

Accenture Risk Study: 2024 Edition

Web of risks in Financial Services - Risk heatmap – analysis and insights

When threats are everywhere, business
resilience requires a new risk mindset

This document explores the relationship and interconnection between different risk types and identifies the most impactful and powerful risks types within the financial services sector.

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Financial services heatmap

- As a sector, financial services is very prone to the phenomenon of **interconnected risks** – an intricate **web of relationships** between different risk types.
- In some cases, this **web of risks** can be quite systemic as one risk type impacts many other individual risk types creating a type of **domino effect**.
- As well, some risk types have much stronger levels of interconnection and impact – making them the **most powerful and impactful risk types** companies have to manage.
- Our analysis also shows that individual risk types can impact each other (e.g., financial risks impacting fraud risk with fraud risk impacting financial risks) creating an **interactive impact loop**.



How to read the heatmap:

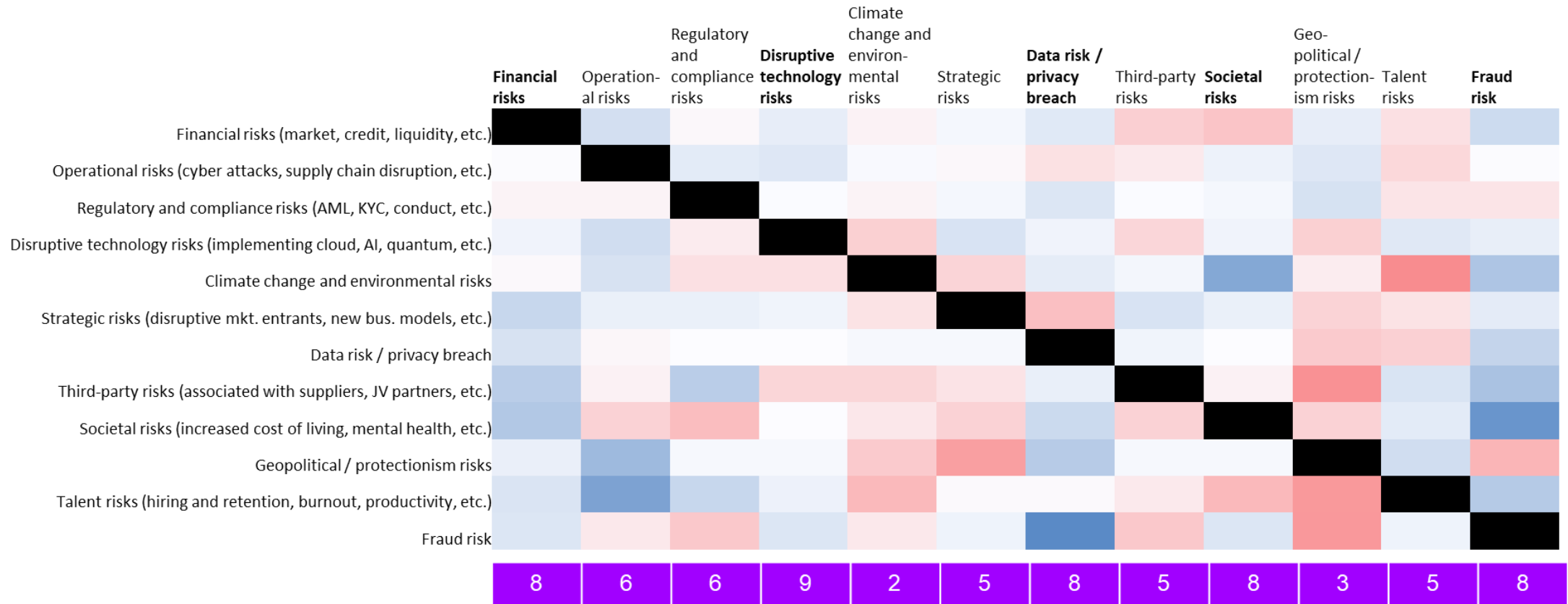
The heatmap illustrates the interconnection among individual risk types as reported by study respondents. Blue boxes indicate risks that are more interconnected. The darker the blue box, the stronger the interconnection between risk types. The red boxes identify risks that are less interconnected. The matrix can be read by column, showing which risks along the vertical axis are more likely to occur as a result of the risk at the top of the column, or by row, showing which risks along the horizontal axis are more likely to amplify the risk type.

