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## Banks in Singapore anxious about criminality and technology risks, finds PwC and CSFI

Banking Banana Skins 2015 Global Results	
(2014 ranking in brackets)	
1	Macro-economic environment (3)
2	Criminality (9)
3	Regulation (1)
4	Technology risk (4)

5	Political interference (2)
6	Quality of risk management (11)
7	Credit risk (7)
8	Conduct practices (16)
9	Pricing of risk (6)
10	Business model (-)
11	Social media (19)
12	Reputation (-)
13	Capital availability (10)
14	Interest rates (12)
15	Emerging markets (17)
16	Shadow banking (20)
17	Currency (22)
18	Liquidity (15)
19	Corporate governance (8)
20	Management incentives (21)
21	Derivatives (18)
22	Human resources (23)
23	Reliance on third parties (24)
24	Sustainability (25)
<b>Source: CSFI (Banking Banana Skins 2015)</b>	

Concern about possible failure of the global economic recovery and the damage this would do to a still fragile banking system is growing. This was revealed in findings from a survey on global banking risk, unveiled yesterday at the annual risk management conference, RiskMinds 2015, taking place in Amsterdam.

Results from the CSFI's latest global annual survey, conducted in association with PwC, '[Banking Banana Skins 2015](#)', puts concern about the macro-economic environment at the top of the list of 24 possible risks to banks, knocking excessive regulation, long a high-ranking risk in this survey, from top spot last year to No.3 globally. Criminality and technology risks emerged as the top two concerns amongst banks in Singapore (up from No.10 and No.8, respectively, last year).

The poll is based on responses from more than 670 bankers, banking regulators and close observers of the banking industry in 52 countries.

### **Cyber crime concern surges**

Banks are highly vulnerable to financial crime, particularly cyber crime, which has surged as a concern from the No. 9 position last year to No. 2 this year globally. This is also a global concern as cyber criminals target the weak links in a closely interwoven worldwide banking system. The ability of banks to manage the growth in crime is also under question, as shown by strong concern about the quality of their technology (No. 4 globally) and of their risk management systems (No.6 globally). This comes as no surprise as an earlier PwC report found that there was a 38 per cent increase in security incidents, globally, from 2014 to 2015. This sentiment is echoed strongly by respondents in Singapore with criminality and technology risks emerge as the top concerns amongst local banks.

Antony Eldridge, Financial Services Leader, PwC Singapore comments:

“Year after year, cyber-attacks continue to escalate in frequency, severity and breadth of impact. The banking industry is hugely vulnerable through the weakest links in their systems. So as cyber-risks rightly gain increasing prominence in boardrooms, business leaders need to radically rethink cybersecurity practices, focusing on a concoction of innovative technologies that maximise protection levels.”

### **Notable risers**

Globally, two notable risers are emerging markets (up from No. 17 to No. 15), where concern focuses on the prospects for China and the impact of weak commodity prices on a string of dependent economies, and shadow banking (up from No. 20 to No. 16), the unregulated para-financial sector, whose growth is seen to be fuelled by excessive regulation of mainstream institutions.

On the other hand, the risk of political interference in banking is seen to be declining (down from No. 2 last year to No. 5 globally). Also, excessive regulation, long a high-ranking risk in this survey, slipped from the top position last year to No. 3. Both these changes suggest that the post-crisis

crackdown on the banks may be receding. One threatening riser is social media (up from No. 19 to No. 11 globally, and up from No. 25 last year to No. 5 in Singapore), given its potential to damage, or even destroy, a bank's reputation, perhaps overnight, with little more than rumour and innuendo.

In Singapore, the most notable jump was macro-economic environment which rose to No. 3 from No. 15 last year, reflecting concerns sparked by weak growth in China, which has had a knock-on effect on regional economies and softer commodity prices, increasing the vulnerability of banks through their exposure to debt and their need for liquidity.

The poll shows that concerns expressed in earlier surveys about capital availability, liquidity and exotic products in the banking system have eased noticeably.

### **State of the global economy a concern in all geographic regions**

A breakdown of responses shows that all major respondent types (bankers, risk managers and observers) are strongly concerned about the state of the global economy. Economic concerns are also strong in all geographic regions, though they came second in North America where American and Canadian respondents focused primarily on the risks of cyber crime.

"These results show that many people fear that the economic recovery will fail and cause severe damage to the banking system. This is a worrying prospect," said David Lascelles, the survey's editor.

Karen Loon, Banking and Capital Markets Leader, PwC Singapore said:

"The pressures faced by banks in Singapore are reflected in the survey results where respondents here feel more anxious and less prepared than the global average. Although much work has been done by banks and their regulators to strengthen risk controls, banks still have more to do to address the scale of risk and its ever changing nature."

**ENDS**

**Notes to Editors:**

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2.The [Banking Banana Skins 2015](#) survey was conducted in September and October 2015 and is based on 672 responses from 52 countries. The breakdown by type of respondent was:

- %
- Bankers 37
- Risk Managers and Regulators 25
- Observers 38

3. The survey is the latest in the CSFI's long-running Banana Skins series which provides regular snapshots of the risk landscape in the financial services sector. The report can be downloaded from PwC's website: <http://www.pwc.com/sg/en/publications/banking-banana-skins.html>

4. Results for Singapore can be found in Singapore fact sheet

5. The CSFI (Centre for the Study of Financial Innovation) is an independent not-for-profit think tank based in London which researches the future of financial services. It has an affiliate in New York, New York CSFI.

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