considerable margin, the most frequently cited number one source of risk (mentioned by 53% of respondents), despite a smaller proportion of respondents citing it as such relative to the 2017 H2 survey (-14 percentage points).
- Geopolitical risk (62%, +1 percentage point) and cyber attack (62%, +5 percentage points) were, jointly, the second most cited risks. The proportion of respondents that cited cyber attack increased for the third consecutive survey to a new record high.
- A slightly larger proportion of respondents cited the risks surrounding monetary or fiscal policy than in the previous survey (32%, +5 percentage points).
- There was a modest decrease in the proportion of respondents that cited the risks around regulation or taxation (23%, -6 percentage points).

Risks most challenging to manage as a firm

- UK political risk was cited as the risk most challenging to manage for the fifth consecutive survey. But a notably smaller proportion of respondents (52%, -18 percentage points) cited it as such relative to the 2017 H2 survey.
- There was an increase in the proportion of respondents that cited cyber attack as the risk most challenging to manage (51%, +5 percentage points).

The *Systemic Risk Survey* is a biannual survey that asks market participants about perceived risks to, and their confidence in, the stability of the UK financial system. The survey is generally completed by executives responsible for firms' risk management or treasury functions. This report presents the results of the 2018 H1 survey, which was conducted by the Bank of England in the period between 9 April and 3 May 2018. 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. Eighty seven market participants took part in the survey, representing an 83% response rate. Participants include UK banks

and building societies, large foreign banks, asset managers, hedge funds, insurers, pension funds, large non-financial companies and central counterparties. 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/systemic-risk-survey/2018/2018-h1. 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/-/media/boe/files/quarterly-bulletin/2009/boe-systemic-risk-survey.pdf.

Systemic Risk Survey

Introduction

The Bank of England's financial stability objective is to protect and enhance the stability of the financial system of the United Kingdom. The *Systemic Risk Survey* contributes to this activity by quantifying and tracking, on a biannual basis, market participants' views of risks to, and their confidence in, the stability of the UK financial system.⁽¹⁾

The survey is typically completed by executives responsible for risk management and treasury functions at institutions including: UK banks and building societies; large foreign banks; asset managers; hedge funds; insurers; pension funds; large non-financial companies; and central counterparties. Eighty seven participants took part in the 2018 H1 survey between 9 April and 3 May, representing an 83% response rate.

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.⁽²⁾

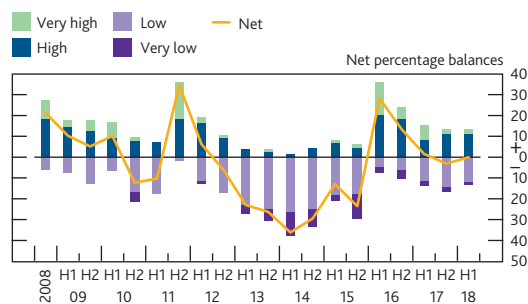
In the 2018 H1 survey, the perceived probability of a high-impact event in the UK financial system over the short term increased slightly. Within that, the percentage of respondents judging the probability to be low or very low decreased (31% to 25%), while the percentage of respondents judging the probability to be high or very high was little changed (25% to 24%). The top panel of **Chart 1** depicts these responses and weights the probabilities into one measure.

The perceived probability of a high-impact event materialising over the medium term was broadly unchanged (the top panel of **Chart 2**). The percentage of respondents judging the probability to be high or very high increased slightly (55% to 57%) and the proportion of respondents judging the probability to be low or very low was little changed (7% to 6%). The top panel of **Chart 2** depicts these responses and weights the probabilities into one measure.