Base: N=353

**Most
interconnected
risks**

Interconnection of risk types is a real issue in financial services

- For **disruptive technology, financial, fraud, data** and **societal** risk types, the interconnection (relationship) among risks appears to be systemic in nature.
- Three-quarters of the individual risk types surveyed during our Risk Study: 2024 Edition, impact five (5) or more other risk types.
- In the financial services space, managing risk is about managing a web of risks.



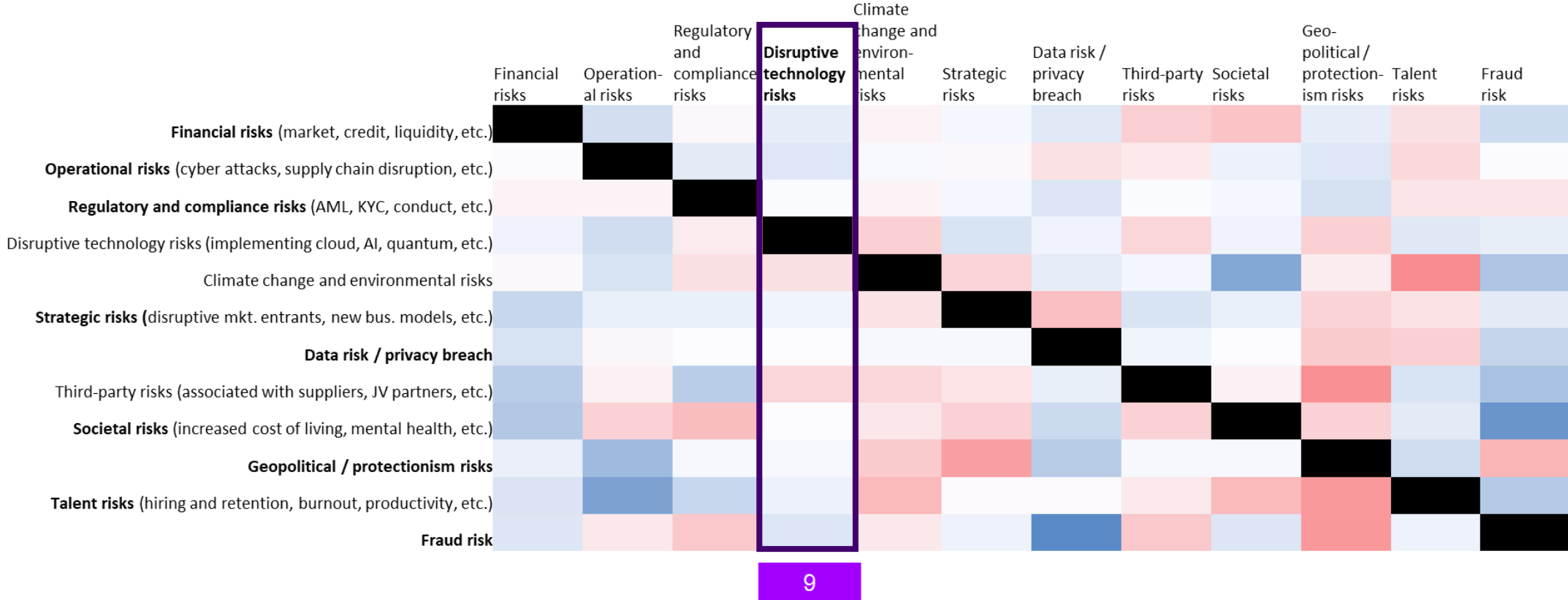
Note:

The number at the bottom of each column indicates the total number of risk types that are interconnected. For example, the disruptive technology risk type is interconnected or impacts 9 other risk types.



