DR. STEFAN INGVES

Why is a stable financial system important in a developing economy?

In any economy, you need a financial system. To most, a financial system is an abstraction because you take it for granted, like air, electricity or water. There are basically two things a financial system should facilitate; safe payments and transforming savings into investments. Both are trying to deal with how to protect and how to spread a higher standard of living.

A financial system should be designed in such a way that you can easily make payments in a safe and sound way and that the money does not disappear because if that were the case, no one would ever pay anybody because there would be no trust. This is very important in developing economies. Let's take the example of a post-conflict country, where aid organizations such as the Red Cross are working. The Red Cross needs money because in that environment without money, without a financial system, or without the capacity to make financial transactions, you will be down to barter, exchanging goods for services or goods for other goods. That is incredibly complicated, so you would very soon conclude that this "thing" does not work at all.

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And if people, women and men, have tiny, tiny savings, it is better to deposit your money in a bank or another financial institution. They, in turn, can lend this money to others, to people who have good ideas about how to develop the economy and essentially how to get the economy going. But to do that, to part with your savings, you need to trust the institutions where you put your money so you can feel confident that you are going to get your money back.

What is the role of the financial sector supervisor and regulator?

History tells us that someone must oversee or give a bit of guidance to the financial sector when it comes to what you are allowed or not allowed to do and that is where supervision comes into the picture, and where setting the rules of the game really, really matters. These rules were not cooked up or produced over night because in all parts of the world we have had financial systems for hundreds and hundreds of years. What can go wrong, and what misuse of the financial sector looks like is well known, but still, unfortunately, we humans seem to find it very hard to stick to these rules for a sustainable period of time. Things still go wrong. And once things go wrong, we appreciate that there are people around who know what to do. That is what supervisors and regulators are for because it is their job to understand and say, well you know, this financial institution does not really work anymore.

How does Toronto Centre's work contribute?

Toronto Centre is trying to educate supervisors or future supervisors on how to design these systems in such a way that you can trust the system because if you can trust the system, you will use it. Essentially, the financial sector can deal with safe payments and the financial sector can transform savings into investments and investments into industry, agriculture, infrastructure and other aspects, that are good for society. However, to make that happen in a safe way, you need to understand how to govern yourself as an institution and you need to understand what is allowable or not when it comes to banks, insurance companies, brokers, and others What you can allow them to do and what they should not be allowed to do.

What role does supervision and regulation play in climate risk and gender equality?

Dealing with climate change is difficult because if you think about climate change in the sense that it is happening now, that means that risks go up. And when risks go up, if you don't understand what happens then with a high likelihood you are going to lend money to companies that go bust because of the changing climate. So, you must be aware of that. You will also be better off if you have a financial sector that can supply credit to projects that are dealing with climate change so that you can, for example, invest in wind power and things like that.

But you need a financial sector to do that. You need a financial sector with awareness of what is going on around you when it comes to climate change. And you also need a financial sector that can reflect on how to support this in such a way that we can make investments in, let's say, energy production that is green as compared to energy production that is brown. If you reflect on these issues when you operate a financial institution, then you should probably avoid lending to what I call brown projects because the risk is so high in the sense that you produce something which, 10 years from now, most people conclude is not a very good way of doing things, and then you run the risk of getting shut down.

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When it comes to gender equality, it is enormously helpful if you can make fast and safe payments. If each individual, regardless of gender, can have access to banks, and can make payments and buy things using their cell phone, that is good for everyone. And that also gives women more freedom compared to not having that opportunity.