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What are some interesting stress scenarios right now?

Til Schuermann

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What are bank CROs worried about?



All AI all the time



Operational resilience

- Technology risk, technology concentration
- Cyber risk
- Financial crime: fraud, money laundering, terrorist financing, sanctions



Competitive threats from digital platforms and de-fi



Massive rise in financing demand (deficit financing, national defense, AI infrastructure) risks fiscal dominance, inflationary pressures



Geopolitical risk

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Most of these risks overlap – significant risk concentrations/correlations

Cyber attacks and financial crime are rising, a lot (pick your favorite hockey stick function)

- Turbocharged by AI
  - Done at scale: agent swarms
  - Done in new and creative ways: deep fake voice, images, video
  - Banks' own agentic efforts (for internal and, gradually, customer/client facing applications) present a new vulnerability
- Conducted by nation states
  - Geopolitical risks sharpen this vector
  - Gloves are off: no more cold war etiquette

Technology provision is highly concentrated

- For many products & services: cloud, AI, office productivity software
- In the U.S.
- Sharpening cyber and geopolitical vulnerabilities

AI + highly connected financial markets and real economy ⇒ everything happening at machine, not human speed

- A given shock likely to spread very quickly
- Response tools, whether bank or central bank, will need to be increasingly machine driven

Interaction between geopolitical risk, populism, public debt, inflation

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Scenario 1: The 72-hour digital financial contagion

A technology shock could trigger a cross-border liquidity crisis within 48-72 hours

Hypothetical Stress Scenario
NOT a Forecast

SHOCK AND TRANSMISSION

A major cloud / cyber disruption undermines transaction integrity and confidence. AI-driven trading, disinformation and non-bank deleveraging amplify the initial shock.

ESCALATION

0–6h	Critical services and payments disrupted
6–24h	AI herding, margin calls and market repricing
24–72h	Deposit runs, credit-line draws, funding strain
Days 4–30	Counterparty defaults and realized losses

Service restored 48-72h after event

ILLUSTRATIVE SEVERE SHOCKS

Technology outage	**48–72 hours**
Wholesale deposit outflows	**20–40% / 5 days**
Corporate facility drawdowns	**20–40%**
Equities	**–30% to –40%**
IG credit spreads	**+150–300 bps**
HY credit spreads	**+400–800 bps**

BANK TEST: Can critical operations, intraday liquidity and collateral mobilization withstand simultaneous failure?

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Scenario 2: The fragmented financial order

A geopolitical rupture could fragment global funding and erode bank capital and earnings

Hypothetical Stress Scenario
NOT a Forecast

SHOCK AND TRANSMISSION

A sudden geopolitical confrontation triggers sanctions, payment restrictions and local capital / liquidity retention. Funding fragments; private-credit retrenchment, AI adjustment and disintermediation deepen the shock.

ESCALATION

Week 1	Sanctions, payment restrictions and trapped liquidity
Weeks 1–4	Funding segmentation and sovereign repricing
Months 1–12	Private-credit retrenchment; AI labor adjustment
Years 1–3	Revenue erosion and constrained capital mobility

ILLUSTRATIVE SEVERE SHOCKS

GDP vs. baseline	**–4% to –7%**
Unemployment	**+4–7 pp**
CRE values	**–25% to –40%**
Private-credit valuations	**–20% to –35%**
Payments-related fees	**–20% to –35%**
Transactional deposits	**–10% to –30%**

BANK TEST: Can entity-level liquidity, capital and earnings withstand an abrupt breakdown in cross-border financial integration?

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Scenarios test distinct failure modes: digital-speed contagion vs. geopolitical fragmentation

Hypothetical Stress Scenarios NOT Forecasts

DIMENSION	SCENARIO 1 | DIGITAL CONTAGION	SCENARIO 2 | FRAGMENTATION
Nature	Acute systemic disruption	Prolonged structural crisis
Trigger	Cloud / cyber incident; AI amplification	Geopolitical rupture; sanctions and capital controls
Horizon	Hours to weeks	Acute 1st month; 3-year fallout
Main transmission	Operations → markets → liquidity	Restrictions → funding → credit / earnings → capital
Bank exposures	Liquidity, market, operational, counterparty	Credit, sovereign, capital, strategic
Core blind spot	Liquidity exists but cannot be mobilized	Group resources trapped across jurisdictions
Management decision	Contain crisis and preserve payments	Protect local liquidity; restructure global footprint

DESIGN PRINCIPLE | Challenge diversification assumptions and require executable management actions in both scenarios

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