

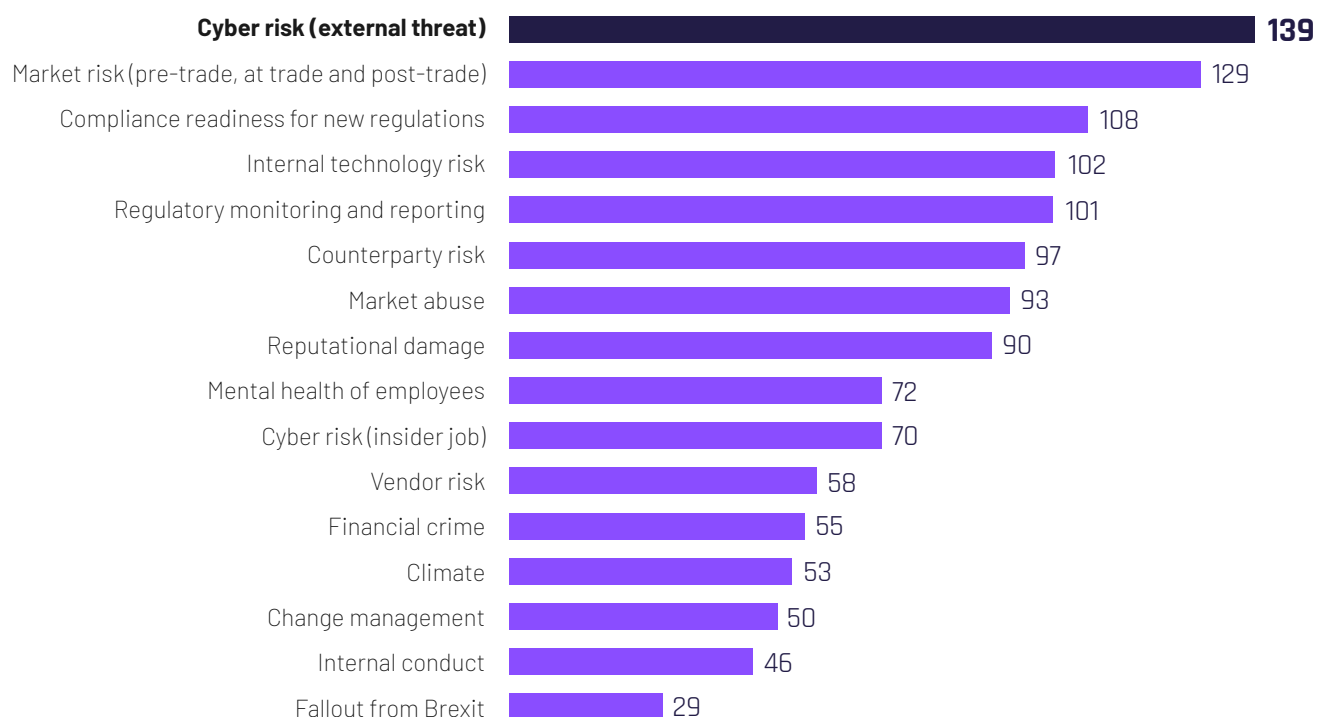
# KRM22 CAPITAL MARKETS RISK SENTIMENT INDEX

The KRM22 Capital Markets Risk Sentiment Index, compiled by Acuiti, is a measure of how Senior Executives perceive a variety of risks facing their business, how prepared they are to deal with them and where firms are investing in risk management.

The findings are based on a survey of 121 respondents evaluating levels of risk. The results showed the most significant risks reported by the executives were cyber risk and market risk.

While the Fallout from Brexit was the lowest in the Risk Index, there is major diversification among company types. Overall, 18% rated this as a high risk and 2% a critical risk. However, the figures for the sell-side in the UK are 45% and 9%, respectively. Overall Fallout from Brexit was seen as a significantly greater risk for those based in the UK than those based in Europe.