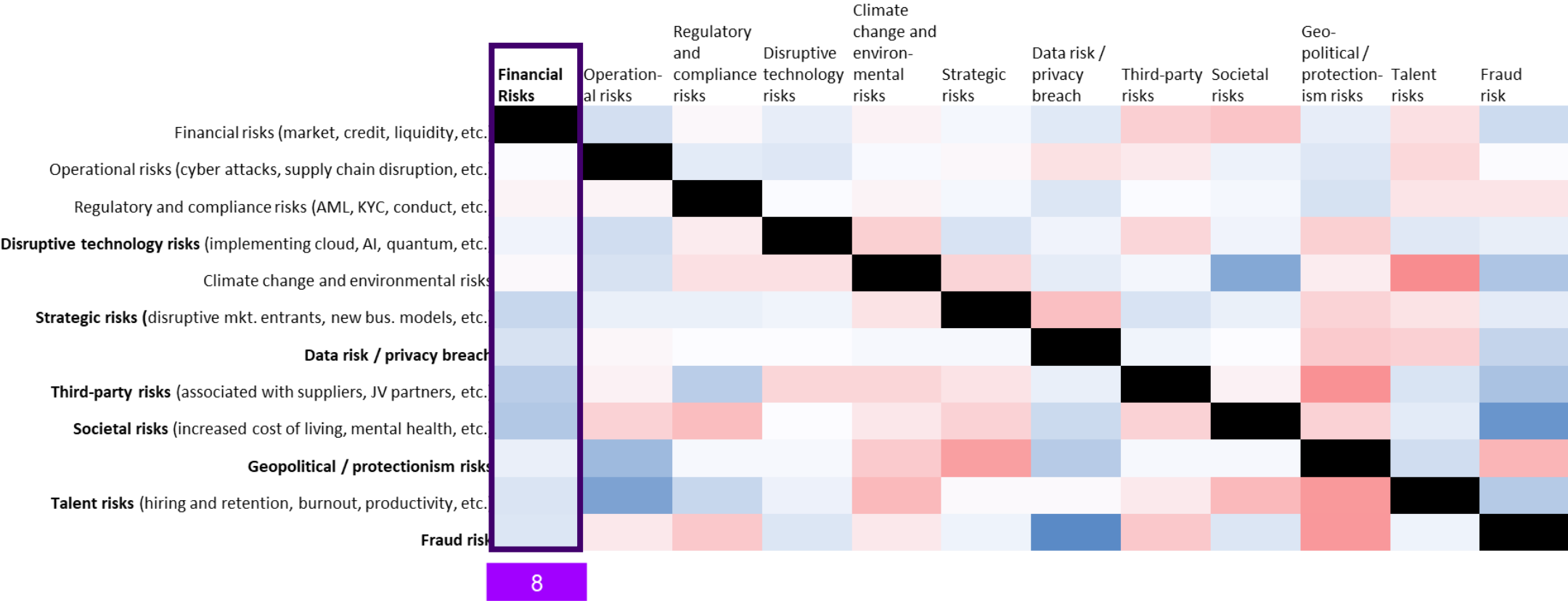
Most interconnected risk types – Disruptive technology risks

- **Disruptive technology** risk type impacts the greatest number of other risks - **nine (9)**.
- Disruptive technology impacts: Financial, operational, regulatory and compliance, strategic, data, societal, geopolitical, talent and fraud risks.
- It is also the risk type rising most in importance across all 11 surveyed industries. 25% of financial services CROs agree with this observation and it is a far bigger issue for Banking CROs.
- Only 39% of financial services CROs say they are very confident in their ability to manage disruptive technology risks, the lowest level for any risk type. It is a far bigger challenge for Insurers (23%) than for Capital Markets (50%) and Banks (44%).



