Risk Map for **Asset management**

The risk maps describe risks that may arise or accelerate as a result of the above trends and developments.

Risk assessment

Risk magnitude

- High
- Raised
- Very high

Probability of materialisation in the next two years

- ↗ Increase
- → Remain the same
- ↘ Decrease

Keywords	Specific risk	Risk drivers	Importance
Consolidation	The ongoing consolidation trend requires attention to the operational risks of acquirers. In addition, concentration risks are increasing and heterogeneity in the Dutch asset management market is under pressure. This is accompanied by the risk of a less specialised offer and a decrease in freedom of choice for investors.	• Margin pressure/scale • Laws and regulations • Complexity of business operations	↗
Valuation and illiquid markets	Open-ended funds that invest in illiquid assets (such as private markets) or funds that make extensive use of derivatives are particularly exposed to liquidity risks in the event of market stress. Insufficient market transactions for illiquid assets increase the risk of mispricing and conflicts of interest. The expected growth of this category of investments increases the likelihood of materialisation of these risks.	• Macroeconomic developments • Geopolitical developments	↗
Chain dependence	Outsourcing activities, such as portfolio management, investment administration and IT, to third parties leads to chain dependency. When many asset management parties become dependent on a limited number of third parties, this results in concentration and/or systemic risks (domino effect).	• Digitalisation • Internationalisation	↗
Digital operational resilience	Increasing use of and reliance on IT systems makes asset managers vulnerable to cyberattacks and other IT incidents. The increasing outsourcing of business processes to large service providers (such as cloud platforms) also makes the entire asset management sector vulnerable to cyber incidents at such 'nodes'. A no-IT scenario can have serious and market-disruptive effects.	• Digitalisation	↗
AI in investment policy and business operations	Uncontrolled use of AI in both portfolio management and internal operational processes creates risks, such as potential biases and reduced transparency and explainability and exposure of asset managers to model risks. In extreme cases, errors in algorithms or poor management of these risks can lead to financial instability.	• Digitalisation	↗
Sustainability legislation and communication	Against the backdrop of changing regulations, it is important that asset managers communicate to investors in a clear and correct way about the sustainable characteristics of a product. If sustainability information turns out to be insufficiently reliable, this can damage confidence in sustainable products.	• Preservation • Laws and regulations	→
Integrity and criminal behaviour	The presence of illegal crowdfunding service providers (CSPs) undermines confidence in the sector and puts investors at risk, since they are operating without a licence. This increases the likelihood of deception, fraud, bankruptcies or cyberattacks.	• Laws and regulations • Digitalisation	↗