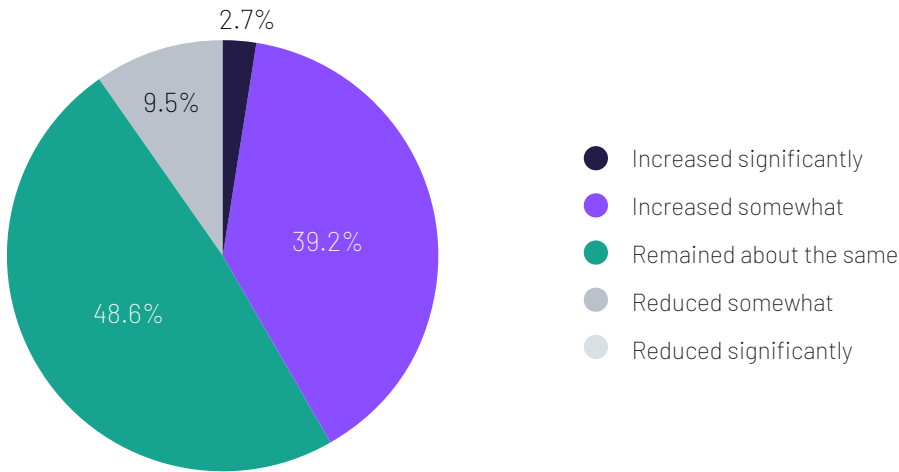
## THE RISK INDEX



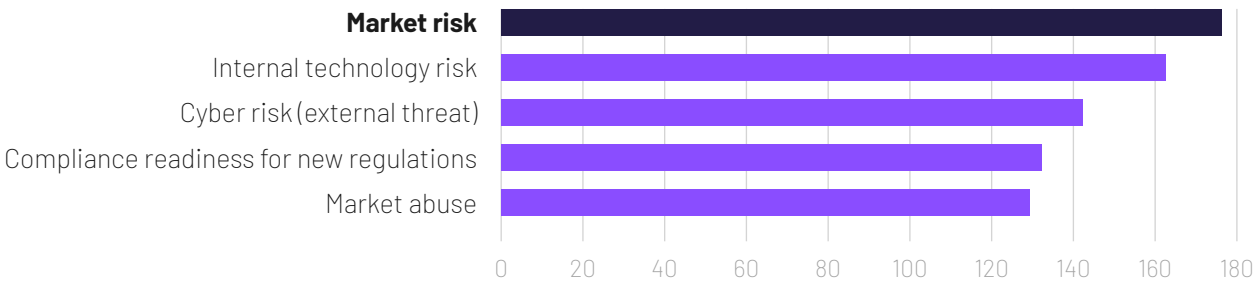
# HAS THE OVERALL LEVEL OF RISK INCREASED OVER THE PAST SIX MONTHS?

A third of respondents to the survey said that the overall level of risk had increased over the past six months with just 9.5% saying that it had reduced.

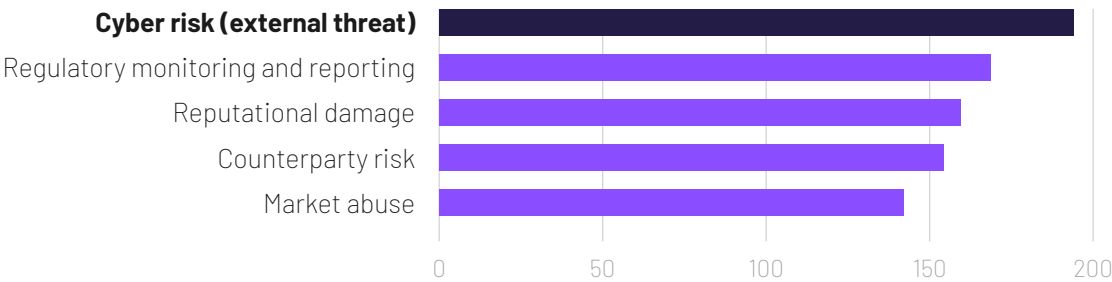
How has the overall level of risk your organisation faces increased over the past six months?



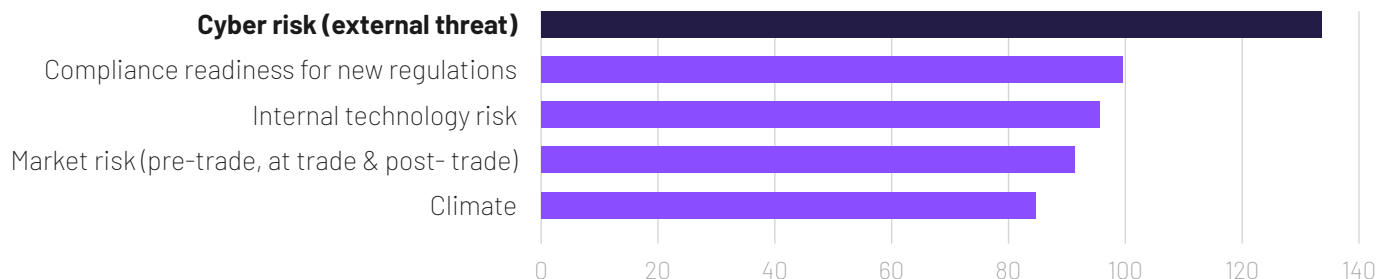
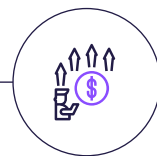
## WHAT WERE THE TOP RISKS FOR BANKS?



