



The digital agenda continues to dominate the operational risk landscape in 2019. Financial services firms need to change rapidly to respond to technological innovation and remain competitive. They must do this while continuing to keep a watchful eye on conduct and fraud in particular.

Top risks remain static year-on-year

This is the second year we've produced this report, and several key risks remain relatively static. For example, information security and conduct risks remain the top current risks, far outstripping the next closest risk – fraud. Conduct's high ranking is driven by retail mis-selling concerns from European participants, whereas information security is a key concern for all regions.

Similarly to last year, most risks are expected to increase, led by IT-related risks. ORX is continuing to support our members in this area with the recent launch of our [cyber risk initiative](#). Digital disruption remains the top emerging risk, and we are seeing the risks evolve as technologies and marketplaces mature.

External pressures drive changes

The study has also revealed some interesting changes. The first is transaction processing, which has jumped up the rankings from seventh last year, potentially driven by some high-profile fat finger errors leading to increased regulatory scrutiny.

In emerging risks, geopolitical tensions, including those around Brexit, US politics and international trade, have continued to build. This is reflected in this risk category rising one place to third this year.

Digital developments influence every risk

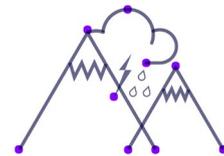
Overall, this year's study shows that industry concerns are dominated by digital. But it must not be forgotten that digitalisation is impacting every risk in this study; no single risk exists in a vacuum. Future Operational Risk Horizon studies will continue to track these risks, providing a valuable benchmark for the financial industry.

Current risks	
Top 5 current risks 2019	2018 rank
1 Information security (including cyber)	▲ 2
2 Conduct	▼ 1
3 Fraud	– 3
4 Transaction processing	▲ 7
5 Technology	▼ 4

Emerging risks	
Top 5 emerging risks 2019	2018 rank
1 Digital disruption	– 1
2 Information security (including cyber)	– 2
3 Geopolitical and macroeconomic	▲ 4
4 Regulatory compliance	▼ 3
5 Third party	▲ 7

Operational Risk Horizon 2019

Summary



Divergent views on emerging risks across banking and insurance

More insurance members took part in the study this year, which allowed us to create separate banking and insurance top 15 risk charts. The two rankings present very different pictures, particularly around emerging risks. Banking participants are demonstrably feeling the pressure of digital disruption, ranking it as their top emerging risk, whereas insurers appear to be less concerned. Instead, geopolitical risks are the top emerging concerns for insurers.

Banking top 3 emerging risks	
1	Digital disruption
2	Information security (including cyber)
3	Geopolitical and macroeconomic

Insurance top 3 emerging risks	
1	Geopolitical and macroeconomic
2	Physical security and safety
3	Information security (including cyber)

About the ORX Operational Risk Horizon

Each year ORX surveys financial firms, collecting their top current and emerging operational risks. We analyse these to produce a picture of the operational risk landscape for the coming year and beyond. Forty-eight institutions took part in the 2019 study. In total we analysed 444 current risks and 308 emerging risks.

Find out more: managingrisktogether.orx.org/research/operational-risk-horizon-2019

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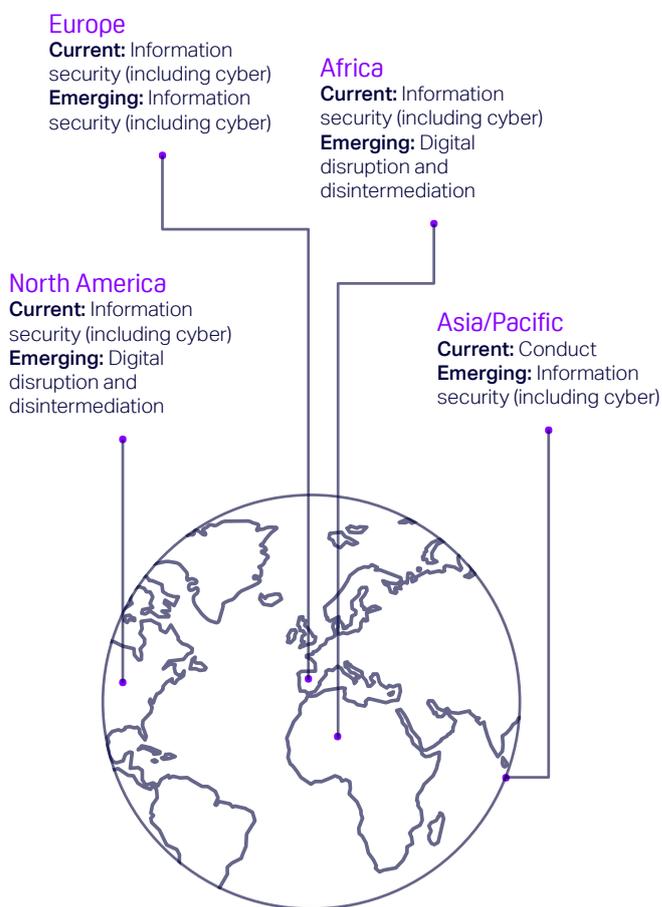
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Key concerns are global

Regional analysis creates an image of overarching concerns with regional differences. Information security, conduct and digital disruption rank highly in all regions. In Europe, regulations and geopolitics are key issues, in contrast to people and third-party concerns in North America. The African rankings reflect the regulatory regime change in South Africa, and Asia/Pacific's concerns are notably different from other regions, particularly the lower ranking of digital disruption risks.

Top regional risks



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