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EXPOSICIÓN TEMPORAL

territorio estable

UNA EXPEDICIÓN A LA ESTABILIDAD FINANCIERA
A TRAVÉS DEL ARTE CONTEMPORÁNEO

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Introductory Text

Imagine you are walking along a mountain range. The mountainsides are covered with a dense fog that prevents you from seeing what is ahead. The confrontation with the unknown arouses bewilderment. Therefore, human beings have developed means to reduce uncertainty about what cannot be foreseen. With increasingly sophisticated tools, we have obtained more information to draw maps that guide us through the terrain we travel on, even though it is a living and constantly changing space, over which we will never have absolute control. This is part of life itself: moving forward, sometimes with more clarity and better direction and sometimes with a kind of uncertainty that we try to figure out.

This exhibition invites us to explore a territory understood as a space that has meanings and symbolic, cultural, political and economic values allocated by a community. Despite our daily walks across this territory alongside millions of people, it may be as imperceptible in our everyday life as the air we breathe: we don't see it, but we know it's there, and we would immediately notice its absence. This metaphor helps us understand the importance of financial stability in our life.

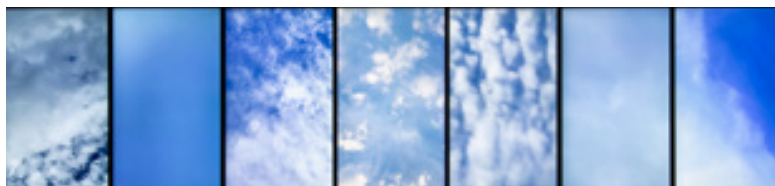
We live in a complex and constantly evolving ecosystem where imbalances may occur. Not only are individual elements important for an ecosystem, but also their interrelations. Therefore, a sound and resilient financial system provides us with a solid ground for moving forward and projecting the opportunities and challenges ahead.

The exhibition we are about to visit features different views of the same landscape. It starts with acknowledging the environment we find ourselves in, then it takes us to the ecosystem's challenges in order to get around their inclemency, and ends by incorporating them in our cartography to get a better insight into the territory we will continue to explore.

As far as financial stability is concerned, this translates into a deeper insight into our role within the system, leading us to more conscious and active participation as well as clearer planning for decision-making. Every step we take is based on our highest level of certainty, while it implies unforeseen conditions. Therefore, our planning process requires an awareness of the risks that may impact the stability we seek to maintain along our path.

Foreword

Gabriela Golder



The sky connects and covers us all equally, even under different conditions depending on the place in which we find ourselves. The appearance of the sky, sometimes in an intense blue with dense clouds, sometimes luminous and clear, reveals information. Hence, when we gaze up at it, we can anticipate weather conditions and hardships we may face during the day.

Risks are constantly present in our lives; we are used to them and sometimes they become more apparent. For instance, it is likely to rain on a cloudy day and, if we are not prepared, adverse impacts like floods, traffic congestion and even health implications may take place. Knowing the chance of rain does not prevent us from undertaking journeys, but it does help us contemplate certain actions and plan how to react to mitigate the effects of this phenomenon.

For the sake of simplicity, we classify risks to measure potential losses. Sky variations are similar to the range of these possible contingencies, since its appearance reflects the various meteorological conditions that may affect us.

List of types of risks (These definitions are for informative purposes only and are not part of the narrative)

- **Credit risk:** It arises from potential borrowers' default on payment obligations. An example is the possibility of individual or corporate borrowers failing to repay their debt.
- **Market risk:** It is associated with potential losses in the value of assets (goods) due to changes in their prices driven by fluctuation in interest rates, exchange rates, stock prices, etc. For example, a higher country risk may cause a rise in that country's interest rate and affect the worth of a business.

