Risk Potential Exposed

Accenture 2017 Global Risk Management Study:
U.K. Banking & Capital Markets Supplement
INTRODUCTION

This presentation is a supplement to the Global Risk Management Study Banking and Global Capital Markets reports and summary presentations. It presents data based on answers from the study’s U.K. based banking and capital markets respondents. (Base: 50)

We strongly recommend reviewing the Global Risk Management Study Banking and Capital Markets presentations together with this supplement.

Download the full Global Risk Management Study reports and presentations from here: www.accenture.com/RiskStudyBanking www.accenture.com/RiskStudyCapitalMarkets
Since 2009, Accenture has conducted regular in-depth research on risk management. Over time, the risk function has evolved—from crisis management in 2009 to today’s more integrated, fluid and maturing discipline.
The Accenture 2017 Global Risk Management Study is the fifth edition of our study.

SURVEYED 475
CFOs, CROs, CEOs, CCOs, CDOs who are involved in their organisation’s risk decisions.

COMPANY SIZE
50% with global revenues or income between US $1bn & $5bn, 50% with revenues over US $5bn.

100 TO 200 RESPONSES
each from Europe, North America, Americas and Asia-Pacific.

This includes key markets such as Canada, U.S., Germany, France, Italy, Spain, U.K., Australia and Japan to enable analysis at country level.

FOCUSED ON THREE INDUSTRY SECTORS:
- BANKING
- INSURANCE
- CAPITAL MARKETS

WE SURVEYED 50 BANKING & CAPITAL MARKETS RESPONDENTS BASED IN THE U.K.
Our 2017 Global Risk Management Study finds U.K. based banking and capital markets organisations striving to keep pace with a fast-changing and volatile market environment. While internal and external forces are testing their risk management capabilities.

U.K. banking and capital markets organisations face a number of challenges that impede the effectiveness of the risk management function.

- The top challenges are increasing demands from regulators (84 percent), increased velocity, variety and volume of data (82 percent), and legacy technologies in the risk function (82 percent).

<table>
<thead>
<tr>
<th>Challenge</th>
<th>U.K.</th>
<th>U.S.</th>
<th>Japan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing demand from multiple regulators in multiple jurisdictions</td>
<td>84%</td>
<td>81%</td>
<td>61%</td>
<td>74%</td>
</tr>
<tr>
<td>Increased velocity, variety and volume of data</td>
<td>82%</td>
<td>70%</td>
<td>67%</td>
<td>71%</td>
</tr>
<tr>
<td>Legacy technologies within the risk function</td>
<td>82%</td>
<td>66%</td>
<td>55%</td>
<td>69%</td>
</tr>
<tr>
<td>Balancing the responsibilities for controls and compliance with the need for effective customer service</td>
<td>80%</td>
<td>63%</td>
<td>63%</td>
<td>69%</td>
</tr>
<tr>
<td>Lack of budget to make necessary investments</td>
<td>78%</td>
<td>63%</td>
<td>61%</td>
<td>70%</td>
</tr>
<tr>
<td>Increasing demands from senior management and the board</td>
<td>78%</td>
<td>70%</td>
<td>61%</td>
<td>67%</td>
</tr>
<tr>
<td>Shortage of core risk management talent and skills</td>
<td>76%</td>
<td>67%</td>
<td>65%</td>
<td>67%</td>
</tr>
<tr>
<td>Lack of integration across existing technology infrastructure</td>
<td>74%</td>
<td>61%</td>
<td>51%</td>
<td>66%</td>
</tr>
<tr>
<td>Lack of integration with other business functions</td>
<td>72%</td>
<td>65%</td>
<td>55%</td>
<td>62%</td>
</tr>
<tr>
<td>Shortage of skills in new and emerging technologies</td>
<td>72%</td>
<td>61%</td>
<td>69%</td>
<td>68%</td>
</tr>
<tr>
<td>Disruption of business models from digital technologies</td>
<td>70%</td>
<td>61%</td>
<td>59%</td>
<td>67%</td>
</tr>
<tr>
<td>Lack of clear governance in decision-making processes</td>
<td>70%</td>
<td>59%</td>
<td>47%</td>
<td>60%</td>
</tr>
</tbody>
</table>
Banks and capital markets firms, including those surveyed in the U.K., are responding to these challenges by taking a more fluid, progressive approach to risk management, investing to strengthen their risk functions across three key areas:

1. **Harnessing Smart Technology**
   New technologies can lower costs, but also boost accuracy and agility, bringing better insights.

