European Risk Management Council

Risk Landscape Review

March 2026

Risk Sentiment Index:

The Dangers of Cautious Optimism in a Fragile World

DEAR READER,

I am delighted to present the Q1 2026 edition of the Risk Landscape Review.

This issue focuses on the Q1 2026 surveys of the Risk Sentiment Index (RSI), a forward-looking, expert-driven indicator that captures expectations for the financial sector's risk landscape over the next 12 months. The European Risk Management Council conducted RSI surveys with Chief Risk Officers and other risk executives across the UK, the US and Asia-Pacific, enabling a comprehensive comparison of risk perceptions in these three markets.

The surveys were conducted prior to the outbreak of conflict in Iran and the closure of the Strait of Hormuz. The findings reflect CRO sentiment as of that date and should be interpreted accordingly.

A huge thank you to all contributors and survey participants. I hope you find this edition insightful. Happy reading!

Yours sincerely,

Dr Evgueni Ivantsov

Chairman of European Risk Management Council

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Risk Sentiment Index: Update

The Dangers of Cautious Optimism in a Fragile World

In Q1 2026, the European Risk Management Council surveyed Chief Risk Officers and other risk executives to produce the Risk Sentiment Index (RSI) for the UK, the US and APAC region.

While not designed to predict future risks, the RSI offers valuable insights into how these executives perceive evolving trends within the financial services risk landscape. It assesses seven major risk categories with a first-order impact on financial institutions: credit, market, liquidity, operational, cyber and IT, conduct, and regulatory risks.

The index is a numerical representation of the adjusted percentage of respondents who anticipate an increase in risk over the next 12 months. Therefore, a higher RSI signifies that a greater proportion of the executives expect risks to rise.

Cautious Optimism Overtaken by Events

When the European Risk Management Council conducted its Q1 2026 Risk Sentiment Index survey, chief risk officers across the UK, US, and Asia-Pacific were cautiously optimistic. For the first time in three years, the data pointed to a modest but meaningful stabilisation of the risk landscape. Within weeks, that picture had been dramatically overtaken by events. The outbreak of conflict in Iran and the closure of the Strait of Hormuz — neither of which was anticipated at the time of the survey — have fundamentally altered the risk environment that CROs were describing. The findings below should therefore be read in that context: as a snapshot of sentiment captured before a major geopolitical shock, not a reflection of where risk managers stand today.

A Modest but Notable Improvement — Before the Storm

The most striking finding from the Q1 2026 survey, conducted prior to the Iran conflict, was a slight but meaningful decline in the aggregated risk sentiment index across all three regions. For the first time in three years, both the UK and US indices reached their lowest recorded levels: the UK index fell from 0.35 to 0.30, while the US saw a marginal decrease from 0.36 to 0.35. APAC followed suit, with its index declining from 0.48 to 0.44. While these movements appear modest in isolation, they reflected a growing belief among CROs that the risk environment was beginning to stabilise, at least for the near term.

That cautious optimism, however, should not be mistaken for complacency — and subsequent events have proved it was not misplaced. Even before the conflict in Iran erupted, CROs were clear that the overall risk landscape remained challenging and unpredictable. The familiar drivers of 2025 — geopolitical fragmentation, disruptions to international trade and global supply chains, and the economic and operational uncertainties tied to AI adoption — continued to dominate. The decline in the index was less a sign that threats had diminished and more a reflection of institutions' growing capacity to anticipate and manage them. That capacity is now being tested in ways the survey could not have foreseen.

Regional Risk Dynamics: What the Survey Revealed

A closer look at the regional data reveals nuanced shifts across different risk categories — all of which must now be reinterpreted in light of the subsequent geopolitical shock.

In the **United States**, credit risk saw the largest reduction, driven by expectations of interest rate cuts in 2026 and a slight easing of concerns around debt servicing capacity. However, cyber, operational, and market risks remained the top three concerns among US CROs, reflecting persistent vulnerabilities in digital infrastructure and ongoing market volatility. These concerns have only intensified since the survey was completed.

In the **United Kingdom**, CROs anticipated some decrease in operational and conduct risks, with the conduct risk index reaching its lowest ever recorded level — potentially signalling improved internal controls and expectations of some regulatory easing from the FCA. Nevertheless, cyber, credit, and market risks continued to lead the list of concerns, underscoring the enduring threat of digital breaches and economic instability.

