

Risk-ready or rule-bound? How APAC is grappling with an evolving threat landscape

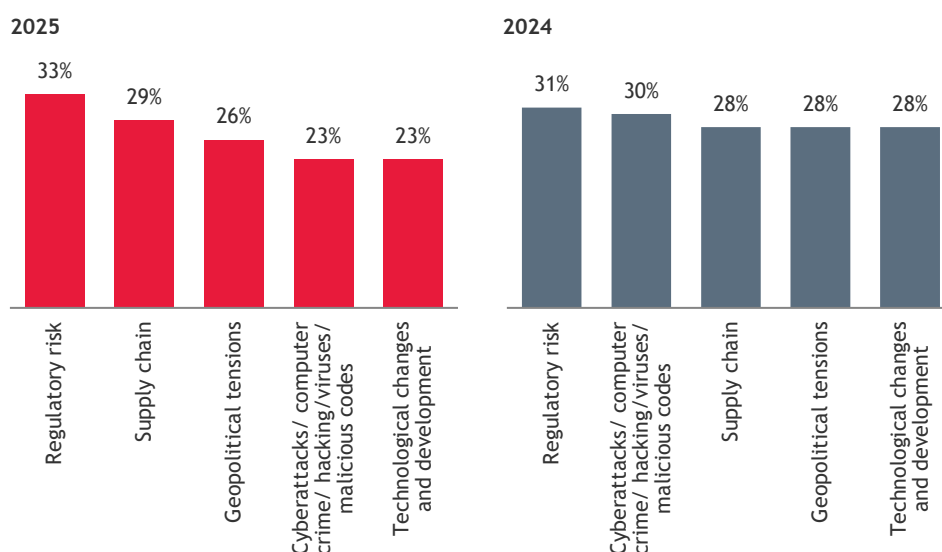
BDO's Global Risk Landscape Report 2025



Businesses in APAC face a barrage of threats, from a growing regulatory burden to heightened geopolitical tensions. The good news: the perceived risk to business may be easing. Just 41% said risk velocity was increasing, compared to 54% last year. The less good news: 84% think the risk landscape is more defined by crisis than at any time in recent memory - the same proportion as last year.

Regulatory risk once again topped the list of risks executives in the region felt they are most unprepared for (33%), up from 31% a year ago. This is likely because there are different paces of regulatory development across APAC, with the region continuing to adopt international practices such as the IFRS Sustainability Disclosure Standards, said Ricky Cheng, Director and Head of Risk Advisory at BDO Hong Kong.

The risks that APAC leaders feel unprepared for



84%

say that the risk landscape is more defined by crisis than at any time in recent memory.

41%

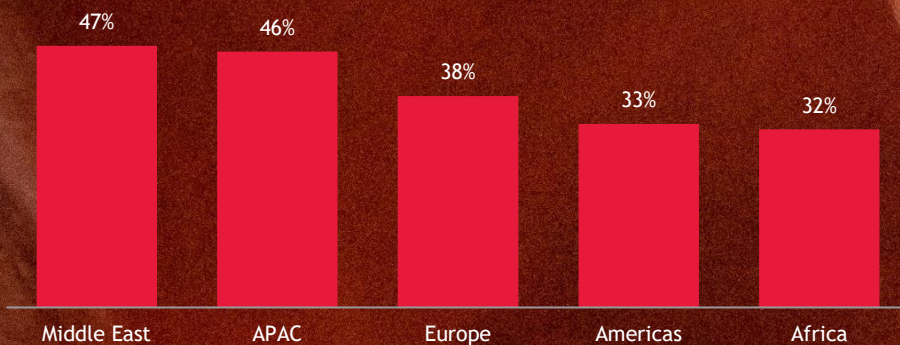
say risk velocity is increasing, compared to 54% last year.

“ APAC aligns closely with regulatory developments rather than a leader.

Ricky Cheng, Director and Head of Risk Advisory at BDO Hong Kong

Even so, while some businesses feel they are unprepared, almost half of companies are more positive about the impact of regulations on risk management compared to their counterparts in other parts of the world. Some 46% of respondents in APAC said demands from regulators around risk reporting helped reduce real risk, compared to just 33% in the Americas and 38% in Europe.

Who says demands from regulators for additional reporting around risk help reduce their firm's risk profile?



Supply chain risk and geopolitical tensions ranked second and third in the list of risks executives are fretting about, though the latter may have moved higher since the survey was conducted in January given the souring relations between the US and China.

“The first thing is the Sino-US trade war and the second thing is about the relationship between Taiwan, the US and China, so the situation in the APAC region is quite tense. The situation may not be eased off in a short period of time.

Ricky Cheng

This backdrop is prompting many businesses in the region to take a defensive approach to risk, delaying any major decisions until there is more clarity on trade and tariffs.

“From a business point of view it is quite tough for the management to make any meaningful adjustment at the moment because there are many factors that are so uncertain. To avoid the US tariff threats, you have to invest, but you don't know whether this investment will be on a long-term or a short-term basis. Many businesses are adopting a wait and see approach to see how big the impact will be and what action needs to be taken.

Ricky Cheng

An area where business may be starting to come off the sidelines is AI, with attitudes in the region changing towards the technology. Last year, APAC lagged other parts of the world in seeing AI as an opportunity (53% vs 59%), whereas this year, 59% in APAC said they see it as an opportunity compared to 57% globally.

