

**Zeitschrift:** Helvetia : magazine of the Swiss Society of New Zealand  
**Herausgeber:** Swiss Society of New Zealand  
**Band:** 40 (1975)  
**Heft:** [5]

**Artikel:** Switzerland as a centre of finance and insurance  
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**DOI:** <https://doi.org/10.5169/seals-945694>

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## Switzerland as a Centre of Finance and Insurance

The pronounced international character of Swiss trade and commerce is clearly reflected in the country's high import and export volumes. But the links with foreign economies are no less marked in fields whose stock-in-trade is less tangible than watches, machines or chemicals, viz. in the services sector. This applies of course to tourism, but it also applies to banking and insurance. It is no exaggeration to say that Switzerland is one of the main centres of these two types of business not only in proportion to its own relatively small economic potential but even on an absolute international scale.

The highly international character of Swiss banking and insurance is plainly indicated by the circle of its clients. One category of these consists of Swiss companies and private individuals who engage in international activities and to whom the banks, the finance and insurance companies offer their services. The extensive geographic distribution of the activities involved is naturally an incentive to the banks and insurance companies to internationalize their operations. Large numbers of foreign persons and enterprises also avail themselves of the services of Swiss banks and insurance groups.

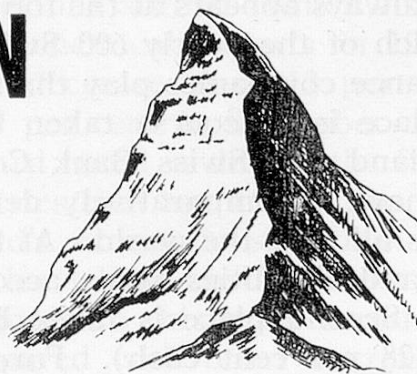
The net revenue deriving from the export of services is an important factor both for the single companies and for the Swiss national economy as a whole. In view of her traditionally negative balance of

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trade, Switzerland has a vital interest in the earnings that came from the international business of her service enterprises. The activity of the banks also contributes considerably to an improvement of the trade balance — in addition to the large positive balance of tourism — and the same holds good on a rather more modest scale for the insurance companies.

Swiss bankers were active on an international scale at a very early period (eighteenth century), and institutes in Geneva for instance were to the fore in financing the French court and French merchant traders. Today Switzerland is certainly one of the principal world centres of the gold trade, as well as of foreign exchange transactions. The Zurich stock exchange lists the shares and bonds of many foreign companies and there is a big over-the-counter market for Euro-bonds.

Switzerland's attainment of this position has been due to a number of factors — geographical, economic, social, legal, fiscal and political— not forgetting the somewhat imponderable aspect of confidence. In any case, for a variety of reasons foreign moneys have flowed into Switzerland in large quantities in recent years. Since investment possibilities inside Switzerland are limited because of the comparatively modest national requirements and the absence of a sufficiently large money market, a considerable proportion of the funds received has to be channelled back to foreign countries. However, in autumn 1974 for instance the 110,000 million Swiss francs of short-term foreign assets in the Swiss banks compared with 90,000 million short-term foreign liabilities, so that there was a surplus of 20,000 millions in Switzerland's favour. In the long-term foreign investments sector, the (estimated) surplus (this time for 1973) was still higher, viz. about 110,000 millions. In this connection it may be noted that in comparisons of the foreign assets and liabilities of the principal industrial countries, and of their net capital earnings either per capita of population or in per cent of the gross national product, Switzerland almost always appears at the top of the list.

Which of the nearly 600 Swiss banks (with about 4800 Bank offices) and finance companies play the leading part in international operations? First place is of course taken by the "big three", the Union Bank of Switzerland, the Swiss Bank Corporation and the Swiss Credit Bank, which have a comparatively dense network of branches, affiliates and agencies all over the world. At the end of 1973 63 per cent of all foreign assets and liabilities were accounted for in each case by these big banks. Second place is taken by the 118 banks under foreign control (about 28 per cent each). Foreign business plays little or no part in the operations of the cantonal banks (second in importance in their balance-sheet totals) and the remaining banks and financial enterprises. The majority of Swiss banks are incidentally universal banks, i.e. they conduct all forms of banking operations, even if not all on the same scale.

In the private insurance branch there are over 90 companies operating in Switzerland. A large proportion of the total business,



however, and especially of foreign business, is done by a much smaller group of companies. This total business, expressed in premium receipts, amounted to about 15,000 million Swiss francs in 1973. The high proportion of foreign business contained in this sum — it represented nearly 9000 million francs — graphically illustrates the international scope of operations, although the activities of foreign affiliates are not included. The percentage of foreign business and its geographical distribution, however, vary considerably according to branch and company.

While in life assurance — the principal representative is the Swiss Life Insurance and Pension Company — about a fifth of total receipts come from abroad and 90 per cent of this fraction from the European Community, the foreign percentage in the reinsurance sector is over 90 per cent, of which about one half is accounted for by the EC. In this latter sector, where the geographical distribution of the risk is particularly important, the Swiss Reinsurance Company plays a leading part at the international level. As for accident and liability insurance with rather more than half of the total premium volume, foreign business here represents around 50 per cent (about three fifths of which from the EC). The two leading companies in this branch bear the names of two Swiss cities — they are the “Zurich” and the “Winterthur”, the “Zurich” being easily the larger of the two and receiving 80 per cent of its premiums from abroad (not counting its affiliates). It is in fact one of the most important of all international insurance groups.

*Erwin Kradolfer.*

—Swiss Air Bulletin.

## The World Textile Crisis Affects Swiss Dyestuffs

Since last autumn, sales of Swiss dyestuffs abroad—which accounted for 20.3 per cent of Switzerland's total chemical exports in 1974—fell off compared with 1973. The rates of decrease were 12 per cent in October, 2.4 per cent in November, 22.9 per cent in December and 30.7 per cent in January 1975. This downward trend is due to the fact that dyestuffs are mainly marketed in industries that are affected to varying extents by the falling off in the world's economic situation: this is particularly true of the textile industries which absorb about 65 per cent of Switzerland's dyestuffs production. To this must be added the over-valuation of the Swiss franc compared with other currencies, in particular the dollar, which penalises Swiss products to the advantage of their foreign competitors. Finally, Swiss dyestuffs were made more expensive by the rise in the cost of raw materials (plus 150 per cent in 18 months), which account for 55 per cent of the cost of the finished products. (SODT)

**All contributions must be in the hands of the Editor by the 4th of each month as we are getting the Helvetia out earlier.**