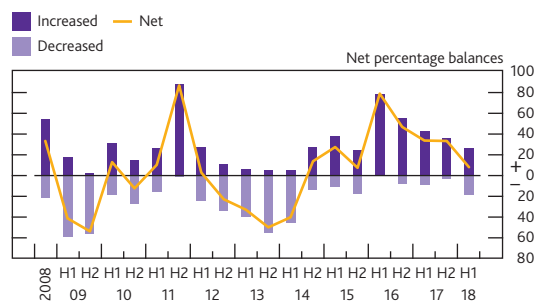
Respondents were also asked how they perceived the risk of a high-impact event materialising had changed over the past six months. A small net balance of respondents (8%) thought the probability of a high-impact event in the short term had increased (26%) rather than decreased (18%), as shown in the bottom panel of **Chart 1**. A large net balance of respondents (25%) thought the probability of a high-impact event in the

medium term had increased (31%) rather than decreased (6%), as shown in the bottom panel of **Chart 2**.

Chart 1 Probability of a high-impact event in the UK financial system over the short term^{(a)(b)}



How respondents think this probability has changed over the past six months^{(a)(b)}



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

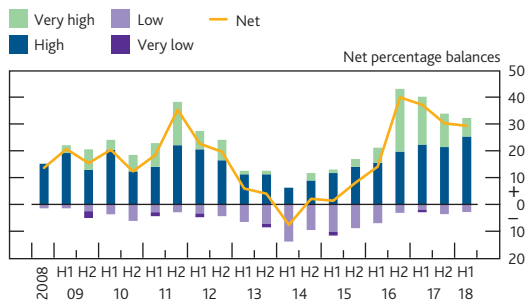
- (a) Respondents were asked the probability of a high-impact event in the UK financial system in the short term. And also how they thought this probability had changed over the past six months. From the 2009 H2 survey onwards, short term was defined as 0–12 months.
 (b) The net percentage balance in the upper chart is calculated by weighting responses as follows: very high (1), high (0.5), medium (0), low (-0.5) and very low (-1). The net percentage balance in the lower chart 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

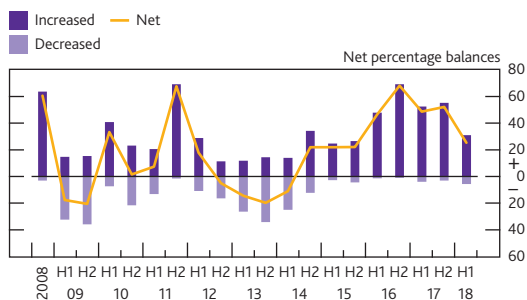
Compared to the 2017 H2 survey, respondents were slightly more confident in the stability of the UK financial system over the next three years. The proportion of respondents judging themselves to be fairly confident, very confident or completely confident increased to 94% (+4 percentage points). **Chart 3** depicts these responses and weights the responses into one measure.

- (1) The *Systemic Risk Survey* has been undertaken biannually since 2009, following a pilot survey conducted in July 2008. It was published for the first time in November 2011. The survey results complement other sources of information used by the Bank to identify system-wide risks.
 (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.

Chart 2 Probability of a high-impact event in the UK financial system over the medium term^{(a)(b)}



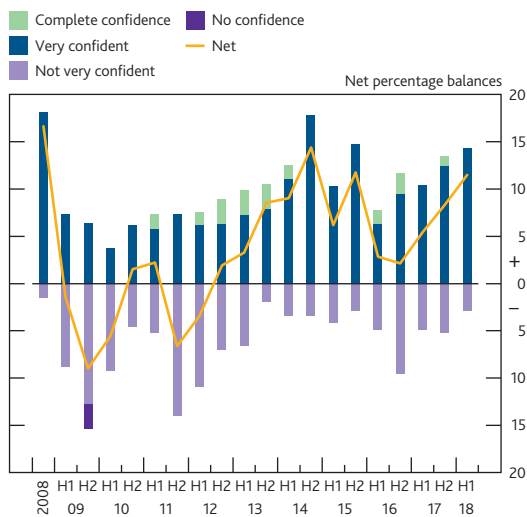
How respondents think this probability has changed over the past six months^{(a)(b)}



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

(a) Respondents were asked the probability of a high-impact event in the UK financial system in the medium term. And also how they thought this probability had changed over the past six months. From the 2009 H2 survey onwards, medium term was defined as 1–3 years.
 (b) See footnote (b) of Chart 1.