2. **Rising to Meet Coordination Challenges**
   A common data platform provides a single version of the truth.

3. **Building New Layers of Talent**
   Financial firms are investing significantly in risk capabilities and headcount.
The summary slides (8 to 13) present a snapshot of the key stats and a closer look at the findings supporting the three focus areas of the Global Risk Management Study: technology, integration and talent.

Slide 14 presents recommended steps risk leaders can take to help generate greater business value from opportunities revealed by the study.

Detailed findings and U.K. specific survey data are covered in the next sections.
HARNESSING SMART TECHNOLOGIES: A SNAPSHOT

U.K. banks and capital markets firms are investing in new technologies to enhance efficiency and improve risk outcomes.

- 78% are using AI within the risk function—but only 12% are highly proficient in its use.
- 90% are using cloud—but only 12% are highly proficient in its use.
- 69% are using RPA to replace high-volume low-value-added tasks (and analytics are being applied to big data).
- 54% are using smart technologies such as RPA to improve efficiency.
- 36% see improved customer service as cloud’s biggest opportunity.
U.K. banking and capital markets organisations are building their technology capabilities for transformation, greater efficiency and lower costs, and to better respond to regulators.

- These organisations are facing a number of technology challenges that impede risk management effectiveness, with the most negative impacts from increased variety and volume of data (82 percent) and legacy technologies within the risk function (82 percent). Nearly two-thirds (62 percent) also agree that they should upgrade systems and capabilities to provide more transparent reporting to regulators. Reference: slide 16

- Innovation is changing the way the risk function operates: a broad range of technologies is being used to support risk management. While overall usage is high, however, risk teams are not fully exploiting these technologies – particularly the newer ones: 90 percent are using the cloud to some extent, but only 12 percent say they are highly proficient in its use; 88 percent are using big data and analytics overall, but just 8 percent describe themselves as highly proficient. Reference: slide 17

- Adopting new technologies has the potential to provide a number of important benefits to risk functions. Increased efficiency and productivity is identified as the top benefit from use of both big data and artificial intelligence (AI), and as an important benefit in the use of the cloud. The key benefit from adopting the cloud is expected to be enhanced customer service. Reference: slide 18

- U.K. banking and capital markets organisations’ risk functions are also using a number of technology applications to address cost pressures. Nine in ten (90 percent) are using big data and analytics to address cost pressures, while 72 percent are using the cloud for that purpose. Reference: slide 19
RISING TO MEET COORDINATION CHALLENGES: A SNAPSHOT

U.K. banks and capital markets firms are continually striving to embed coordination and achieve a balanced approach to risk across the business, but there is much to be done:

- 72% say lack of integration with other business functions impedes risk function effectiveness.
- 56% report duplication of effort in risk management across business lines,×2.
- 50% struggle to balance local and enterprise-wide risk priorities.

Over the next two years, progress is anticipated:

- 68% expect an increase in the outsourcing of the preparation of data quality for risk calculations.
- 48% will have centralized coordination across all risk types, from 20% currently.
- 30% anticipate joint input to key decisions by finance and risk leaders, from just 6% currently.
RISING TO MEET COORDINATION CHALLENGES: A CLOSER LOOK

The risk function is striving to become more centralised and coordinated in order to enhance data management, analysis, decision-making and reporting.

• U.K. banking and capital markets organisations are moving toward a more centralised approach to risk management over the next two years. Nearly half (48 percent) anticipate centralised coordination across risk types over the next two years (up from 20 percent today); 40 percent expect to centralise coordination across business lines (up from 14 percent today). Reference: slide 21

• U.K. respondents see room for improvement across all aspects of risk function organisation. More than half (56 percent) say there is duplication of risk management activities across lines of business, and 50 percent say local markets struggle to balance local and organisation-wide risk priorities. Reference: slide 22

• Seven in ten U.K. banking and capital markets respondents (72 percent) see lack of integration with other functions as a key barrier to risk effectiveness, and are planning better integration of risk and finance processes to address this. While only 6 percent say finance and risk currently have a close working relationship and provide input into corporate strategy and enterprise risk management (ERM) steering, 30 percent believe this will be the case in two years’ time. Reference: slide 23
BUILDING NEW LAYERS OF TALENT: A SNAPSHOT

Risk teams in U.S. banks and capital markets firms are investing in skills to exploit new tools, business models and technology—and address their gaps in capability.

