**PRESS RELEASE**

***Global banking industry names regulation & political interference as top risks over macro-economic concerns***

 *‘Banana Skins’ poll identifies top threats to banks*

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| Banking Banana Skins 2014 |
| (2012 ranking in brackets) |
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| 1 | Regulation (6) |
| 2 | Political interference (5) |
| 3 | Macro-economic environment (1) |
| 4 | Technology risk (18) |
| 5 | Profitability (7) |
| 6 | Pricing of risk (11) |
| 7 | Credit risk (2) |
| 8 | Corporate governance (9) |
| 9 | Criminality (24) |
| 10 | Capital availability (4) |
| 11 | Quality of risk management (10) |
| 12 | Interest rates (17) |
| 13 | Back office (13) |
| 14 | Change management (15) |
| 15 | Liquidity (3) |
| 16 | Sales and business practices (20) |
| 17 | Emerging markets (22) |
| 18 | Derivatives (8) |
| 19 | Social media (-) |
| 20 | Shadow banking (-) |
| 21 | Management incentives (14) |
| 22 | Currency (19) |
| 23 | Human resources (28) |
| 24 | Reliance on third parties (29) |
| 25 | Social sustainability (25) |
| 26 | Equity markets (21) |
| 27 | Commodity markets (26) |
| 28 | Business continuation (12) |
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**Tuesday, April 29, 2014 -** Regulation and political interference topped the list of risks among the global banking industry (No.1 and No.2 respectively) – replacing 2012’s leading threat, the macro-economic environment, according to the [*Banking Banana Skins*](http://www.pwc.com/bbs2014) 2014 survey released today.

The CSFI’s biennial [Banking Banana Skins survey](http://www.pwc.com/bbs2014), produced in association with PwC, revealed the overwhelming message from respondents: the weight of new regulation is becoming excessive and could dampen economic recovery and growth. The poll is based on responses from more than 650 bankers, banking regulators and close observers of the banking industry in 59 countries.

Political interference was also specified by respondents as causing more costs and constraints to the banking sector. Some of the strongest concerns around political interference come from Europe – where extensive measures have been proposed or adopted at both the EU and national levels to make banks safer.

However, the survey also shows that anxiety about the outlook for banks has started to decline for the first time in seven years, suggesting that the operating climate for banks is finally turning.

The poll shows that concerns expressed in earlier surveys about capital availability, liquidity, credit quality and exotic products in the banking system have begun to ease. Although confidence about the macro-economic outlook has also strengthened, the survey reveals strong ongoing concern about the stability of the Eurozone, and rising worries about emerging markets, particularly China where the banking system is seen to be under stress. The outlook for the tapering of quantitative easing by central banks is widely seen as crucial to global economic prospects.

A fast-rising risk in the Banana Skins ranking is technology risk, which has risen from No. 18 to No. 4, largely on the back of strengthening concern about cybercrime. This is a problem which, as one respondent said: “can only get bigger” and cost banks heavily both financially and reputationally. Technology concerns also centre on back office systems which are seen to be ageing but also a low priority for investment.

A breakdown of responses shows that all major respondent types (bankers, observers and risk managers) are strongly concerned about regulatory excess and political interference, as well as the state of the global economy. However non-bankers are more worried about institutional risks in banks such as the quality of governance and management; bankers play these risks down.

By region, the responses show concern about regulation and politics to be strongest in Europe and North America. The top concerns in the Asia Pacific region focus more on the macro-economy and the risk of sharp changes in interest rates.

 “Although there are encouraging signs in this survey, respondents’ concerns around over regulation need to be taken seriously. It would be ironic if new banking rules ended up snuffing out the recovery,” said David Lascelles, the survey’s editor.

[Global Financial Services Risk Leader, Dominic Nixon](https://www.linkedin.com/pub/dominic-nixon/79/809/bb5), PwC, explained, “While some respondents viewed the growth of regulation as necessary, we need to carefully look at the potential unintended costs and consequences it may produce. Onerous regulation could slow profitability and innovation- during a time when the banks’ contribution to the global economic recovery is most needed.”

**ENDS**

**NOTES TO EDITORS**

The CSFI’s “Banana Skins” series provides periodic snapshots of the risk landscape in the financial services sector. As well as the banking series, the CSFI conducts surveys of the risks in insurance and microfinance.

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**About The Centre for the Study of Financial Innovation (CSFI)**

CSFIis 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. The CSFI has been producing regular Banana Skins surveys since 1995. www.csfi.org.uk

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