Chart 3 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.

Sources of risk to the UK financial system

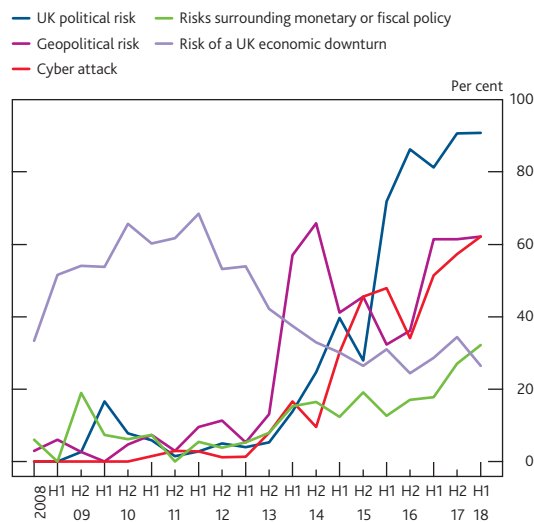
Respondents were asked to list the five risks they thought would have the greatest impact on the UK financial system if they were to materialise. Answers were provided in free-text format, but have been grouped into the 22 categories shown

in **Table A2** in the data appendix to give an overview of the results.⁽³⁾

The seven risks most frequently cited in the 2018 H1 survey were (**Chart 4**):

- UK political risk (cited by 91% of respondents).
- Geopolitical risk (62%).
- Cyber attack (62%).
- Risks surrounding monetary or fiscal policy (32%).
- Risk of a UK economic downturn (26%).
- Risk of a global/overseas economic downturn (25%).
- Risks around regulation or taxation (23%).

Chart 4 Sources of risk 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-text format and were grouped 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 five 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.

Six of the top seven risks in the 2018 H1 survey also featured in the top seven risks in the 2017 H2 survey. The only change was that the risk of a global/overseas economic downturn entered the top seven in 2018 H1, displacing the risk of property price falls.

The risk to the UK financial system most cited by respondents was UK political risk (mentioned by 91% of respondents, unchanged from the 2017 H2 survey). Around 80% of responses that cited UK political risk explicitly referred to the implications of Brexit.

⁽³⁾ 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 proportion of respondents citing cyber attack increased (62%, +5 percentage points) for the third consecutive survey, and is at its highest level since the survey began in 2008.

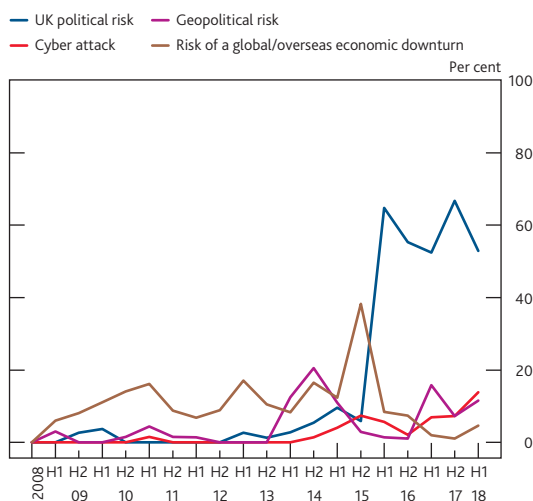
Perceptions of geopolitical risk were broadly unchanged but remained elevated (62%, +1 percentage point). Respondents cited possible risks from external political developments, the risk of more protectionist economic policies and potential threats from global conflicts. The proportion of responses that cited the risk of more protectionist economic policies more than doubled from the previous survey (13% of responses in 2017 H2 to 29% in 2018 H1).