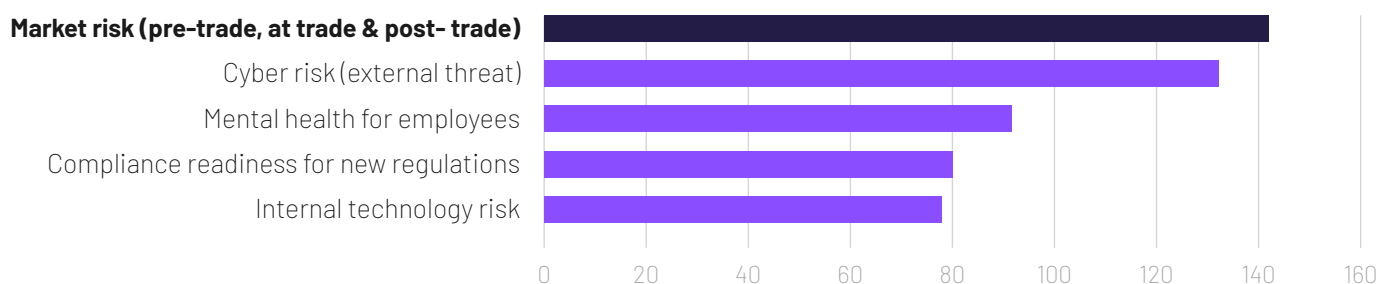
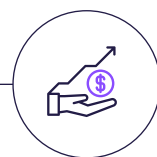
## WHAT WERE THE TOP RISKS FOR BROKERS?