- **Liquidity risk:** The potential lack of available funds to meet an obligation in the short run. An example is when banks do not have enough cash to pay their debts within 30 days despite the sufficiency of capital and other non-liquid assets.
- **Contagion risk:** Potential financial system losses caused by the bankruptcy of one or more institutions due to their interconnectedness. For example, a small bank could go bankrupt and be unable to meet its obligations to another bank.
- **Environmental risks:** potential physical losses of institutions caused by hydro-meteorological phenomena such as heat waves, drought issues and tropical cyclones. For example, a bank may be more exposed to an environmental risk because most of its housing loans went to states in Mexico with a higher likelihood of hurricanes.
- **Transition risk:** Unforeseen challenges faced by businesses as they transition to a more sustainable economy by measures such as investing in cleaner technologies to reduce their environmental footprint, adjustment to changes in consumer preferences and environmental regulations. Their income can fall, or their costs can rise unexpectedly. This may in turn increase their credit default. For example, a bank that lends loans to businesses in high-emission industries is exposed to transition risks.
- **Contingent/operational risks:** They result from operating failures, such as human errors in data analysis and data management, cyber and reputational attacks, etc. For example, a cyberattack is a familiar risk that is not always measurable, which may negatively impact daily operations of financial institutions.

SECTION 1. The Plain. Environmental Awareness

A plain –whose horizons we can see as well as everything that inhabits it– is composed of species in a constant interdependent relationship, much like in the financial system, a vast and complex network that links institutions, markets and instruments together as a huge ecosystem in which funds flow where they are needed, balancing needs and wishes. In this terrain, every action influences the habitat structure.

In this landscape, rivers that carry mountain water to where it is needed are like banks in the financial system that connect savers' money with lenders. Interest rates are the slope of the land that determines the speed of water flow and cost. This process ensures efficient flow of financial resources to build a stable and safe ecosystem. Trust and collaboration in the system are like the air that keeps the plain alive and they increase with the flow of elements that forge their existence.

In an ecosystem like this, surrounding mountains protect occupants from possible severe weather. This is what Banco de México does for financial stability by ensuring risk mitigation and an uninterrupted flow of resources.

This landscape allows us to appreciate an interdependent system with every element sharing responsibility for keeping a healthy environment that provides wellbeing for everybody. Air and its quality are important for an ecosystem's optimal development since certainty is greater insofar as it is cleaner and clearer. Likewise, Banco de México promotes the sound operation of the financial system by using different measures from proper language and signaling to reports that allow us to anticipate possible future scenarios.

Carlos Amorales



As we head into a territory, we can meet its people: men and women with distinct roles facing unexpected wind, rain and drought events that alter their living conditions. An example of this is when the sun's rays make their way through the foliage of the trees and fall on their dwellings. There are moments, as well, when the whole space, including the occupants, is covered with the sun's rays. This reminds us that we are all prone to cope with the same crashes: random, unforeseen events that disrupt our current conditions.

Both in this space and in the financial system, some events can unbalance society's dynamics. Consequently, we must bear in mind that our individual actions have a collective impact. Because we are part of an ecosystem, our individual use of resources and, at the same time, the actions we undertake collectively make an impact.

Francis Alÿs



Let us imagine a tall tree with a firm trunk in the middle of a field, casting its shadow that moves slowly becoming a sundial. This blockage of light, tracing its path throughout the day, speaks about time, a key factor both in daily life and in the financial system.

The crowd in that space moves as the tree's shadow moves. People getting together, talking and traveling to the beat of the shadow cast. A human choreography operating as a metaphor of financial markets behavior influenced by the different international time zones.

The present projects into the future by collecting information from the past, like a continuous thread woven by financial stability. In this zone, time is viewed not only as passing minutes but also as decisions that build and harness the financial system. Every movement of the shadow and every step by the people recalls the interconnection between time and space, between the present we live in and the future we anticipate. Time can even connect geographically distant spaces: what happens in one place may be connected to what happens on the other side of the world in a different time zone, through the running thread that unites day and night at the same instant.

José Dávila



Species that make up the complexity of a habitat include those that regulate and keep it stable. An example of this are rocky bodies that help to build a robust and pluralistic system. Stacked rocks, like building blocks, remain standing firmly upright. Their diverse shapes stand for the ecosystem's resilience against eventual disturbances, reflecting their ability to adapt and prevail.

Equilibrium and counterbalance, as in a natural ecosystem, are critical to the furtherance of the financial system by ensuring that every component operates under the same conditions, adapting and responding to changes in the surroundings, and securing a steady and solid ground. The purpose of Banco de México in promoting the financial system's healthy and sound operation includes the supervision and regulation of financial intermediaries. Because as participants we see only a fraction of what is done to maintain stability, the responsible entities constantly seek to provide the adequate guidelines for its good operation.