There was an increase in the proportion of respondents that cited the risks surrounding monetary or fiscal policy (32%, +5 percentage points). A smaller proportion of respondents cited risks around regulation or taxation (23%, -6 percentage points).

The risks most frequently cited as respondents' number one risk (Chart 5) were:

- UK political risk (53% of respondents viewed it as their number one risk).
- Cyber attack (14%).
- Geopolitical risk (11%).
- Risk of a global/overseas economic downturn (5%).

Chart 5 'Number one' sources of risk 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-text format and were grouped 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 four 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.

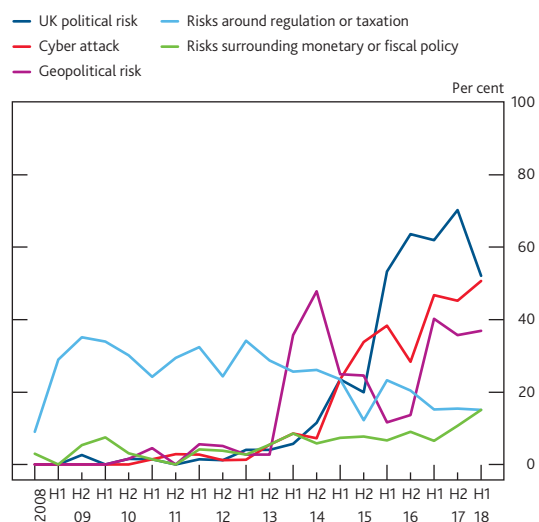
Risks most challenging to manage as a firm

Respondents were asked to indicate which three of the five risks they identified would be the most challenging to manage if they were to materialise.

UK political risk, cyber attack, and geopolitical risk were the most cited responses (Chart 6):

- UK political risk (52% of respondents).
- Cyber attack (51%).
- Geopolitical risk (37%).
- Risks surrounding monetary or fiscal policy (15%).
- Risks around regulation or taxation (15%).
- Risk of a UK economic downturn (12%).
- Risk of financial market disruption/dislocation (12%).

Chart 6 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-text format and were grouped 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 five 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.

UK political risk was cited as the risk most challenging to manage for the fifth consecutive survey. But there was a notable decrease in the proportion of respondents (-18 percentage points) that cited this risk as the most challenging to manage in comparison to the 2017 H2 survey. There was an increase in the number of respondents that cited cyber attack (51%, +5 percentage points) among the risks most challenging to manage.

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/systemic-risk-survey/2018/2018-h1.