## WHAT WERE THE TOP RISKS FOR BUYSIDE?



## WHAT WERE THE TOP RISKS FOR PROPRIETARY TRADING FIRMS?



## LEVELS OF PREPAREDNESS

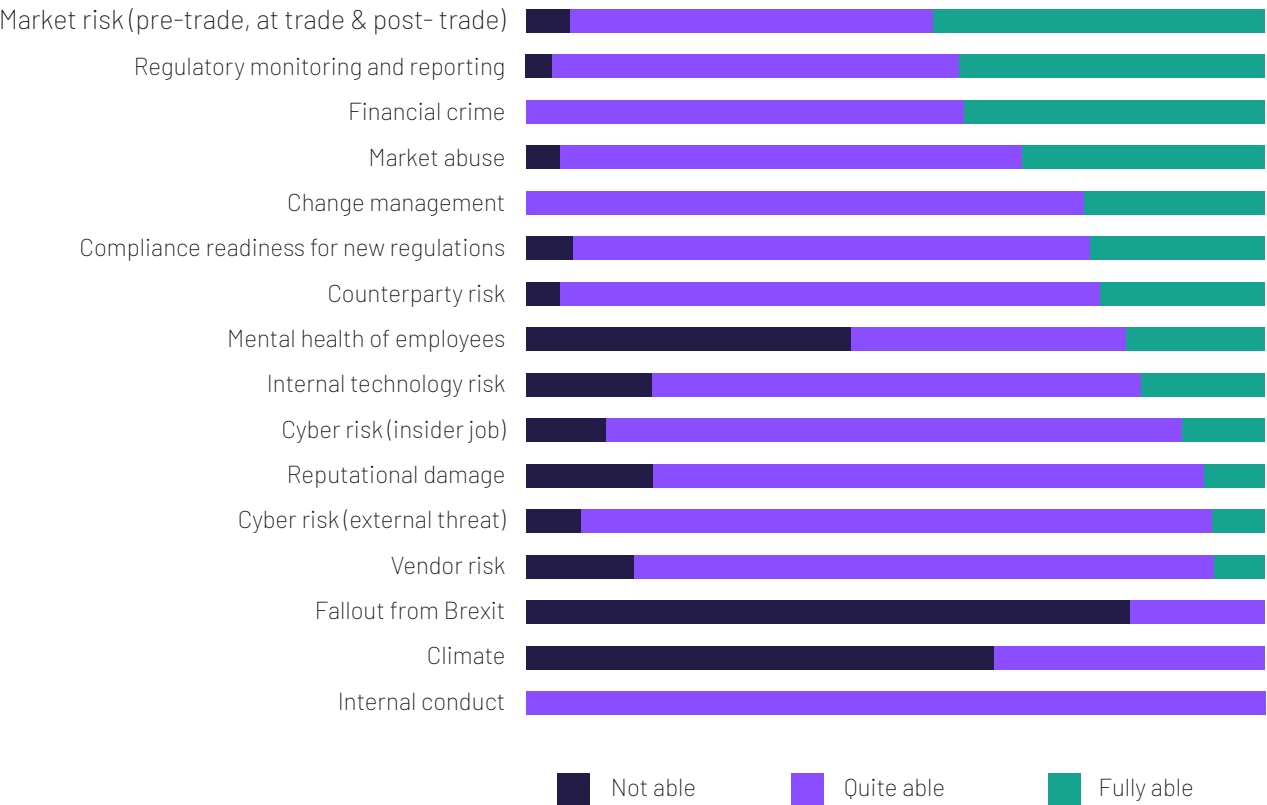
DATA PROTECTION

The biggest mismatch between the extent of the risk and the ability to mitigate it was seen in cyber risk while internal technology risk also presents a significant challenge for firms when it comes to their ability mitigate risks they rate as high or critical.

Respondents felt most able to manage market risk, which is second in the KRM22 Risk Sentiment Index as well as regulatory reporting, which came third. Both of which have seen significant investment in technology solutions over the past five years.

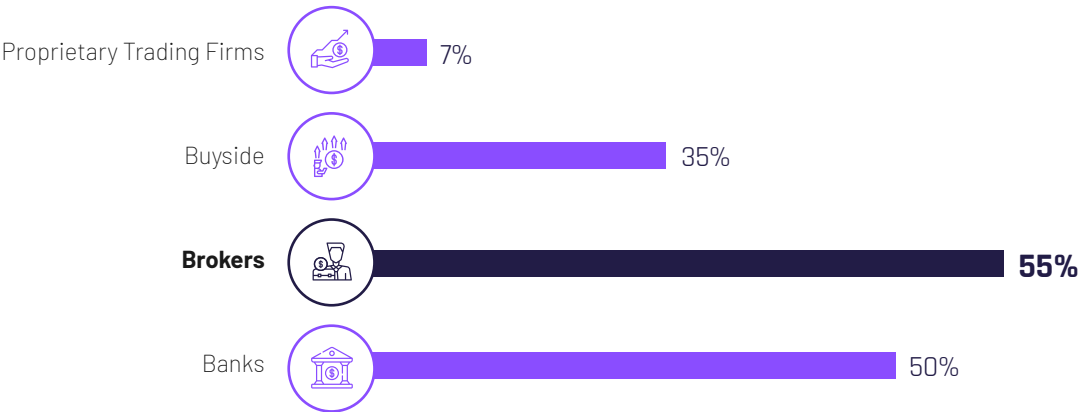
For risks that were rated as high or critical, respondents felt least able to mitigate external risks such as Brexit fallout or Climate risk.

To what extent is your company’s risk management strategies able to mitigate them?



INVESTMENT IN RISK

Brokers were most likely to have increased spending in risk over the past six months with 55% of having done so compared with 50% of banks, 35% of buyside and 7% of proprietary trading firms.



# WHAT ARE THE TOP THREE INVESTMENTS IN RISK PER COMPANY TYPE?

The operational priorities for firms varies significantly between company types. Respondents were asked in light of COVID-19 and its social and economic impacts, what areas of risk management and compliance are their organisation's priorities in 2021? The top three for each company type was:

## BANKS

- 1 Operational risk
- 2 Market risk
- 3 Cyber risk



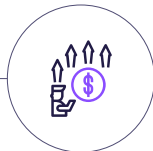
## BROKERS

- 1 Regulatory risk
- 2 Market risk
- 3 Liquidity risk



## BUYSIDE

- 1 Compliance risk
- 2 Regulatory risk
- 3 Market risk



## PROPRIETARY TRADING FIRMS

- 1 Liquidity risk
- 2 Market risk
- 3 Regulatory risk



## METHODOLOGY

**These findings are based on a survey of 121 senior respondents.**

To calculate the risk index, respondents were asked to rate the risk facing their business from low, medium, high and critical. Total responses for each risk were then split into a % with low risks being multiplied by -0.5, medium by 1, high by 2 and critical by 3 to arrive at the total risk score for each risk metric. All other findings outside the risk index are based on the % of respondents answering a specific question unless otherwise indicated.