Most interconnected risk types – Financial risks

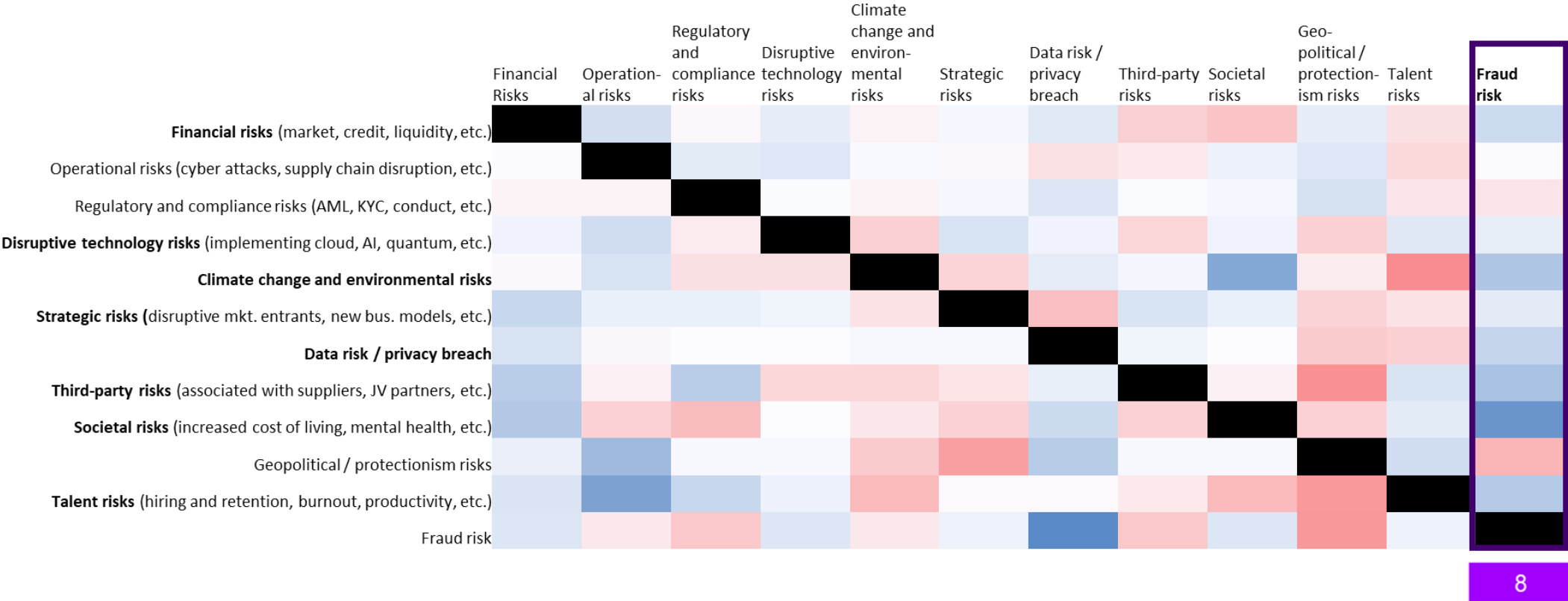
- **Financial** risks impact **eight (8)** other risk types.
- Financial risks impact: Disruptive technology, strategic, data, third-party, societal, geopolitical, talent and fraud risks.
- For the financial services sector, financial is the most important risk type they face. For Capital Markets and Insurance CROs, it is a bigger challenge than Banks.
- Only 59% of financial services CROs say they are very confident in their ability to manage financial risks like market, credit and liquidity risks. A far bigger challenge for Insurers (46%) than for Banks (67%) and Capital Markets (65%).



8

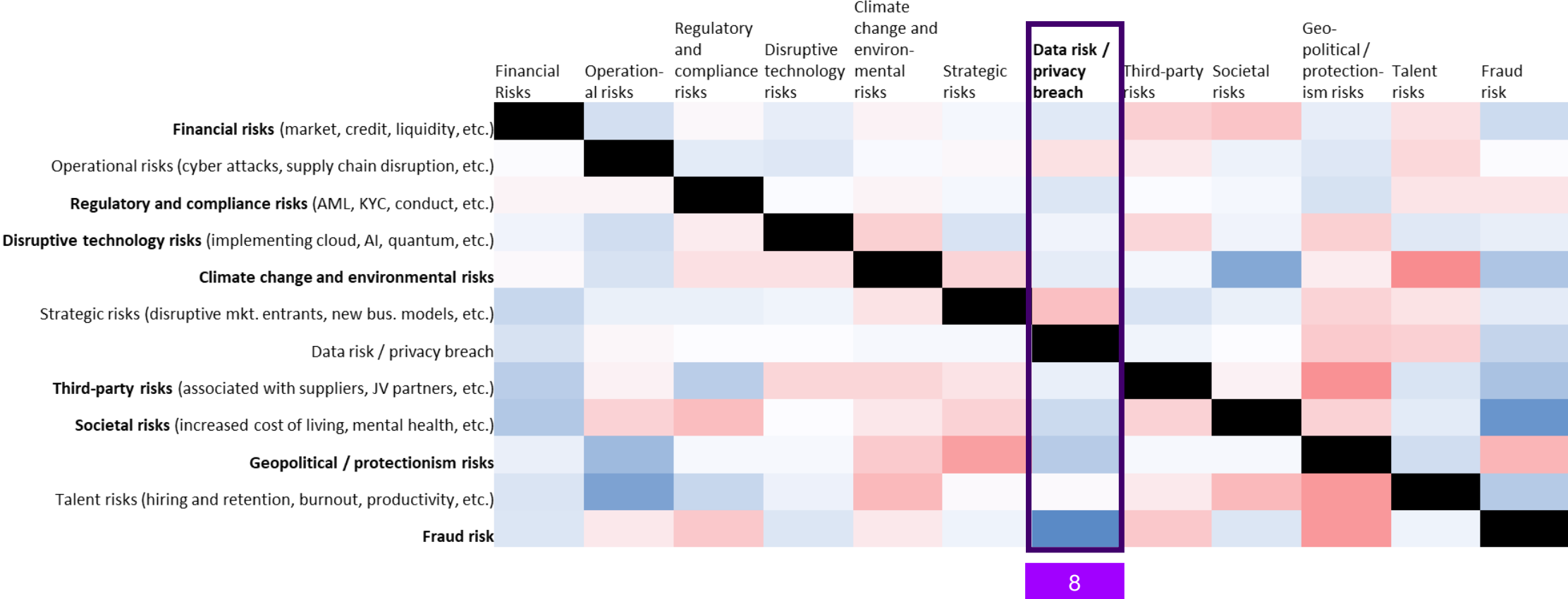
Most interconnected risk types – Fraud risk

