

# ANDRÉ LÉVY-LANG

Founder and Chairman of the Louis Bachelier Institute

**Jean-Claude Trichet, Vice Chairman of the Académie des sciences morales et politiques, former Chairman of the European Central Bank, Honorary Governor of the Bank of France**

André Levy-Lang, former President of the Paribas Bank, Founder and President of the Louis Bachelier Institute. Not everybody knows that Louis Bachelier was a visionary French mathematician who invented in 1900 the basic maths for financial derivatives.

## André Lévy-Lang

He was the grandfather of financial mathematics applied to the markets with his thesis in 1900. He was totally unknown until he was rediscovered by Black and Scholes and a few others who discovered the formula bearing their name. The Louis Bachelier Institute is a non-profit private research network, which was founded 16 years ago by a group of French, mostly financial companies, and French academic institutions with the support of the French Treasury. Basically, it worked initially in applied mathematics to finance and then we broadened our scope to cover other subjects, including climate for the last few years.

My topic is the interaction between finance and geopolitics, what I call the weaponizing of finance. It is not a new issue, remember that sanctions and boycotts have been used for political means against countries like Angola, Iran, and Sudan, but what is new since last February is that it involves Russia, which is a significant economy and that is a major change. If you look at finance as a weapon, the question is what impact this situation has on the huge amounts of investments that, as Jean-Claude mentioned, will be needed to be able to finance climate change, because we are talking about very large numbers. The fact that finance is used as a weapon has implications in terms of systemic risk, the behavior of financial institutions and the markets, and it is not clear to us, and we are working on that, how finance in general can support and make it feasible to accomplish these huge investments without creating systemic risk, breaking the system of creating major, unmanageable situations. That is a key issue on which we are currently starting a project with IFRI, by the way. Again, it is very easy to formulate the issues but not easy at all to develop and turn into a research project.

I think I am well under the five minutes you asked for, Jean-Claude.

## Jean-Claude Trichet

Thank you very much. Then we will go back to you to have your judgement on the risks and how they will materialize. Thank you very much, André.