In the **Asia-Pacific** region, both operational and regulatory risk indices declined, with the regulatory index hitting a historic low — suggesting a period of relative stability in compliance and governance. Cyber and market risks, however, retained their dominant position in the regional risk hierarchy.

Geopolitical Risk: The Finding That Proved Most Prescient

For the first time since its launch, the quarterly survey included geopolitical risk as a standalone category — and the findings were striking even before the Iran conflict began. Across all three regions, CROs rated the current level of geopolitical risk at 7.8 out of 10 and expected tensions to escalate further by the end of 2026. The survey was conducted against a backdrop of trade wars, NATO uncertainty, and US-China rivalry — but before the most dramatic geopolitical rupture of the year had occurred. In hindsight, CROs were right to be alarmed, and if anything, underestimated the speed at which the situation would deteriorate.

While CROs across all regions identified the US administration as the primary disruptor of the global political order, their perspectives differed significantly by geography.

US CROs assessed current geopolitical risk as slightly lower than their counterparts elsewhere, but anticipated the sharpest increase by year-end — reflecting deep uncertainty about future policy directions. This expected rise was closely linked to the Trump administration's increasingly assertive and unilateral approach to international relations, characterised by some analysts as the "Donroe Doctrine." The upcoming US midterm elections were seen as an additional risk factor, with the potential to deepen societal polarisation and amplify domestic political instability.

APAC CROs foresaw only a marginal rise in geopolitical risk, largely attributing this relative stability to China's resilience in the face of aggressive US trade pressure and the administration's reduced strategic focus on the region. That relative calm, however, may prove short-lived as the consequences of the Iran conflict ripple through global energy markets and supply chains.

UK CROs painted the most concerning picture, with geopolitical risk driven by growing anxieties over European security, the reliability of the US as a NATO ally, and the trajectory of the war in Ukraine. With doubts persisting about America's commitment to collective defence, UK CROs forecast a grim geopolitical outlook — characterised by heightened tensions and potential instability. The Iran conflict and the closure of the Strait of Hormuz will only have deepened those concerns.

What This Means Now

The Q1 2026 RSI data offered a nuanced and, in several respects, encouraging snapshot of risk sentiment ahead of a major geopolitical rupture. On the surface, institutions appeared more resilient and better equipped to navigate uncertainty than at any point in the previous three years. Beneath that surface, however, CROs were already signalling that geopolitical risk was the overriding threat — and that the foundations of stability were fragile.

The conflict in Iran and the blockade of the Strait of Hormuz have now confirmed those fears. Energy price volatility, supply chain disruption, and renewed pressure on global trade flows will almost certainly reverse the modest improvements in risk sentiment captured in this survey. The next RSI reading, conducted in the full knowledge of these events, is likely to tell a very different story.

Appendix

Figure 1. Aggregated RSIs trends for three markets (Q4 2024 – Q1 2026)