Table A1: Aggregate risks to the UK financial system^{(a)(b)(c)}

| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 |
|--|------|----|------|----|------|----|------|----|------|----|------|----|------|
| | H1 | H2 | H1 | H2 | H1 | H2 | H1 | H2 | H1 | H2 | H1 | H2 | H1 |
| Probability of a high-impact event in the UK financial system in the short term^(d) | | | | | | | | | | | | | |
| Very high | 3 | 1 | 0 | 1 | 0 | 0 | 1 | 1 | 15 | 5 | 7 | 2 | 2 |
| High | 33 | 19 | 8 | 5 | 3 | 8 | 14 | 9 | 41 | 37 | 17 | 23 | 22 |
| Medium | 40 | 46 | 42 | 38 | 33 | 33 | 45 | 43 | 31 | 40 | 50 | 44 | 51 |
| Low | 23 | 34 | 46 | 50 | 53 | 51 | 37 | 35 | 10 | 13 | 24 | 29 | 24 |
| Very low | 1 | 0 | 4 | 5 | 11 | 8 | 3 | 12 | 3 | 4 | 2 | 2 | 1 |
| Probability of a high-impact event in the UK financial system in the medium term^(d) | | | | | | | | | | | | | |
| Very high | 7 | 8 | 1 | 1 | 0 | 3 | 1 | 3 | 6 | 23 | 18 | 13 | 7 |
| High | 41 | 33 | 22 | 22 | 13 | 18 | 23 | 28 | 31 | 39 | 45 | 43 | 51 |
| Medium | 44 | 51 | 63 | 61 | 60 | 60 | 53 | 51 | 49 | 31 | 33 | 38 | 37 |
| Low | 7 | 9 | 13 | 14 | 28 | 19 | 21 | 18 | 14 | 6 | 4 | 7 | 6 |
| Very low | 1 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| Change in the probability over the past six months of a high-impact event in the UK financial system in the short term^(e) | | | | | | | | | | | | | |
| Increased | 27 | 11 | 7 | 5 | 6 | 27 | 38 | 25 | 79 | 55 | 43 | 36 | 26 |
| Unchanged | 48 | 54 | 54 | 39 | 49 | 59 | 51 | 57 | 21 | 36 | 49 | 60 | 55 |
| Decreased | 25 | 34 | 39 | 55 | 46 | 14 | 11 | 18 | 0 | 9 | 9 | 3 | 18 |
| Change in the probability over the past six months of a high-impact event in the UK financial system in the medium term^(e) | | | | | | | | | | | | | |
| Increased | 29 | 11 | 12 | 14 | 14 | 34 | 25 | 26 | 48 | 69 | 52 | 55 | 31 |
| Unchanged | 60 | 72 | 62 | 51 | 61 | 53 | 73 | 69 | 51 | 30 | 44 | 42 | 63 |
| Decreased | 11 | 16 | 26 | 34 | 25 | 12 | 3 | 4 | 1 | 1 | 4 | 3 | 6 |
| Confidence in the stability of the UK financial system as a whole over the next three years^(f) | | | | | | | | | | | | | |
| Complete confidence | 1 | 3 | 3 | 3 | 1 | 0 | 0 | 0 | 1 | 2 | 0 | 1 | 0 |
| Very confident | 12 | 13 | 14 | 16 | 22 | 36 | 21 | 29 | 13 | 19 | 21 | 25 | 29 |
| Fairly confident | 64 | 71 | 70 | 78 | 69 | 58 | 71 | 65 | 76 | 60 | 69 | 64 | 66 |
| Not very confident | 22 | 14 | 13 | 4 | 7 | 7 | 8 | 6 | 10 | 19 | 10 | 10 | 6 |
| No confidence | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in confidence over the past six months^(g) | | | | | | | | | | | | | |
| Increased | 12 | 11 | 22 | 33 | 25 | 15 | 5 | 9 | 1 | 5 | 11 | 3 | 7 |
| Unchanged | 77 | 81 | 67 | 62 | 68 | 75 | 77 | 79 | 51 | 46 | 61 | 69 | 78 |
| Decreased | 11 | 8 | 11 | 5 | 7 | 10 | 18 | 12 | 48 | 49 | 28 | 28 | 15 |

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) The survey has been undertaken biannually since 2009, following a pilot survey conducted in July 2008. Due to insufficient space in this table, results prior to 2012 H1 have not been included.

(c) Figures are expressed as nearest whole integer, so may appear inconsistent with figures shown in the text of the survey.

(d) 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. 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.

(e) Respondents were asked how the probability had changed over the past six months for the short and medium term. 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.

(f) Respondents were asked how much confidence they had in the stability of the UK financial system as a whole over the next three years.

(g) Respondents were asked how their confidence had changed over the past six months. The question was asked from 2010 H1 onwards.