Damián Ortega



The diversity of life in a landscape covers a huge spectrum with species that sometimes may seem so alien that we prefer to remain distant. This is the case for snakes. Sometimes they exhibit a peculiar behavior in which they seem not to respond to instinct, but rather to the will of others, as if under a spell. This behavior invites us to reflect on the rights and responsibilities of financial services users, stressing the significance of their empowerment and autonomy of action.

A snake's upward and undulating movement suggests the importance of people's conscious role in asserting their power of agency in daily life. Financial regulation ensures a harmonious operation of this ecosystem, enabling individuals to positively influence their future in a safe and equitable environment. In an ecosystem, we are involved in events happening there, we own our actions and decisions in the context we live in, and with the available information, we can move forward in our journey on our own, guided by our conscience rather than by delusional astonishment.

SECTION 2. Peaks and Valleys. Beyond Contemplation.

Standing before a mountain landscape we can glimpse its colors: green, ochre and terracotta blended with the clouds in the background. These mountain ranges evoke phenomena that also affect financial stability, such as risks, equilibrium, errors and crashes – key factors to understand how the financial system adapts to constant changes and challenges.

In this way, the unexpected lightning flashes striking the sky during storms remind us of the uncertainty in the financial system. At the same time, that fleeting light allows us to see the importance of forecasting, regulation and active risk management, since a bright flash amidst the darkness also affords paths of possibility for our actions.

In this symbolic habitat, regulation, innovation and risk management play critical roles in the financial system structure and operation. Every element, from market volatility to regulatory policies, proves to be a key component for understanding how financial peaks and valleys are formed and transformed.

We can compare the exploration of a terrain with abrupt changes to economic decisions and regulatory challenges and interventions that are part of the system's cyclic and adaptive nature. Factors shaping the global financial landscape include individual and corporate actions, crises shaking markets and regulations to maintain balance. The conditions of the terrain prompt us to consider the impact of these events on contemporary society, as well as to appreciate the ecosystem's resilience and adaptability, maintaining stability and wellbeing in a constantly changing world.

Daniel Godínez Nivón



Plant roots in the soil connect with the sinuous forms of lightning striking during a storm. This encounter spurs the imagination of the future. Places where the thawing of the terrain triggers the emergence of botanical species believed to be extinct, whose beauty and mystery contrast with the risks they pose for contemporary life, recall the fragility of natural balance and the profound consequences of our actions.

The similarity between deep roots and zigzagging lightning outlines the concept of risk as an omnipresent force that confronts us with two possible opposite outcomes: gain or loss.

Roots symbolizing attachment and connection, and lightning representing force and abrupt change create a dialogue where financial stability and environmental responsibility converge.

Although we usually see the two sides of the coin, multiple factors – some noticeable and some not so noticeable, but known to be right there – determine living conditions. Therefore, both lightning and roots demonstrate that there is nothing static or limited about them, as well as about the possibilities to be activated.

Troika



The randomness of life manifests in everyday life, like dice thrown in the air. Regardless of maps and exploration equipment, inclement weather reminds us of an inescapable truth that lies in risk anticipation: the possibility of error is always present. It appears as random flashes that disrupt the fabric of stability, fleetingly and abruptly illuminating the magnitude of uncertainty.

Banco de México's task in the context of financial stability is to identify patterns in randomness to foresee and manage unpredictability. It plays a key role in the development of tools and strategies not only for mitigating the system's immeasurable errors but also for strengthening its adaptation to economic and financial challenges by identifying vulnerabilities over time.

Since unpredictability will always be present, clear rules fostering accountability and transparent information are essential to facilitate people's decision-making as well as the proper operation of markets.

Interspecifics



Rivers flowing in valleys may be affected by factors with an unusual behavior that could have adverse effects across the surrounding territory. A long-lasting drought can start wildfires, and water scarcity can lead to the disappearance of plants and animals, thus reducing biodiversity and altering the ecosystem. This works as a metaphor for systemic crashes: unexpected events destabilize interdependent networks in the financial system. They show how chain effects and an adverse impact on all the participants can be caused by a disturbance.