- **Fraud** risk impacts **eight (8)** other risk types.
- Fraud impacts: Financial, disruptive technology, climate change, strategic, data, third-party, societal and talent risks.
- It is the risk type that has risen the least in importance within financial services.
- It is a far bigger issue for Capital Markets CROs and a far lesser issue for their Insurance peers.
- Only 53% of financial services CROs say they are very confident in their ability to manage fraud risk. Insurers are more confident (63%) than their Banking (52%) and Capital Markets (50%) peers.



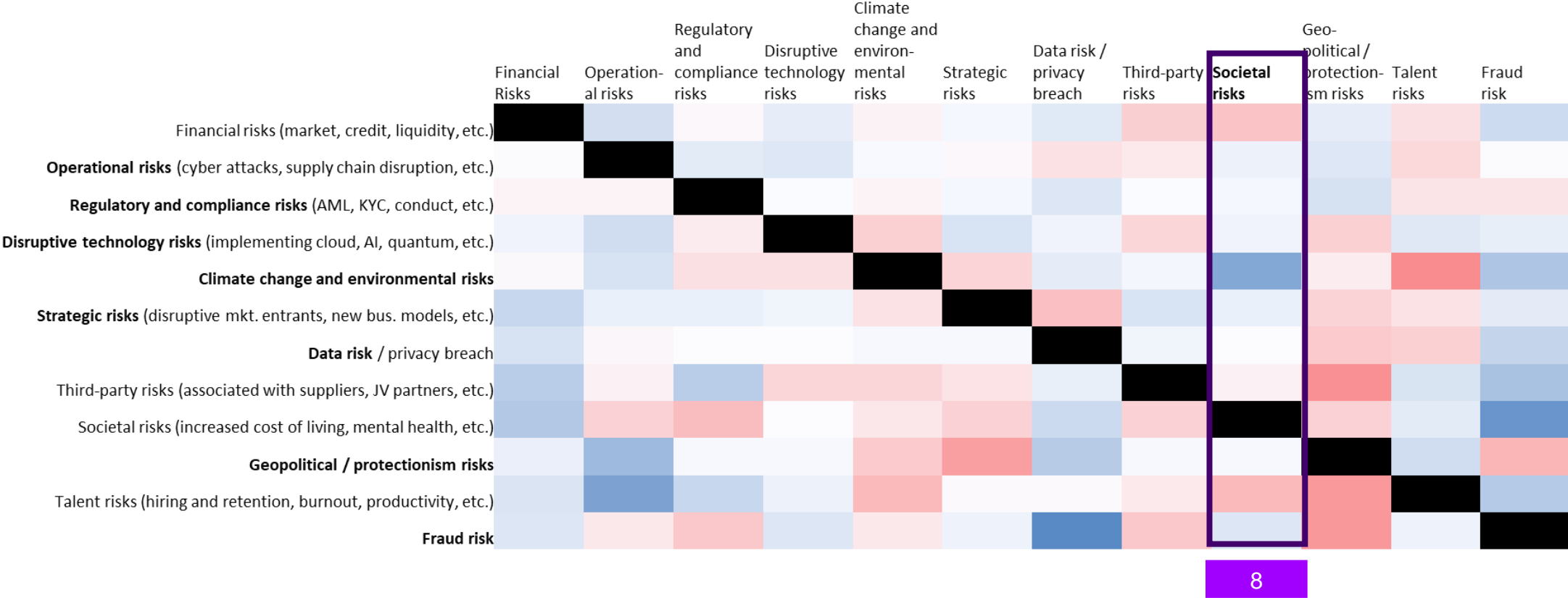
Most interconnected risk types – Data risk

- **Data** risk casts a long shadow impacting **eight (8)** other risk types.
- Data risk impacts: Financial, regulatory and compliance, disruptive technology, climate change, third-party, societal, geopolitical and fraud risks.
- It is a bigger issue for Capital Markets CROs and a far lesser issue for their Banking peers.
- Only 53% of all financial services CROs say they are very confident in their ability to manage data risk. Capital Markets CROs are more confident (69%) than their Insurance (63%) peers while Banking CROs are very challenged (38%).