Table A2: Sources of risk to the UK financial system^{(a)(b)(c)}

| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 |
|---|------|----|------|----|------|----|------|----|------|----|------|----|------|
| | H1 | H2 | H1 | H2 | H1 | H2 | H1 | H2 | H1 | H2 | H1 | H2 | H1 |
| Sources of risk to the UK financial system^(d) | | | | | | | | | | | | | |
| UK political risk | 3 | 5 | 4 | 5 | 14 | 25 | 40 | 28 | 72 | 86 | 81 | 91 | 91 |
| Geopolitical risk | 10 | 11 | 5 | 13 | 57 | 66 | 41 | 46 | 32 | 36 | 61 | 61 | 62 |
| Cyber attack | 3 | 1 | 1 | 8 | 17 | 10 | 30 | 46 | 48 | 34 | 51 | 57 | 62 |
| Risks surrounding monetary or fiscal policy | 5 | 4 | 5 | 8 | 15 | 16 | 12 | 19 | 13 | 17 | 18 | 27 | 32 |
| Risk of a UK economic downturn | 68 | 53 | 54 | 42 | 38 | 33 | 30 | 26 | 31 | 24 | 29 | 34 | 26 |
| Risk of a global/overseas economic downturn | 41 | 57 | 55 | 47 | 43 | 55 | 36 | 62 | 59 | 37 | 26 | 18 | 25 |
| Risks around regulation or taxation | 40 | 34 | 41 | 41 | 35 | 37 | 27 | 19 | 28 | 29 | 29 | 29 | 23 |
| Risk of property price falls | 21 | 14 | 25 | 36 | 40 | 36 | 23 | 26 | 25 | 29 | 22 | 23 | 20 |
| Household/corporate credit risk | 14 | 14 | 18 | 11 | 19 | 7 | 11 | 10 | 7 | 1 | 6 | 15 | 17 |
| Risk of financial market disruption/dislocation | 21 | 22 | 20 | 18 | 18 | 18 | 42 | 44 | 37 | 30 | 16 | 18 | 16 |
| Risk of financial institution failure/distress | 25 | 25 | 26 | 30 | 22 | 16 | 14 | 12 | 7 | 28 | 12 | 11 | 11 |
| Sovereign risk | 79 | 94 | 76 | 74 | 40 | 34 | 58 | 35 | 21 | 13 | 21 | 14 | 8 |
| Operational risk | 10 | 13 | 22 | 18 | 14 | 23 | 21 | 24 | 18 | 16 | 12 | 10 | 8 |
| Other | 1 | 1 | 9 | 13 | 8 | 15 | 16 | 12 | 4 | 15 | 17 | 5 | 7 |
| Inflation risk | 5 | 5 | 7 | 7 | 6 | 11 | 5 | 3 | 0 | 9 | 6 | 5 | 6 |
| Risk of infrastructure disruption | 10 | 9 | 11 | 11 | 13 | 15 | 15 | 16 | 10 | 2 | 2 | 5 | 5 |
| Risk of loss of confidence in the authorities | 15 | 11 | 11 | 9 | 4 | 3 | 0 | 0 | 0 | 1 | 1 | 0 | 3 |
| Risk surrounding the low interest rate environment ^(e) | 4 | 9 | 26 | 43 | 39 | 33 | 29 | 21 | 34 | 47 | 14 | 6 | 2 |
| Risk of tightening in credit conditions | 16 | 16 | 14 | 8 | 4 | 8 | 4 | 6 | 6 | 2 | 2 | 2 | 2 |
| Risk of lack of confidence in ratings, valuations and disclosure | 4 | 1 | 0 | 0 | 0 | 1 | 1 | 3 | 4 | 0 | 1 | 1 | 1 |
| Funding risk | 45 | 32 | 17 | 16 | 15 | 4 | 11 | 9 | 8 | 2 | 1 | 0 | 0 |