Key skill priorities in the year ahead

- 48% understanding emerging technology risks, including cyber
- 40% data management
- 32% advanced mathematical and statistical knowledge

Teams should keep evolving

- 76% cite a shortage of core risk management skills
- 72% agree there is a lack of skills needed for new and emerging technologies

But progress is underway

- 84% say the risk workforce has an effective understanding of the business impact of regulatory changes
- 84% say their teams are effective or very effective at understanding emerging technology risks
- 62% can accurately report the real status of cyber risk to the board

Accenture 2017 Global Risk Management Study: Banking & Capital Markets Reports
U.K. banking and capital markets organisations are looking to create risk teams that blend core competencies, commercial acumen and a deep understanding of new digital capabilities. This skills mix reflects the growing remit of the risk function and the rapidly increasing importance of new technologies.

• **U.K. respondents recognise the recent achievements of their risk teams in building a range of capabilities.** More than eight in ten respondents (84 percent) say the risk workforce has an effective understanding of the business impact of regulatory changes and of emerging technology risks. Risk teams are seen as less effective at understanding social media (72 percent). Reference: slide 25

• **Risk functions are building their teams against a background of skills shortages.** These shortages affect U.K. organisations to a greater degree than in the U.S., Japan and globally. Three-quarters (76 percent) of respondents say a shortage of core risk management talent and skills is impeding effectiveness of the function; 72 percent say a shortage of skills in new and emerging technologies is impeding its effectiveness. Reference: slide 26

• **U.K. banking and capital markets organisations are prioritising technical risk management skills over the next year.** Nearly half (48 percent) plan to strengthen their understanding of emerging technology risks, and 40 percent plan to strengthen their data management capabilities. Reference: slide 27
SIX SIMPLE BUT POWERFUL ACTIONS TO TAKE NOW

1. MITIGATE RISK BY INCREASING DIGITAL AND TECHNOLOGICAL INNOVATION

Data-driven technologies speed up operations and improve everything from measurement to anomaly detection. But many firms still need to work on the fundamentals of their IT infrastructure and build internal skills.

2. MAKE THE MOST OF ANALYTICS BY PUSHING RISK TEAMS BEYOND DATA MANAGEMENT

Risk talent should perform information analysis, while automation and supporting professionals manage data quality, integrity, integration and technical issues. This helps capture the full analytical value of professional risk practitioners.

3. INCREASE TRANSPARENCY AND REDUCE THE REPORTING BURDEN THROUGH A DATA-DRIVEN RELATIONSHIP WITH REGULATORS

There is an opportunity for a more open data-driven dialogue between regulators and financial organisations. Risk managers should be proactive in identifying regulatory concerns and initiating conversations – backed by traceable data.

4. INCREASE COORDINATION OF RISK MANAGEMENT WITH OTHER BUSINESS FUNCTIONS

Risk management should strive for greater integration with the CEO and board on strategic decision-making, offering them a clear view of financial, non-financial and emerging risks.

5. DEMONSTRATE COMMERCIAL AWARENESS BY LEADING THE WAY ON BUSINESS AND INDUSTRY TRANSFORMATION

The risk function should strive to be more commercially aware. For most, this will mean evolving beyond being simply a “control function” and toward being a transformation leader and joint architect of new business models.

6. INTRODUCE “SKILLS BLENDING” IN RISK TEAMS TO ENCOURAGE INNOVATION

Risk management needs a team of people with creativity, technology acumen and industry knowledge as well as quantitative and analytical skills. This can lead to more innovative solutions, essential in today’s ever-changing environment.
SURVEY DATA & RESULTS:

1. HARNESSING SMART TECHNOLOGIES
Respondents identified a number of technology challenges that impede the effectiveness of the risk function. The increased velocity, variety and volume of data, and legacy technologies, have the greatest impact.

- 82 percent in the U.K. see increased data demands as a key challenge (U.S. 70 percent; Japan 67 percent; total 71 percent).
- 82 percent see legacy technologies as a critical concern (U.S. 66 percent, Japan 55 percent; total 69 percent).

To what extent do the following challenges impede the overall effectiveness of your risk management function? [To a great extent/to some extent] (Base: 50 – U.K. banking and capital markets)
A full range of technologies are being used to support the risk management function. Although usage is high, risk teams are not yet using them to their full potential—particularly the more advanced technologies.

