# What is Cognitive Risk?

*IARCP (2026)*

## Context

Cognitive risk is the risk of a degradation, distortion, or manipulation of human or institutional cognition that results in defective judgment and decision-making. It arises where mental processes are influenced by external interventions, incl. deception, disinformation, algorithmic bias and overload. Cognition is compromised when inputs, processing, or outputs of human reasoning are manipulated or overwhelmed. In risk and compliance, we often treat decision making as if actors (boards, executives, regulators, consumers) have unlimited time and capacity to reason, which is empirically misproven by theories like bounded rationality and cognitive load theory.

## Key Insights

**Four key mechanisms of cognitive compromise**

- *Informational*: if the data environment feeding decisions is falsified (deepfakes, synthetic reports, altered data), this can cause good-faith misjudgements
- *Psychological*: biases and emotions are often targeted through confirmation bias exploitation, emotional arousal, strategic framing and manufactured social proof
- *Institutional*: collective reasoning can get degraded through information overload, fragmented responsibility, groupthink and decision fatigue
- *Technological*: algorithms that filter, summarise or prioritise information shape cognition by deciding what is seen and in what order; if they're biased, they introduce a machine layer of compromise

**Cognition as a governable asset and emerging infrastructure threats**

- Organisations budget for cybersecurity and data quality but rarely for cognitive resilience; board oversight, metrics and controls are required comparable to other asset classes
- Hybrid stress tests simulate multi-domain crises (e.g. simultaneous technical failures, cogn. overload, reputational crisis) to build decision-making resilience under cognitive load
- Cognitive infrastructure refers to the systems that filter, rank and transform information before it reaches decision-makers, shaping what is seen and how it is interpreted
    - Manipulation here can be choosing which facts are surfaced, which are buried and in what order they appear is enough to distort how decision-makers read a situation
- Mental privacy as emerging legal frontier: AI-enabled emotion recognition and psychometric profiling create new access to cognitive states → data protection may need to extend to cognitive inferences

## Implications

- To which of the cognitive compromises types are your employees & customers most exposed?
- How do you currently monitor and intervene cognitive risk in your organisation?
- How could you stress-test your choices by simulating multiple crises (& cognitive load) at once?
- What would it look like to treat your organisation's cognitive capacity as a formal asset class, with dedicated investment, metrics and protection comparable to capital or data quality?

International Association of Risk and Compliance Professionals. (2026). What is cognitive risk? RiskOfficer.com. https://www.risk-officer.com/Cognitive_Risk.htm