Most interconnected risk types – Societal risks

- **Societal** risks impact **eight (8)** other risk types. This is a risk type we began to track in our Risk Study: 2024 Edition.
- Societal risks impact: Operational, regulatory and compliance, disruptive technology, climate change, strategic, data, geopolitical and fraud risks.
- It is a slightly bigger issue for Insurance CROs.
- Only 53% of all financial services CROs say they are very confident in their ability to manage societal risks. Insurance CROs are far more confident (74%) than their Capital Markets (42%) and Banking (41%) peers.



**Most
powerful and
impactful
risks**

Most powerful and impactful risk types

- To determine the **strength of the interconnection** between each risk type, we focused on risks with positive interconnections (blue cells, values above 1).
- Risks with scores of **1.09 and higher** (the threshold for the bottom 20% of the positive range) are considered to have a meaningful interconnection and **positive impact**.
- Those with scores of **1.38 and higher** (top 20% of the positive range) are classified as **strongly interconnected and impactful**.

	Financial risks	Operational risks	Regulatory and compliance risks	Disruptive technology risks	Climate change and environmental risks	Strategic risks	Data risk / privacy breach	Third-party risks	Societal risks	Geopolitical / protectionism risks	Talent risks	Fraud risk
Financial risks	1.00	1.35	1.06	1.23	1.01	1.14	1.27	0.76	0.68	1.23	0.89	1.39
Operational risks	1.08	1.00	1.25	1.28	1.12	1.05	0.89	0.95	1.18	1.28	0.82	1.08
Regulatory and compliance risks	1.03	1.03	1.00	1.10	1.03	1.14	1.29	1.10	1.14	1.33	0.91	0.91
Disruptive technology risks	1.17	1.37	0.97	1.00	0.76	1.32	1.17	0.81	1.17	0.76	1.27	1.22
Climate change and environmental risks	1.06	1.32	0.88	0.88	1.00	0.79	1.24	1.15	1.85	0.97	0.26	1.59
Strategic risks	1.43	1.20	1.20	1.17	0.90	1.00	0.64	1.32	1.20	0.79	0.90	1.24
Data risk/privacy breach	1.33	1.05	1.09	1.09	1.13	1.13	1.00	1.17	1.09	0.72	0.77	1.45
Third-party risks	1.51	1.01	1.51	0.81	0.81	0.91	1.21	1.00	1.01	0.30	1.31	1.61
Societal risks	1.56	0.78	0.62	1.09	0.94	0.78	1.40	0.78	1.00	0.78	1.25	2.03
Geopolitical / protectionism risks	1.21	1.69	1.13	1.13	0.72	0.40	1.53	1.13	1.13	1.00	1.37	0.56
Talent risks	1.31	1.90	1.43	1.19	0.59	1.07	1.07	0.95	0.59	0.36	1.00	1.54
Fraud risk	1.29	0.94	0.71	1.29	0.94	1.18	2.12	0.71	1.29	0.35	1.18	1.00

Most powerful and impactful risk types – Fraud risk

- **Fraud risk** shows the **strongest interconnections** and is the most powerful and impactful risk type.
- For the **6 of 8 risks it impacts (75%)**, the level of **impact is significant**.
- Fraud risk has a **significant impact on:** Financial, climate change, data, third-party, societal, and talent risks.
- Based on our Risk Study: 2024 Edition findings, financial services companies may be seriously underestimating the nature, reach and affect of fraud risk on their business.

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Talent risks	1.31	1.90	1.43	1.19	0.59	1.07	1.07	0.95	0.59	0.36		1.54
Fraud risk	1.29	0.94	0.71	1.29	0.94	1.18	2.12	0.71	1.29	0.35	1.18	

6

75%

Strength of interconnections and impact for all risk types

- Other impactful risks include **financial**, **data**, **operational** and **regulatory and compliance** risks.
- Despite being the most interconnected risk type, **disruptive technology** risks do not exert a very strong impact on other risks.
- A similar observation can be made for **societal** risks.