- 90 percent in the U.K. are using the cloud to some extent, but only 12 percent are highly proficient in using it (U.S. 37 percent; Japan 14 percent; total 21 percent).
- 88 percent are using big data and analytics overall, but only 8 percent see themselves as highly proficient (U.S. 30 percent; Japan 12 percent; total 19 percent).

Thinking about the range of technologies that you use to support your risk management function, how advanced is your institution’s use of the following technologies? (Base: 50 – U.K. banking and capital markets)
SMART TECHNOLOGIES STRATEGY: BENEFITS & OPPORTUNITIES TO COME

U.K. banking and capital markets respondents believe that continued investment in smart technologies can help increase efficiency, productivity and improve customer service.

• Largely driven by retail banks, 36% in the U.K. see the main benefit of the cloud as better customer service (U.S. 18 percent; Japan 29 percent; total 27 percent).

• While adoption of AI and machine learning is low, U.K. banks and capital markets firms still see opportunities for use across multiple areas, with improved efficiency to the fore.

• Improved efficiency is an important benefit of applying analytics to big data.

<table>
<thead>
<tr>
<th>Improvements from adopting the cloud</th>
<th>U.K.</th>
<th>U.S.</th>
<th>Japan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer service</td>
<td>36%</td>
<td>18%</td>
<td>29%</td>
<td>27%</td>
</tr>
<tr>
<td>Efficiency/productivity</td>
<td>33%</td>
<td>35%</td>
<td>26%</td>
<td>34%</td>
</tr>
<tr>
<td>Compliance</td>
<td>29%</td>
<td>20%</td>
<td>21%</td>
<td>25%</td>
</tr>
<tr>
<td>Risk analysis and risk insight</td>
<td>29%</td>
<td>18%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Accuracy and control</td>
<td>27%</td>
<td>29%</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>Regulatory data management</td>
<td>24%</td>
<td>43%</td>
<td>16%</td>
<td>24%</td>
</tr>
<tr>
<td>Ability to collaborate with external partners</td>
<td>20%</td>
<td>25%</td>
<td>18%</td>
<td>21%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improvements from use of AI and machine learning</th>
<th>U.K.</th>
<th>U.S.</th>
<th>Japan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency/productivity</td>
<td>40%</td>
<td>27%</td>
<td>43%</td>
<td>32%</td>
</tr>
<tr>
<td>Business scalability</td>
<td>40%</td>
<td>27%</td>
<td>29%</td>
<td>32%</td>
</tr>
<tr>
<td>Accuracy and control</td>
<td>40%</td>
<td>9%</td>
<td>57%</td>
<td>32%</td>
</tr>
<tr>
<td>Compliance</td>
<td>40%</td>
<td>9%</td>
<td>0%</td>
<td>13%</td>
</tr>
<tr>
<td>Customer service</td>
<td>20%</td>
<td>45%</td>
<td>0%</td>
<td>37%</td>
</tr>
<tr>
<td>Regulatory data management</td>
<td>20%</td>
<td>45%</td>
<td>14%</td>
<td>24%</td>
</tr>
<tr>
<td>Risk analysis and risk insight</td>
<td>20%</td>
<td>36%</td>
<td>86%</td>
<td>55%</td>
</tr>
<tr>
<td>Ability to collaborate with external partners</td>
<td>0%</td>
<td>27%</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td>Ability to combat financial crime</td>
<td>0%</td>
<td>27%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>Product profitability/rationalisation</td>
<td>0%</td>
<td>27%</td>
<td>14%</td>
<td>21%</td>
</tr>
</tbody>
</table>

What do you see as the biggest opportunities for your organisation with adopting the cloud? …in applying analytics to big data? …in the use of artificial intelligence and machine learning? (Base: 45, 5, 34 – U.K. banking and capital markets)
U.K. banking and capital markets firms are using a range of technologies as part of a wider strategy to ease cost pressures.

- 90 percent in the U.K. are using big data and analytics to address such concerns (U.S. 87 percent; Japan 86 percent; total 83 percent).
- 72 percent are using the cloud for this purpose (U.S. 72 percent; Japan 75 percent; total also 74 percent).
- 72 percent are using artificial intelligence to better respond to cost pressures. This is more than in the U.S. (65 percent), Japan (55 percent) and globally (67 percent).