| Risks around public anger against, or distrust of, financial institutions | 0 | 10 | 1 | 1 | 4 | 3 | 0 | 1 | 0 | 1 | 0 | 0 | 0 |
| Number one source of risk to the UK financial system^(f) | | | | | | | | | | | | | |
| UK political risk | 0 | 0 | 3 | 1 | 3 | 5 | 10 | 6 | 65 | 55 | 52 | 67 | 53 |
| Cyber attack | 0 | 0 | 0 | 0 | 0 | 1 | 4 | 7 | 6 | 2 | 7 | 7 | 14 |
| Geopolitical risk | 1 | 0 | 0 | 0 | 13 | 21 | 11 | 3 | 1 | 1 | 16 | 7 | 11 |
| Risk of a global/overseas economic downturn | 7 | 9 | 17 | 11 | 8 | 16 | 12 | 38 | 8 | 7 | 2 | 1 | 5 |
| Risks around regulation or taxation | 3 | 3 | 3 | 8 | 7 | 4 | 4 | 3 | 1 | 1 | 1 | 2 | 5 |
| Risk of a UK economic downturn | 10 | 5 | 14 | 14 | 14 | 5 | 10 | 4 | 3 | 4 | 2 | 3 | 2 |
| Household/corporate credit risk | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 2 | 2 |
| Risk of financial market disruption/dislocation | 3 | 0 | 3 | 1 | 1 | 4 | 8 | 13 | 1 | 5 | 3 | 2 | 2 |
| Risk of property price falls | 3 | 1 | 3 | 7 | 8 | 3 | 4 | 0 | 1 | 1 | 2 | 1 | 1 |
| Risk surrounding the low interest rate environment ^(e) | 0 | 1 | 9 | 9 | 11 | 8 | 4 | 4 | 6 | 5 | 0 | 1 | 1 |
| Operational risk | 0 | 0 | 1 | 0 | 0 | 5 | 4 | 3 | 3 | 2 | 3 | 0 | 1 |
| Risk of financial institution failure/distress | 4 | 3 | 4 | 3 | 1 | 3 | 5 | 3 | 0 | 7 | 1 | 0 | 1 |
| Other | 0 | 0 | 0 | 1 | 1 | 4 | 4 | 4 | 0 | 1 | 0 | 1 | 1 |
| Risk of tightening in credit conditions | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 1 | 2 | 0 |
| Risks surrounding monetary or fiscal policy | 1 | 1 | 1 | 0 | 7 | 0 | 0 | 3 | 0 | 3 | 1 | 2 | 0 |
| Sovereign risk | 60 | 68 | 38 | 39 | 19 | 11 | 16 | 3 | 1 | 2 | 6 | 1 | 0 |
| Funding risk | 5 | 4 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 |
| Inflation risk | 1 | 0 | 0 | 0 | 1 | 7 | 0 | 0 | 0 | 0 | 3 | 0 | 0 |
| Risk of infrastructure disruption | 0 | 1 | 3 | 1 | 1 | 0 | 1 | 0 | 1 | 1 | 0 | 0 | 0 |
| Risks around public anger against, or distrust of, financial institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Risk of lack of confidence in ratings, valuations and disclosure | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Risk of loss of confidence in the authorities | 1 | 4 | 1 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Number of respondents citing at least one source of risk | 73 | 79 | 76 | 76 | 72 | 73 | 73 | 68 | 71 | 94 | 101 | 96 | 87 |

