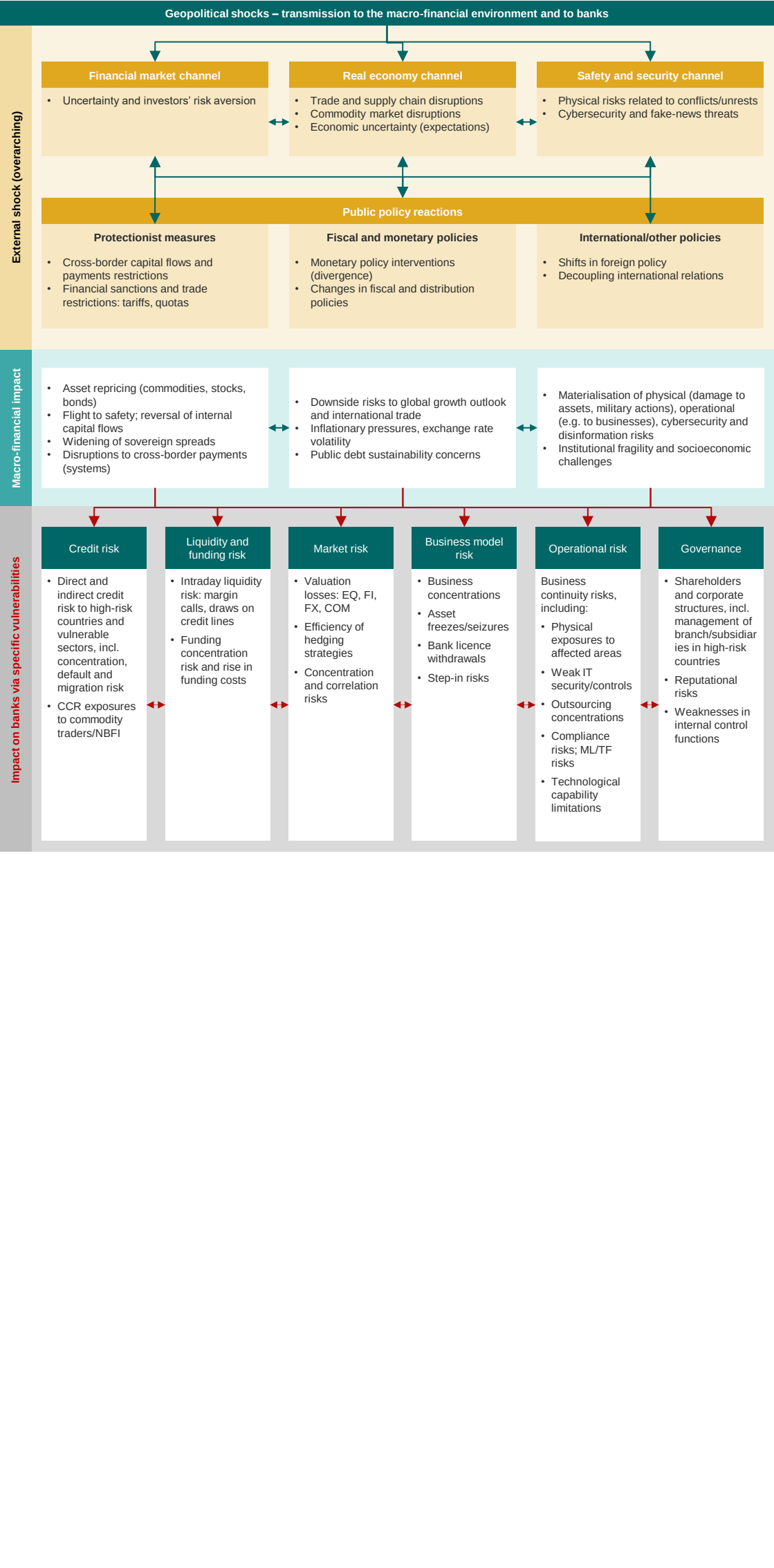
Geopolitical shocks – transmission to the macro-financial environment and to banks
External shock (overarching)
Financial market channel
Uncertainty and investors' risk aversion
Real economy channel
Trade and supply chain disruptions
Commodity market disruptions
Economic uncertainty (expectations)
Safety and security channel
Physical risks related to conflicts/unrests
Cybersecurity and fake-news threats
Public policy reactions
Protectionist measures
Cross-border capital flows and payments restrictions
Financial sanctions and trade restrictions: tariffs, quotas
Fiscal and monetary policies
Monetary policy interventions (divergence)
Changes in fiscal and distribution policies
International/other policies
Shifts in foreign policy
Decoupling international relations
Macro-financial impact
Asset repricing (commodities, stocks, bonds)
Flight to safety; reversal of internal capital flows
Widening of sovereign spreads
Disruptions to cross-border payments (systems)
Downside risks to global growth outlook and international trade
Inflationary pressures, exchange rate volatility
Public debt sustainability concerns
Materialisation of physical (damage to assets, military actions), operational (e.g. to businesses), cybersecurity and disinformation risks
Institutional fragility and socioeconomic challenges
Impact on banks via specific vulnerabilities
Credit risk
Direct and indirect credit risk to high-risk countries and vulnerable sectors, incl. concentration, default and migration risk
CCR exposures to commodity traders/NBFI
Liquidity and funding risk
Intraday liquidity risk: margin calls, draws on credit lines
Funding concentration risk and rise in funding costs
Market risk
Valuation losses: EQ, FI, FX, COM
Efficiency of hedging strategies
Concentration and correlation risks
Business model risk
Business concentrations
Asset freezes/seizures
Bank licence withdrawals
Step-in risks
Operational risk
Business continuity risks, including:
Physical exposures to affected areas
Weak IT security/controls
Outsourcing concentrations
Compliance risks; ML/TF risks
Technological capability limitations
Governance
Shareholders and corporate structures, incl. management of branch/subsidiaries in high-risk countries
Reputational risks
Weaknesses in internal control functions