<table>
<thead>
<tr>
<th>Technology</th>
<th>To a great extent</th>
<th>To some extent</th>
<th>To a minimal extent</th>
<th>No impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big data and analytics</td>
<td>38%</td>
<td>52%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Cloud</td>
<td>32%</td>
<td>40%</td>
<td>22%</td>
<td>6%</td>
</tr>
<tr>
<td>Artificial intelligence</td>
<td>14%</td>
<td>58%</td>
<td>18%</td>
<td>10%</td>
</tr>
<tr>
<td>Collaboration and workflow tools</td>
<td>16%</td>
<td>54%</td>
<td>22%</td>
<td>8%</td>
</tr>
<tr>
<td>Machine learning</td>
<td>26%</td>
<td>42%</td>
<td>24%</td>
<td>8%</td>
</tr>
<tr>
<td>Robotic process automation</td>
<td>10%</td>
<td>46%</td>
<td>32%</td>
<td>12%</td>
</tr>
</tbody>
</table>

To what extent are the following technologies enabling your risk function to address the cost pressures you are facing? (Base: 50 – U.K. banking and capital markets)
SURVEY DATA & RESULTS

2. RISING TO MEET COORDINATION CHALLENGES
The study shows that currently there is a decentralised operating model, but a high proportion of U.K. banking and capital markets respondents are striving for more centralisation.

- 48 percent in the U.K. expect centralised coordination across risk types over the next two years, up from 20 percent today.
- 40 percent anticipate centralised coordination across business lines over the next two years, up from 14 percent today.

Using scores between 1 and 5, please indicate how risk management activities are currently coordinated across risk type, and how you expect them to be coordinated in two years’ time. Using scores between 1 and 5, please indicate how risk management activities are currently coordinated across specific lines of business, and how you expect them to be coordinated across specific lines of business in two years’ time.

(Base: 50 – U.K. banking and capital markets)
U.K. banking and capital markets respondents see room for improvement across all aspects of the risk function organisation.

- 56 percent in the U.K. say there is duplication of risk management activities across lines of business (U.S. 55 percent; Japan 47 percent; total 54 percent).
- 50 percent say local markets struggle to balance the management of risk at the local level with organisation-wide risk priorities (U.S. 57 percent; Japan 47 percent; total 57 percent).

Thinking of your risk management function, to what extent do you agree or disagree with the following statements?

Over the next two years, what changes do you expect to your use of outsourcing for the following risk processes? [Strongly agree/agree] (Base: 50 – U.K. banking and capital markets)

- There is duplication of effort in risk management activities across lines of business:
  - Strongly agree: 12%
  - Agree: 44%
  - Neither agree nor disagree: 34%
  - Disagree: 6%
  - Strongly disagree: 10%

- Local markets struggle to balance management of risk at the local level with organisation-wide risk priorities:
  - Strongly agree: 8%
  - Agree: 42%
  - Neither agree nor disagree: 38%
  - Disagree: 10%

- There is limited coordination between risk management activities at the local level and at the group level:
  - Strongly agree: 16%
  - Agree: 32%
  - Neither agree nor disagree: 32%
  - Disagree: 18%

- Organisation-wide risk processes do not capture the nuances of local markets:
  - Strongly agree: 6%
  - Agree: 32%
  - Neither agree nor disagree: 46%
  - Disagree: 10%

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RISK AND FINANCE INTEGRATION: CLOSER ALIGNMENT ANTICIPATED

Our study found seven in ten U.K. banking and capital markets respondents (72 percent) see lack of integration with other functions as a key barrier to risk effectiveness. They are planning better integration of risk and finance processes to address this challenge.

• Finance and risk are working closely in a small minority of companies today: only 6 percent in the U.K. say they both provide input into corporate strategy and ERM steering (U.S. 37 percent; Japan 24 percent; total 25 percent).

• 30 percent believe this will be the case in two years’ time (U.S. 52 percent, Japan 43 percent; total 45 percent).

Please indicate how your risk function currently performs in regard to finance and risk integration, using scores between 1 and 5 (where 1 is limited integration and 5 is full integration). [Aggregate 4/5 ratings] (Base: 50 – U.K. banking and capital markets)
3. BUILDING NEW LAYERS OF TALENT
RISK MANAGEMENT WORKFORCE: BUILDING A FULL RANGE OF CAPABILITIES

U.K. based banking and capital markets respondents recognise the recent achievements of their risk teams in building a range of capabilities, but less so in emerging technology risks such as social media.