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-text format and were subsequently grouped 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) The survey has been undertaken biannually since 2009, following a pilot survey conducted in July 2008. Due to insufficient space in this table, results prior to 2012 H1 have not been included.

(c) Figures are expressed as nearest whole integer, so may appear inconsistent with figures shown in the text of the survey.

(d) Percentages of respondents citing each risk at least once in their top five, among those citing at least one risk.

(e) The definition of this risk includes risks associated with a snapback in low rates to more normal levels, as well as risks directly associated with low rates.

(f) 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 source of risk.

Table A3: Risks most challenging to manage as a firm^{(a)(b)(c)}

| | 2012 | | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 |
|--|------|----|------|----|------|----|------|----|------|----|------|----|------|
| | H1 | H2 | H1 | H2 | H1 | H2 | H1 | H2 | H1 | H2 | H1 | H2 | H1 |
| UK political risk | 1 | 1 | 4 | 4 | 6 | 12 | 24 | 20 | 53 | 64 | 62 | 70 | 52 |
| Cyber attack | 3 | 1 | 1 | 5 | 9 | 7 | 24 | 34 | 38 | 28 | 47 | 45 | 51 |
| Geopolitical risk | 6 | 5 | 3 | 3 | 36 | 48 | 25 | 25 | 12 | 14 | 40 | 36 | 37 |
| Risks around regulation or taxation | 32 | 24 | 34 | 29 | 26 | 26 | 24 | 12 | 23 | 20 | 15 | 15 | 15 |
| Risks surrounding monetary or fiscal policy | 4 | 4 | 3 | 5 | 9 | 6 | 7 | 8 | 7 | 9 | 7 | 11 | 15 |
| Risk of a UK economic downturn | 32 | 23 | 21 | 12 | 20 | 13 | 16 | 8 | 17 | 11 | 11 | 14 | 12 |
| Risk of financial market disruption/dislocation | 14 | 15 | 15 | 14 | 14 | 13 | 29 | 34 | 28 | 18 | 8 | 10 | 12 |
| Operational risk | 7 | 6 | 12 | 11 | 10 | 13 | 12 | 12 | 13 | 8 | 10 | 4 | 8 |
| Risk of a global/overseas economic downturn | 17 | 27 | 32 | 26 | 10 | 23 | 13 | 20 | 30 | 20 | 14 | 6 | 7 |
| Risk of property price falls | 4 | 3 | 10 | 14 | 11 | 7 | 6 | 12 | 7 | 7 | 4 | 12 | 5 |
| Household/corporate credit risk | 4 | 6 | 8 | 3 | 7 | 6 | 6 | 6 | 2 | 0 | 1 | 2 | 5 |
| Inflation risk | 1 | 3 | 5 | 1 | 3 | 7 | 4 | 0 | 0 | 5 | 3 | 0 | 5 |
| Risk of financial institution failure/distress | 15 | 17 | 14 | 14 | 13 | 9 | 7 | 6 | 0 | 19 | 4 | 7 | 4 |
| Risk of infrastructure disruption | 7 | 6 | 8 | 10 | 10 | 12 | 9 | 12 | 8 | 2 | 0 | 4 | 4 |
| Sovereign risk | 69 | 78 | 63 | 56 | 33 | 26 | 32 | 18 | 13 | 5 | 11 | 5 | 3 |
| Other | 0 | 1 | 3 | 5 | 7 | 12 | 7 | 11 | 0 | 2 | 4 | 5 | 3 |
| Risk of lack of confidence in ratings, valuations and disclosure | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 3 | 0 | 1 | 1 | 1 |
| Risk of tightening in credit conditions | 7 | 1 | 5 | 4 | 1 | 1 | 0 | 5 | 0 | 0 | 1 | 0 | 0 |
| Risk surrounding the low interest rate environment ^(d) | 4 | 6 | 21 | 23 | 23 | 17 | 16 | 9 | 15 | 22 | 4 | 2 | 0 |
| Funding risk | 23 | 18 | 7 | 7 | 11 | 3 | 6 | 5 | 2 | 1 | 1 | 0 | 0 |
| Risks around public anger against, or distrust of, financial institutions | 0 | 3 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Risk of loss of confidence in the authorities | 8 | 8 | 4 | 7 | 4 | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 0 |
| Cited at least one key risk, but did not cite any risk as challenging to manage (per cent) | 3 | 1 | 4 | 4 | 3 | 5 | 7 | 4 | 15 | 6 | 9 | 13 | 16 |
| Number of respondents citing at least one source of risk | 73 | 79 | 76 | 76 | 72 | 73 | 73 | 68 | 71 | 94 | 101 | 96 | 87 |

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-text format and were subsequently grouped 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 source of risk.

(b) The survey has been undertaken biannually since 2009, following a pilot survey conducted in July 2008. Due to insufficient space in this table, results prior to 2012 H1 have not been included.

(c) Figures are expressed as nearest whole integer, so may appear inconsistent with figures shown in the text of the survey.

(d) The definition of this risk includes risks associated with a snapback in low rates to more normal levels, as well as risks directly associated with low rates.