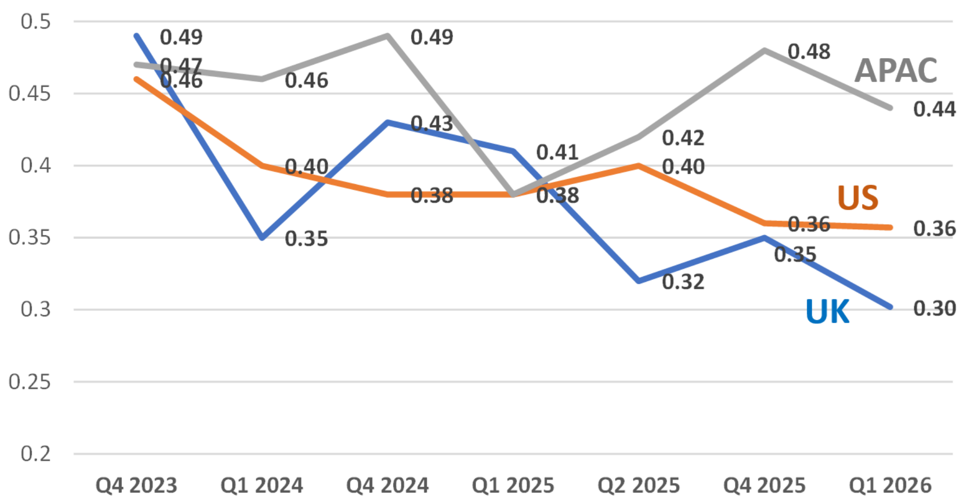

Figure 2. Comparison of Q1 2026 RSIs for different risk categories

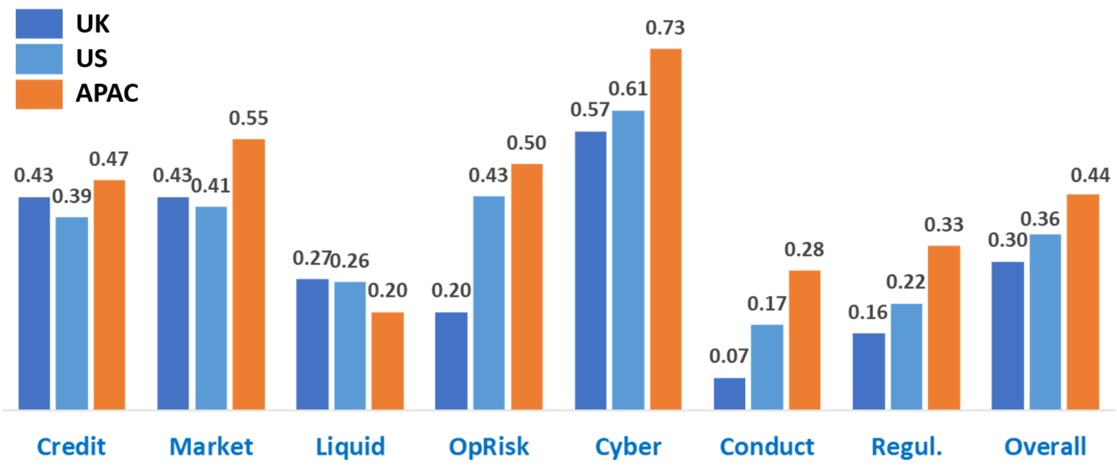

Figure 3. Geopolitical risk assessment: Current vs Expected

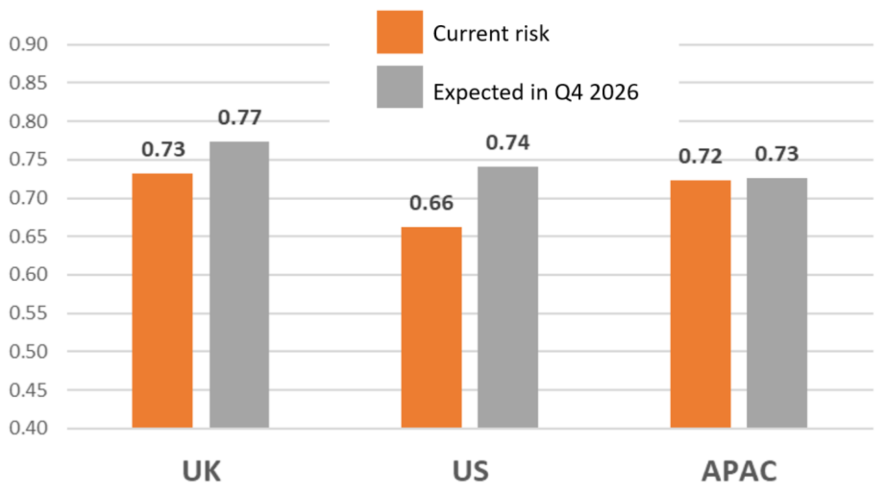