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Geopolitical / protectionism risks	1.21	1.69	1.13	1.13	0.72	0.40	1.53	1.13	1.13		1.37	0.56
Talent risks	1.31	1.90	1.43	1.19	0.59	1.07	1.07	0.95	0.59	0.36		1.54
Fraud risk	1.29	0.94	0.71	1.29	0.94	1.18	2.12	0.71	1.29	0.35	1.18	
	3	2	2	0	0	0	3	0	1	0	0	6
	38%	33%	33%				38%		13%			75%

Note:

The number at the bottom of each column indicates the total number of risk types that are strongly interconnected. The percentage refers to the portion of strongly interconnected risks.

Most impacted risks

Most impacted risks - Data risk

- Managing **data** risk may be more challenging than expected. This risk type is impacted by 8 other risk types.
- Data risk is impacted by: Financial, regulatory and compliance, disruptive technology, climate change, strategic, third-party, societal and fraud.

	Financial risks	Operational risks	Regulatory and compliance risks	Disruptive technology risks	Climate change and environmental risks	Strategic risks	Data risk / privacy breach	Third-party risks	Societal risks	Geo-political / protectionism risks	Talent risks	Fraud Risk
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Strategic risks	1.43	1.20	1.20	1.17	0.90		0.64	1.32	1.20	0.79	0.90	1.24
Data risk/privacy breach	1.33	1.05	1.09	1.09	1.13	1.13		1.17	1.09	0.72	0.77	1.45
Third-party risks	1.51	1.01	1.51	0.81	0.81	0.91	1.21		1.01	0.30	1.31	1.61
Societal risks	1.56	0.78	0.62	1.09	0.94	0.78	1.40	0.78		0.78	1.25	2.03
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Talent risks	1.31	1.90	1.43	1.19	0.59	1.07	1.07	0.95	0.59	0.36		1.54
Fraud risk	1.29	0.94	0.71	1.29	0.94	1.18	2.12	0.71	1.29	0.35	1.18	

8

Most impacted risks – Geopolitical risks

- **Geopolitical** risk type is impacted by 8 other risk types.
- Geopolitical risks are impacted by: Financial, operational, regulatory and compliance, disruptive technology, data, third-party, societal and talent.

	Financial risks	Operational risks	Regulatory and compliance risks	Disruptive technology risks	Climate change and environmental risks	Strategic risks	Data risk / privacy breach	Third-party risks	Societal risks	Geopolitical / protectionism risks	Talent risks	Fraud Risk
Financial risks		1.35	1.06	1.23	1.01	1.14	1.27	0.76	0.68	1.23	0.89	1.39
Operational risks	1.08		1.25	1.28	1.12	1.05	0.89	0.95	1.18	1.28	0.82	1.08
Regulatory and compliance risks	1.03	1.03		1.10	1.03	1.14	1.29	1.10	1.14	1.33	0.91	0.91
Disruptive technology risks	1.17	1.37	0.97		0.76	1.32	1.17	0.81	1.17	0.76	1.27	1.22
Climate change and environmental risks	1.06	1.32	0.88	0.88		0.79	1.24	1.15	1.85	0.97	0.26	1.59
Strategic risks	1.43	1.20	1.20	1.17	0.90		0.64	1.32	1.20	0.79	0.90	1.24
Data risk/privacy breach	1.33	1.05	1.09	1.09	1.13	1.13		1.17	1.09	0.72	0.77	1.45
Third-party risks	1.51	1.01	1.51	0.81	0.81	0.91	1.21		1.01	0.30	1.31	1.61
Societal risks	1.56	0.78	0.62	1.09	0.94	0.78	1.40	0.78		0.78	1.25	2.03
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Talent risks	1.31	1.90	1.43	1.19	0.59	1.07	1.07	0.95	0.59	0.36		1.54
Fraud risk	1.29	0.94	0.71	1.29	0.94	1.18	2.12	0.71	1.29	0.35	1.18	

Most impacted risks - Recap

- **Disruptive technology** risks (the most interconnected risk type) and **strategic** risks are impacted by **7 other risks**.
- Disruptive technology risks are impacted by: Financial, operational, strategic, data, societal, talent and fraud.
- Strategic risks are impacted by: Financial, operational, regulatory and compliance, disruptive technology, third-party, societal and fraud.