This crossroads between nature and economy highlights the importance of getting ready for the unpredictable and strengthening an ecosystem to withstand and adapt to systemic crashes. Chain effects make us aware of how interconnected we are and of the magnitude of our actions - some may be foreseen, and some will not be identified until they occur. Therefore, planning helps us anticipate and know how to respond to these events. Banco de México monitors the current state of the financial system and assesses the consequences of a crash, so that we can be aware of surrounding conditions.

Gabriel Rico



Just like the threats of droughts, overflows of rivers can also adversely impact the ecosystem. This event resembles a bank run in the financial system. Just as storms cause water leaks, a loss of confidence in a bank sparks a massive withdrawal of deposits. This implies a cause-and-effect relation. For example, a river overflow causes flooding that can even erode the soil and modify the landscape.

Similarly, bank runs have a chain effect that negatively impact businesses and the community at large, weaken the financial system structure and cause long-lasting damage

to economic stability. Therefore, when banks face such an event, they adopt measures to restore confidence and stabilize the system by mitigating risks to prevent future crises and maintain long-term stability. Also, they have the power to be lender of last resort.

SECTOR 3. Trails. Building Paths.

Paths split inside the forest, giving way to its diversity: oaks, pines, willows and fir trees coexist in the same territory. Imagine an expedition is undertaken here to explore the trails and unravel their changes and behaviors every six months. Banco de México's researchers, like skilled explorers, delve deep into the financial ecosystem and unravel lurking risks and vulnerabilities that emerge in this complex landscape. While figuring out the future is impossible, gauging various possibilities or scenarios along different paths is a challenge they constantly face.

Bushes, plants and flowers growing in an ecosystem symbolize the intrinsic connection between society sectors and financial services. Every corner of the territory is nourished by their presence standing out the significance of diversity, inclusion and equity, much like in risk analysis. The search for equilibrium is seen in the range of shapes and textures in this landscape, where every trail reflects a strategy to identify and mitigate vulnerabilities to strengthen resilience.

Banco de México publishes a Financial Stability Report twice a year, setting out the system's challenges and providing maps to guide actions towards its stability. The report also highlights the need for sustainable financial practices and for reflection on intersections between economy, culture and society. As new roads open up, participants in the financial system are better equipped to face future challenges and build a stronger and more resilient environment for coming generations.

We know that uncertainty about the future will always be present, and that financial stability may be affected by a wide range of vulnerabilities. Therefore, risk analysis and the forecasting of potential adverse scenarios can help us better understand the present and the future and make decisions to address future contingencies.

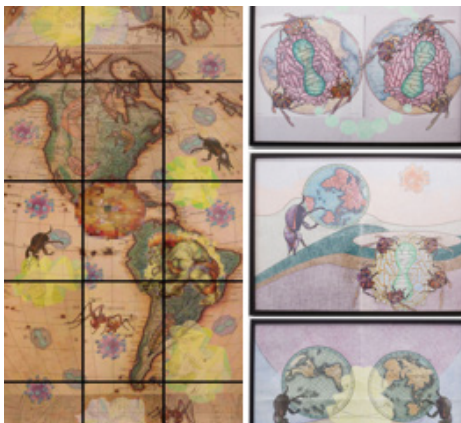
Ingo Günther



Let us assume that we can see the whole forest, the country and continent where it is located and, finally, the whole planet and its many possibilities. Living maps of this geography unravel links that shape global financial stability. Every line, color and shape in these living cartographies reflects the intricate relations between social and economic indicators, the production of resources and their global management, showing the importance of economic stability vis-à-vis the financial system's inherent vulnerabilities. This has also led to the creation of universal languages where both institutions and individuals have established common codes not only for determining risk rating scales but also for agreeing on legal parameters that protect intellectual property rights, thus enabling common interaction.

In this way, we can see how these connections, despite their fragility, enable the system to evolve and adapt. Multiple cartographic representations, allowing us to see the Earth from different angles, open a dialogue about the need for international cooperation policies and practices, stressing the importance of managing risks and resources from all the corners of the planet. Every detail in these interconnection maps recalls that collaboration and forecasting are key to successfully traverse the intricate terrain of global finances in an ever-intertwining world.

