

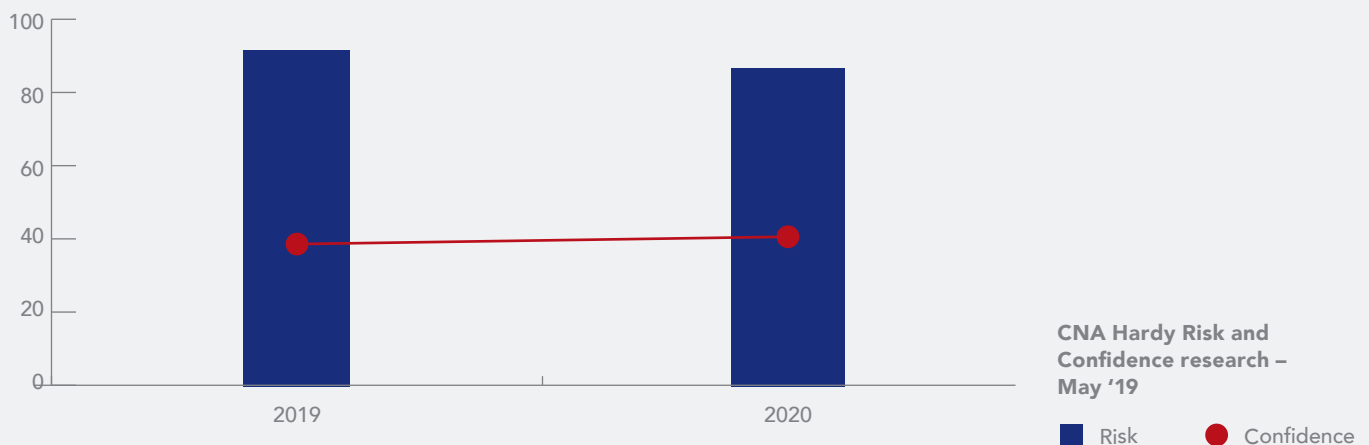


## 2020 Prediction: UK financial services sector views next year with caution

On the surface, confidence levels are creeping up and risk perceptions are on the wane as leaders of UK financial services businesses look ahead to 2020.

But take a look inside the vaults and the underlying pattern is still one of concern. Only 41% of financial services leaders feel confident about the ability of their business to grow and prosper into 2020 and 87% believe they will be operating in a moderate to high risk environment, according to our Risk and Confidence research<sup>1</sup>. While the picture may be improving compared to 2019, it can only said to be doing so from a very low base.

### UK financial services firms' risk and confidence predictions



Front and centre of the 2020 radar is political risk – which 25% of financial services leaders rank as their top risk – more than double the level in May 2019. Technology risk is a close second, up 29%. Cyber risk is broadly stable in third position.

Although businesses have been preparing for Brexit, in some form, for some time, it is hard to make concrete plans, for example regarding new regulatory frameworks. This is having a significant impact on confidence, particularly for global businesses operating within the City of London.



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Technology too is an all-pervasive concern. Organisations that began by leveraging technology to improve the customer experience and operational efficiency are now part of the big data and analytics revolution. In financial services, we have seen this approach applied to payments, retail banking, and wealth management, and migrating toward institutional areas such as capital markets, commercial banking and of course insurance.

Where technology leads today, cyber risk follows tomorrow. Use of third-party vendors, cross-border data exchanges and increased use of mobile technologies by customers, are just some of the weaknesses that cyber criminals look to exploit.

Against this backdrop, insurers and brokers will need to stay closer to their financial services clients than ever before. "Plan beats no plan" as former US Treasury Secretary, Timothy Geitner, was fond of warning during the 2008 financial crisis. In this case the plan will need to be around improving risk mitigation and enhancing protection across every area from cyber to D&O risk.

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<sup>1</sup>CNA Hardy Risk and Confidence research was undertaken between February and March '19, via an online survey of 1,500 business leaders of multinational firms with operations in Europe. Qualitative research was undertaken in May '19. In the UK 450 business leaders from 9 different business sectors, with a turnover ranging from £5m to £1bn+ were surveyed.

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