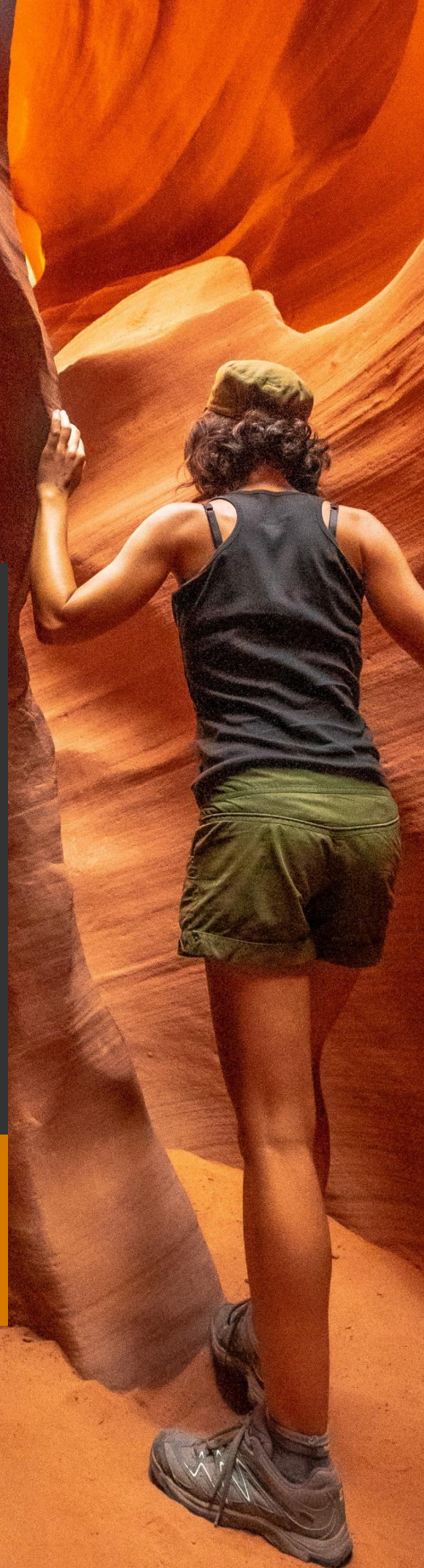
“With the capabilities and the resources becoming more available, the APAC region is catching up on AI development, especially in China. Many organisations around APAC are trying to use AI as a tool to replace some of the human input, so they see AI as useful to boost their efficiency and profitability and to reduce their cost of production.

Ricky Cheng

In addition, businesses in the region worry that they may be left behind if their peers are investing in AI, Cheng added.

59%

of APAC executives
see AI as an opportunity





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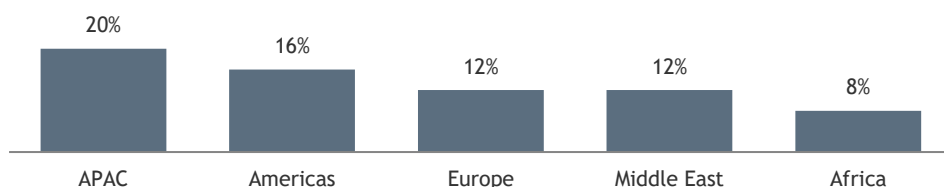
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Fraud risk is also a major concern in APAC. A fifth of executives in the region cited it as a top three risk that they are unprepared for, compared to just 12% in Europe. However, the data suggests APAC executives are not taking significantly more action than their counterparts in other regions to prevent fraud. Out of a list of 12 fraud prevention measures, APAC respondents on average selected six, fewer than in the US, where fraud is less of a concern.

Which executives see fraud as a top three risk they aren't prepared for?



One reason why fraud may be a greater concern in APAC is that there are more developing countries, said Cheng. Traditional business cultures may also undermine risk controls by placing more emphasis on relationships rather than rules and regulations, he said.

For developed countries in the region, such as Australia, increased perceived fraud risk may be down to past complacency, said Matt Williams, a risk advisory partner at BDO Australia in Sydney. It could also be linked to the fact that many companies in Australia feel there is an overemphasis on compliance at the expense of real risk management, which could be distracting from efforts to mitigate risks, including fraud prevention. Some executives also complain that their businesses are overspending on compliance, though that could end up being cheaper than the cost of non-compliance.

“Some organisations are risk-averse around not complying, so that’s why they invest resources. If you actually unpack the cost of them not managing compliance, that cost could ultimately be much higher. In the end, compliance for compliance’s sake is not always commercially viable. It may constrain resource allocation for sound business outcomes. So it’s a balance between managing regulatory risk and enabling organisations to achieve strategic objectives within acceptable risk parameters.

Matt Williams, Risk Advisory Partner at BDO Australia in Sydney

“In Australia, many businesses still haven’t adopted key AI risk practices like ongoing model checks and testing for manipulation, often due to a lack of expertise, clear responsibility and regulatory direction.

Matt Williams

When it comes to cyber risk, Australian financial institutions often fall short of fully meeting regulatory requirements, such as the Prudential Standard CPS 234 from the Australian Prudential Regulation Authority (APRA). Government agencies also continue to face difficulties applying cybersecurity frameworks such as the Information Security Manual (ISM) and Protective Security Policy Framework (PSPF) due to their complexity and a lack of resources. Williams said.

“These challenges persist as Australia continues to see a steady rise in cyberattacks, scams and fraud - most of them financially motivated.

Matt Williams

Against this backdrop, APAC businesses must take a more expansive approach to risk management that considers the entire risk landscape, rather than looking at it mainly through a compliance lens.

Cyber risk is also top of mind in Australia, particularly given the rapidly changing landscape around AI and the need to stay up to date with new technology and the risks that can expose businesses to, said Williams. The survey data shows mid-size firms may also be underestimating their vulnerability to cyber and AI risk compared to larger firms, which are likely to have systems in place.

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