Risk Outlook Survey Results

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Stakeholders Meeting,
Madrid Spain, 1 July 2014
Disclaimer

The views and opinions presented in this presentation are of the presenter only and do not necessarily reflect the views and opinions of IOSCO or its individual members.
Survey

1. obtaining a wide range of opinions from around the globe;
2. quantifying the nature and importance of the pre-determined risk topics, according to expert responses;
3. collecting information on their likely impact on the economy;
4. highlighting any significant risks not included in the initial selection of risks to the securities markets which underlined the survey; and
5. providing a time series of how responses have changed given that this is the third iteration of the survey.
Survey questions

1. “...identify from the list, five areas that you see as most important to explore for your jurisdiction when it comes to maintaining financial stability.”;

2. “...for each area, please specify in a few words the particular activity, behaviour, development or situation that you see as contributing to risk build-up.”;

3. “...specify, for each of these five risks, whether you see them as being transmitted through securities markets, amplified by securities markets or sourced from securities markets themselves.”;

4. “In the event of a significant shock, of the risks you selected, what would most likely have the greatest impact on the real economy?”
Geographic distribution of survey respondents

Overall, the survey responses are distributed as follows:

- **Europe**: 35%
- **Asia**: 17%
- **North/Central America**: 24%
- **Oceania**: 9%
- **Africa**: 4%
- **Middle East**: 1%
- **South America**: 5%
- **Global**: 5%

Total responses: 202

Source: IOSCO Research Department
Distribution of survey respondents by economic classification

- Developed: 55%
- Emerging: 38%
- N/A: 7%

Total responses: 202

Source: IOSCO Research Department
Distribution of survey respondents by organisational type

- Academia/Think tank: 7%
- Accounting/Auditing: 2%
- Exchange Market Operator: 6%
- Financial Industry body: 5%
- Financial Industry firm: 17%
- Global Organisation: 3%
- International/Regional Organizations: 5%
- Other: 7%
- Regulator: 7%
- Self Regulatory Organization: 42%

Total responses: 202

Source: IOSCO Research Department
“Raw” frequency of responses

Source: IOSCO Research Department
Reponses by organisation type

<table>
<thead>
<tr>
<th>Issues highlighted by Financial market participants</th>
<th>Percentage of responses</th>
<th>Issues highlighted by Regulators</th>
<th>Percentage of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovery and resolution plans</td>
<td>38%</td>
<td>Financial risks disclosure</td>
<td>60%</td>
</tr>
<tr>
<td>Search for yield</td>
<td>36%</td>
<td>Retail financial products</td>
<td>56%</td>
</tr>
<tr>
<td>Fragmentation</td>
<td>32%</td>
<td>Illegal conduct</td>
<td>53%</td>
</tr>
<tr>
<td>Regulation</td>
<td>30%</td>
<td>Capital flows</td>
<td>50%</td>
</tr>
<tr>
<td>CCPs</td>
<td>27%</td>
<td>Benchmarks</td>
<td>50%</td>
</tr>
</tbody>
</table>
Risks sourced, transmitted or amplified by securities markets
Impact on real economy

Source: IOSCO Research Department
Shift in risks 2012-2013-2014

Source: IOSCO Research Department
### Combined Risk Areas (2012) Responses

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory Uncertainty</td>
<td>36</td>
</tr>
<tr>
<td>CCP's and OTC markets</td>
<td>31</td>
</tr>
<tr>
<td>Shadow banking activities</td>
<td>23</td>
</tr>
<tr>
<td>HFT &amp; Algo</td>
<td>22</td>
</tr>
<tr>
<td>Information gaps between Markets and Regulators</td>
<td>15</td>
</tr>
</tbody>
</table>

### Combined Risk Areas (2013) Responses

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shadow banking (+collateral and repo)</td>
<td>39</td>
</tr>
<tr>
<td>CCPs (+OTC reform and Resolution and resolvability)</td>
<td>31</td>
</tr>
<tr>
<td>Regulation</td>
<td>26</td>
</tr>
<tr>
<td>Search for yield</td>
<td>22</td>
</tr>
<tr>
<td>Capital Flows</td>
<td>21</td>
</tr>
</tbody>
</table>

### Combined Risk Areas (2014) Responses

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shadow banking (+ repo-sec lending collateral)</td>
<td>105</td>
</tr>
<tr>
<td>CCPs (+ OTC and Resolution)</td>
<td>104</td>
</tr>
<tr>
<td>Regulation</td>
<td>81</td>
</tr>
<tr>
<td>Capital flows</td>
<td>68</td>
</tr>
<tr>
<td>Banking vulnerabilities</td>
<td>62</td>
</tr>
</tbody>
</table>
Frequency of responses with combined risk categories

Source: IOSCO Research Department
Risk Outlook 2014-15

Trends:
1. Slowly getting out of the crisis
2. Tapering – exit (US) versus deepening stimulus (EU, JPN)
3. Securities markets transmit all this and are increasingly used for funding of economy

Risks identified:
1. Leverage (search for yield)
2. Capital movements emerging markets (search for yield)
3. Derivatives and CCPs
4. Collateral management
5. Governance of financial firms