Figure 4. UK RSI trends for individual risk categories

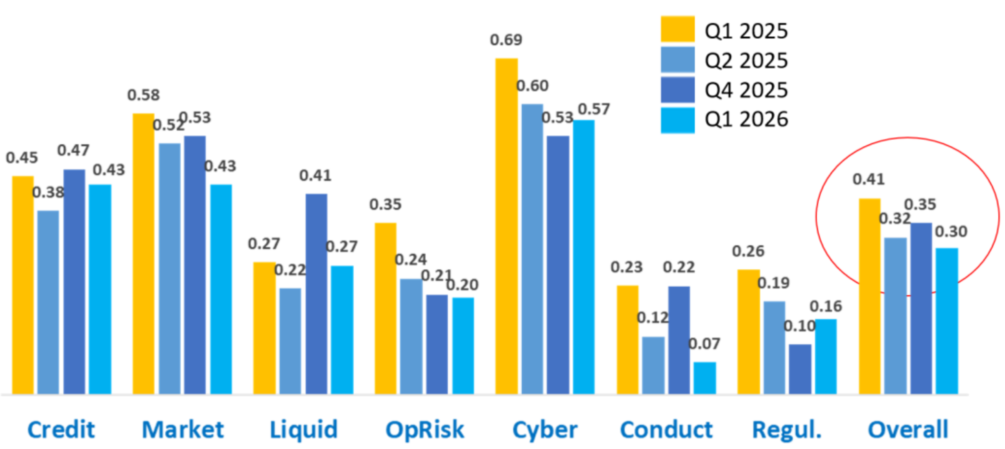

Figure 5. US RSI trends for individual risk categories

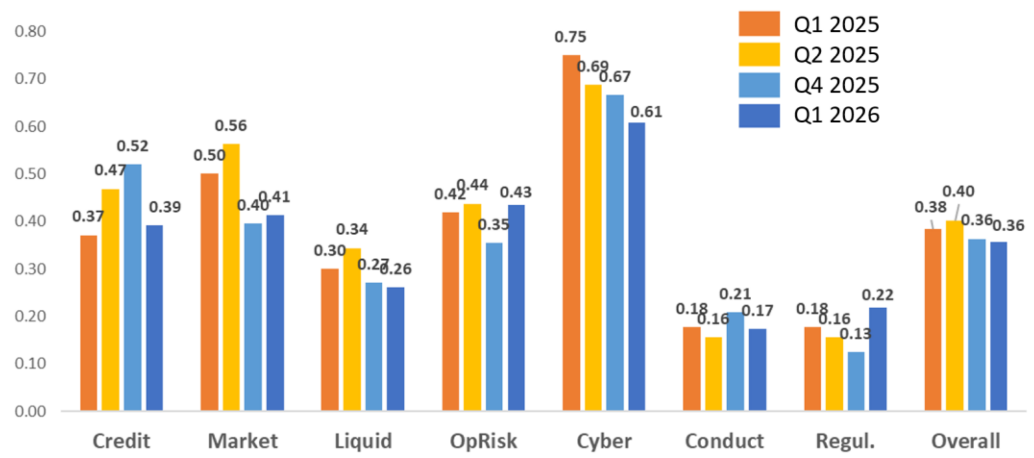

Figure 6. APAC RSI trends for individual risk categories

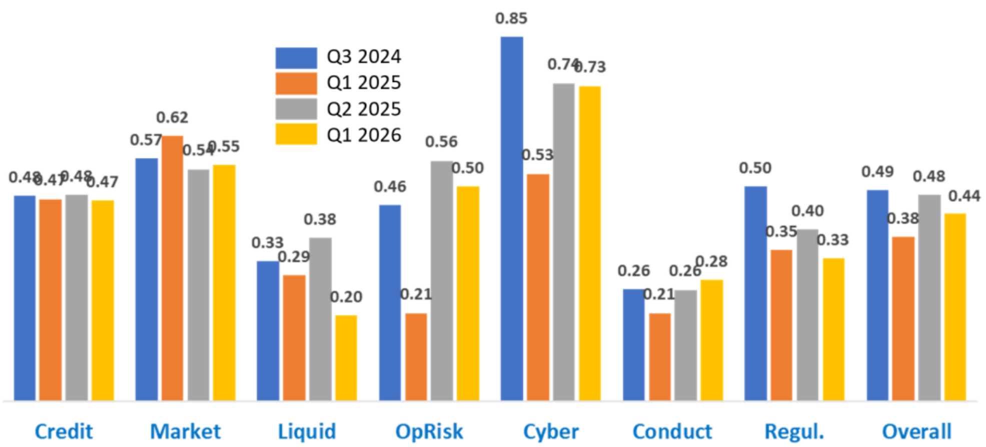