- 84 percent in the U.K. say the risk workforce is effective in understanding the business impact of regulatory changes (U.S. 83 percent; Japan 71 percent; total 77 percent).

- 84 percent say they have an effective understanding of emerging technology risks (U.S. 78 percent; Japan 61 percent; total 77 percent).

- Risk teams are seen as less effective in their understanding of social media (72 percent against U.S. 78 percent; Japan 67 percent; total 72 percent).

<table>
<thead>
<tr>
<th>Capability</th>
<th>Effectiveness Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding business impact of regulatory changes</td>
<td>84%</td>
</tr>
<tr>
<td>Understanding of emerging technology risks</td>
<td>84%</td>
</tr>
<tr>
<td>Understanding of key sector trends</td>
<td>82%</td>
</tr>
<tr>
<td>Ability to apply analytics to risk management</td>
<td>80%</td>
</tr>
<tr>
<td>Performing risk control activities</td>
<td>80%</td>
</tr>
<tr>
<td>Commercial awareness</td>
<td>80%</td>
</tr>
<tr>
<td>Data management</td>
<td>78%</td>
</tr>
<tr>
<td>Understanding of social media</td>
<td>72%</td>
</tr>
</tbody>
</table>

Thinking of your risk management workforce capabilities, how effective are they across the following areas? [Very effective/effective] To what extent do you agree or disagree with the following statements? [Strongly agree/agree] (Base: 50 – U.K. banking and capital markets)

Reporting cyber risk

- 62 percent agree that they have a cyber risk management function that can effectively challenge the IT function and accurately report the real status of cyber risk to the board (U.S. 78%; Japan 69%; total 69%).

Accenture 2017 Global Risk Management Study: Banking & Capital Markets Reports
TALENT CHALLENGES REMAIN: SKILLS SHORTAGES IMPEDES THE RISK FUNCTION

While U.K. banking and capital markets respondents believe their risk management capabilities are effective across the board, skills shortages were still identified as one of the challenges impacting effectiveness of the risk function.

• Three-quarters (76 percent) of respondents in the U.K. say a shortage of core risk management talent and skills is impeding effectiveness of the function (U.S. 67 percent; Japan, 65 percent; total 67 percent).

• 72 percent say a shortage of skills in new and emerging technologies is impeding the function’s effectiveness (U.S. 61 percent; Japan 69 percent; total 68 percent).

<table>
<thead>
<tr>
<th>Challenge</th>
<th>To a great extent</th>
<th>To some extent</th>
<th>To a minimal extent</th>
<th>No impact</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shortage of core risk management talent and skills</td>
<td>28%</td>
<td>48%</td>
<td>14%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Shortage of skills in new and emerging technologies</td>
<td>38%</td>
<td>34%</td>
<td>18%</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

To what extent do the following challenges impede the overall effectiveness of your risk management function? [To a great extent/to some extent] (Base: 50 – U.K. banking and capital markets)
BUILDING RISK CAPABILITIES: EVOLVING SKILL SETS

Increasing stakeholder demands and emerging risk types require risk teams to add new skills to traditional risk management experience.

U.K. banking and capital markets respondents are prioritising technical risk management skills over the next year, with an emphasis on understanding emerging technology risks and data management.

- 48 percent in the U.K. plan to strengthen understanding of emerging technology risks (U.S. 48 percent; Japan 49 percent; total 48 percent).
- 40 percent plan to strengthen data management (U.S. 50 percent; Japan 49 percent; total 45 percent).

What are the priority risk management capabilities your institution plans to strengthen over the next year? (Base: 50 – U.K. banking and capital markets)

<table>
<thead>
<tr>
<th>Skill Set</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding of emerging technology risks</td>
<td>48%</td>
</tr>
<tr>
<td>Data management</td>
<td>40%</td>
</tr>
<tr>
<td>Advanced mathematical and statistical knowledge</td>
<td>32%</td>
</tr>
<tr>
<td>Understanding of key trends in our sector</td>
<td>30%</td>
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<tr>
<td>Broader commercial awareness</td>
<td>28%</td>
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<tr>
<td>Managing reputational risk associated with social media</td>
<td>26%</td>
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</tbody>
</table>
Today more than ever, modern banks and investment firms need a risk function that goes far beyond compliance to become an integrated, strategic cog in the primary gears of the business.

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