	Financial risks	Operational risks	Regulatory and compliance risks	Disruptive technology risks	Climate change and environmental risks	Strategic risks	Data risk / privacy breach	Third-party risks	Societal risks	Geo-political/ protectionism risks	Talent risks	Fraud Risk	
Financial risks		1.35	1.06	1.23	1.01	1.14	1.27	0.76	0.68	1.23	0.89	1.39	6
Operational risks	1.08		1.25	1.28	1.12	1.05	0.89	0.95	1.18	1.28	0.82	1.08	5
Regulatory and compliance risks	1.03	1.03		1.10	1.03	1.14	1.29	1.10	1.14	1.33	0.91	0.91	6
Disruptive technology risks	1.17	1.37	0.97		0.76	1.32	1.17	0.81	1.17	0.76	1.27	1.22	7
Climate change and environmental risks	1.06	1.32	0.88	0.88		0.79	1.24	1.15	1.85	0.97	0.26	1.59	5
Strategic risks	1.43	1.20	1.20	1.17	0.90		0.64	1.32	1.20	0.79	0.90	1.24	7
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Third-party risks	1.51	1.01	1.51	0.81	0.81	0.91	1.21		1.01	0.30	1.31	1.61	5
Societal risks	1.56	0.78	0.62	1.09	0.94	0.78	1.40	0.78		0.78	1.25	2.03	5
Geopolitical/ protectionism risks	1.21	1.69	1.13	1.13	0.72	0.40	1.53	1.13	1.13		1.37	0.56	8
Talent risks	1.31	1.90	1.43	1.19	0.59	1.07	1.07	0.95	0.59	0.36		1.54	5
Fraud risk	1.29	0.94	0.71	1.29	0.94	1.18	2.12	0.71	1.29	0.35	1.18		6

**Risks that
impact
each other**

Risks that impact each other – Strongest interactive loop

- The strongest relationship we see among the individual risk types is between **data** risk and **fraud** risk.
- We also see a very strong interactive relationship between fraud and societal, operational and talent and societal and climate change.

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Recap of key insights

Our research findings and analysis find that:

- The interconnection among individual risk types is a real issue in financial services. For disruptive technology, financial, fraud, data and societal risk types, the relationship among individual risks appears to be systemic in nature.
- Our analysis also finds that fraud, financial, operational and regulatory and compliance risks exert the strongest level of impact on other risks.
- Fraud is “the” most impactful (powerful) risk and one of the most interconnected (systemic) risk types. However, according to our Risk Study: 2024 Edition, fraud is the risk type rising least in importance in financial services. Financial institutions may be significantly underestimating and undermanaging their fraud risk exposure and how fraud can increase the overall risk exposure of their business.
- Some individual risk types impact each other creating an interactive impact loop. The strongest loop observed is between data risk and fraud risk.
- For some risk types like data and geopolitical, the risk exposure they create may be more challenging to assess because they are impacted by many other risks (8 in this case).
- In financial services, managing risk is about managing a web of risks.

How Accenture can help

Accenture offers a comprehensive, expert-based approach and leading tools and solutions to actively identify, assess and manage interconnected risks. We can help you prepare, respond and

- **Transform your risk and compliance management function:** Scale operations and capabilities through automation, streamline processes, and access leading resources internally or through our ecosystem partners. All while actively managing costs and promoting efficiency.
- **Transform your risk controls:** Implement simplified and automated risk-control policies, strategies, structures, processes and tools to identify, assess and visualize risks early and across the enterprise. Critical for reducing risk exposure and impact including for unforeseen risks.
- **Build tailored risk management models and actionable reporting:** Develop risk management models that are customized for your usage and requirements. These model allow your organization to better understand risk correlation and relationship issues. We can also help you create integrated, accurate and timely financial, regulatory and risk reports in a consistent and scalable manner.
- **Build an enterprise-wide risk mindset, culture and agility:** Implement the required people resources, data capabilities and accelerators, tools and solutions to build a culture and mindset where risk is everyone's responsibility and people across the enterprise can effectively manage it.
- **Unlock the power of data and AI:** Establish strong data governance and accelerate the adoption of AI-based platforms to perform advanced analysis of aggregated and interconnected risk scenarios and enhance your 360-degree view of risk and compliance issues. All while mitigating the inherent risks of AI models and your disruptive technology risk exposure.
- **Manage financial crime and fraud risk proactively:** Build scalable, adaptable enterprise fraud capabilities to help you proactively reduce risk and fraud exposure, and associated losses—protecting against reputational harm. This includes using technology to transform “know your customer” (KYC) and anti-money laundering (AML) activities, improve the customer experience, reduce costs and maintain regulatory compliance.



Web of risks in Financial Services – Risk heatmap analysis and insights

About Accenture

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