Figure 7. UK aggregated RSI trend: Q4 2018 – Q1 2026

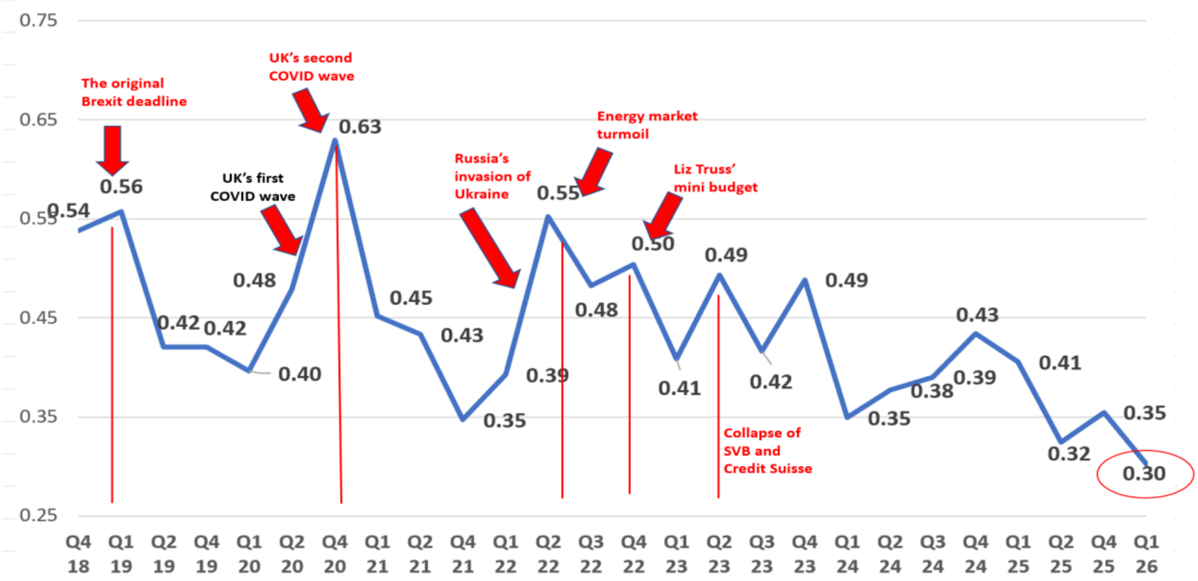

Figure 8. APAC aggregated RSI trend: Q4 2018 – Q1 2026

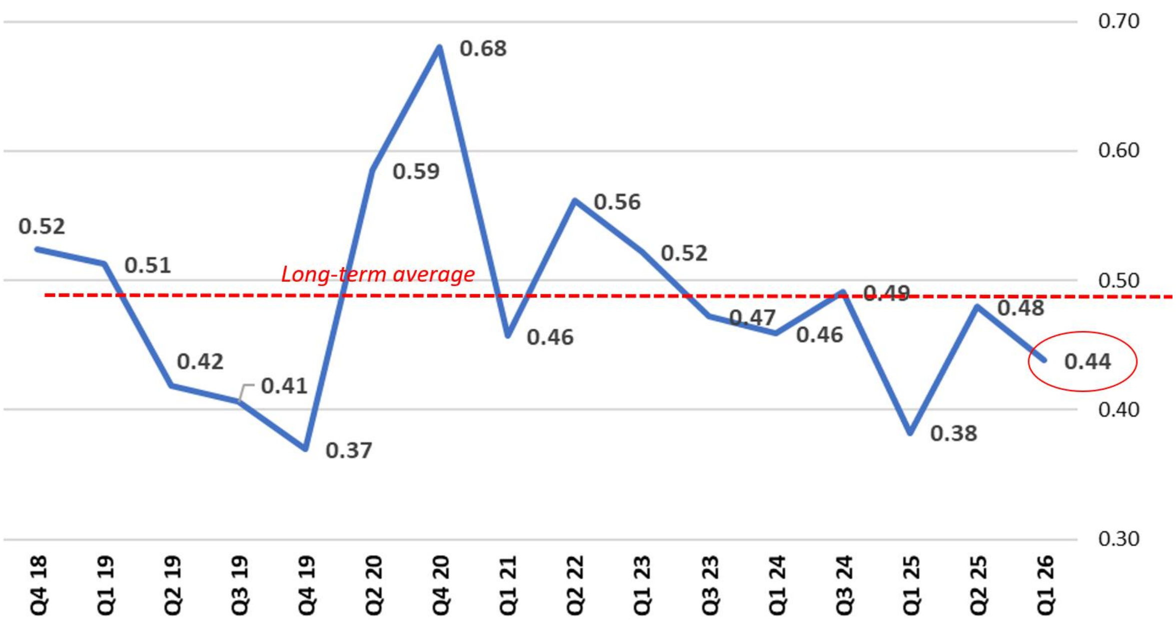

Figure 9. US aggregated RSI trend: Q4 2023 – Q1 2026