Edgardo Aragón



The complex interactions between the economy, the environment and our presence on the planet emerge as we head into an ecosystem. Adverse impacts on the land made manifest in soil erosion, deforestation and droughts expose distortions in the magnitude and frequency of climate change.

Paths of hope and awareness also emerge in this environment, where sustainable initiatives chart a path to recovery and common wellbeing through collective work in which organization and joint effort can result in a positive global impact. In the financial environment, these facts point to the need for policies that foster economic resilience and environmental equity. Hence, joint initiatives have been developed to build common languages and global impact initiatives in order to understand the extent of risks that negatively affect the environment. Banco de México works together with other governmental and financial entities to promote inclusion of sustainability elements, respect for the environment, social aspects and corporate governance in the evaluation of productive projects. These initiatives seek to mitigate adverse effects of climate change and promote responsible management of non-renewable resources, ensuring that planet health and community wellbeing are not compromised by economic growth.

Nirvana Paz



Across the planet, communities of women engaged in local commerce are a path to empowerment and transformation. Their work highlights the relation between regulation and informality in the financial market.

With effort and determination, each one of these women navigates the paths of a traditional system and a setting that determines the rules for their everyday lives. They pursue their economic Independence and a place in the financial world by challenging the gender gap, resembling roots that sink into the ground in search of sustenance. This community highlights women's growing participation in the economy, as well as how gender equity can strengthen global financial stability. Diversification has proven to be an effective instrument for risk mitigation. Inclusion goes in the same direction as it delivers two-way benefits: on the one hand, their incorporation into the financial system brings more options and alternatives to women and, on the other, financial intermediaries can diversify their loan portfolio on a heterogeneous basis.

Superflex



Rivers converge beneath the surface of a seemingly stable terrain through underground currents that interlace in search of the resources of an ever-evolving ecosystem. This interconnection resembles the threat of systemic risks in the financial system, which may infiltrate and lead to global chaos and vulnerability.

Every element of this landscape, like a storm that can cause flooding, reflects how chain crashes can wreak havoc on the confidence and security of financial institutions. In this context, regulatory bodies function as a guide for this search of equilibrium similar to rock formations that resist storms. Because of their critical duty of overseeing and improving the operation of the financial system, they issue warnings and guidelines to protect both people and corporations. We acknowledge that crashes will not disappear. Because we are aware of their existence, it is critically important to be prepared against these adverse events and have the lowest possible impacts. In a world where connection is omnipresent, the role of these bodies is crucially important to maintain financial stability and confidence in an increasingly interconnected global ecosystem.

Closing text

The landscape presented by this exhibition has become a living analogy of stability. Each corner demonstrates how – like finances – this space is subject to a perpetual dynamic characterized by uncertainty. This territory illustrates how stability also arises from harmony with its surroundings, from knowledge of its terrain, and from respect for its dynamics. At the same time, the presence of lightning reminds us of the challenges we face and our ability to withstand the tests of time whenever required.

Our visit is integrated into our own map to help us make decisions. As is the case in this ecosystem, the financial system is destined to change and adapt to new realities in order to offer greater resources and possibilities to anybody choosing to explore it. Financial stability is not an immutable constant but a living being that evolves and flourishes through change.

Therefore, just as fear is an important aspect of human survival, identifying and understanding risks is crucial for familiarizing ourselves with the stability of the territory we inhabit, bearing in mind that a stable territory allows its occupants to achieve their full potential as well as providing them with the confidence to embark on projects that open the door to greater welfare for everyone. As a result, even if the world changes, there will always be the possibility of finding balance and achieving shared benefits for all.

Interactive Experience

Epilogue.

A map of the present that features the past and speaks about the future.

After exploring the financial ecosystem, we now invite you to engage with its map, where each color reveals information of the vast landscape we live in. The different tones denote the intensity of the risks we face to create an image of our choices and their impact on the surroundings.

The potency of this map lies in its ability to connect data with our decisions, turn information into actions and guide us towards a more conscious and robust future.

With this integrated knowledge of the territory we have just explored, let us approach this map and allow the data to open up a new view for us, giving us the opportunity to participate in the narrative that defines our path towards the future.