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A peep inside the mysterious world

A WIDE ranging survey of the Swiss banking system and its place in the economy of Switzerland was given at a recent meeting of the Nouvelle Société Helvétique. The guest speaker was Dr David von Wyss, partner of A. Sarasin and Cie, the bankers in Basle and Zurich.

He began by saying that banking in Switzerland is a many-sided object. It is a rather mysterious subject to the general public yet it occupies the world's third place as a financial centre after London and New York.

Banking in Switzerland developed with the emergence and growth of trade and industry after the creation of the Swiss federal system in 1848. There were professional bankers in Geneva and Basle in the 17th century and in Zurich in the middle of the 18th century.

Foreign capital found refuge in Switzerland even earlier, especially in Geneva, but also in Basle and Zurich due to the religious persecutions in the 16th and 17th centuries and afterwards due to the French Revolution. On the other hand, the wealth accumulated in Berne is said to have been one of the main reasons for the French invasion in 1798.

Banking at the beginning was attached to trade, especially in

textiles. Official town banks were founded in St. Gall and Zurich in the 18th century. One of them, Bank Leu Ltd, founded in 1755, still exists as a privately held stock company, ie the smallest of the five big banks. In its beginning, the purpose was to invest abroad, mainly in Great Britain.

The private banks with unlimited liabilities flourished in the 18th and 19th centuries and some of them extended their activities or moved to the main financial centres of the time – London and Paris.

Dr von Wyss then mentioned the Swiss banks in England which profited greatly from their position, especially during the continental blockade during which they were practically the only ones having business relations with other European countries.

They rendered valuable services to the many French aristocrats who had been forced to emigrate during the Revolution.

The speaker told of Pierre

Thellusson, who became one of the richest men of his time and whose will caused many legal battles. His bank finally disappeared into the Rothschild empire.

Several other Swiss bankers, Dr von Wyss continued, married into the British aristocracy, became members of Parliament or assumed other high positions such as directors or even governors of the Bank of England.

Among them was Antoine Francis Haldimand who, together with the Earl of Grosvenor, built Belgrave Square around 1825 when 38 of the 49 houses belonged to him.

But in the end, home-sickness got the better of him and he sold all his property and moved back to Switzerland. La Tour Haldimand can still be found at the end of the lakeside promenade at Ouchy.

Swiss banking did not survive in England, for one by one the banks were sold or went out of business. The last one, Coulon,

Hentsch and Berthoud, closed its doors in 1914.

The first savings banks, in the form of co-operatives or philanthropic institutions, go back to the early 19th century. The issuing of bank notes started with some private banks and was then taken over by the cantonal banks in Berne (founded 1834), Zurich (1836), St. Gall (1837) and Basle (1844).

The need for capital for the development of trade and industry and the constructing of railways brought about the foundation of many banks in the form of limited companies. The subscription of capital was open to the general public.

Foreign capital partly contributed to it, ie Crédit Suisse (1856), Bank in Winterthur, the predecessor of UBS (1862) and the Swiss Bank in Basle (1872). Most of them, except the three named, disappeared by merger, take-overs or even failures.

Dr von Wyss said that at the end of 1981, 488 banks operated in Switzerland, of which 92 were more than 50 per cent foreign-owned and 28 were branches of foreign banks. There were also 1,221 savings associations, similar banks and 55 representatives of foreign banks. There is one bank office per 1,300 inhabitants.

He then went on to give statistics issued by the Swiss National Bank: Over 86,000 people were employed by banks and finance companies at the end of 1980, more than in the chemical industries. Of these, there were 51,500 men and 35,000 women, more than half of

Keeping busy in West Scotland

THE West of Scotland Swiss Club has prepared an interesting season's programme for its members, with an activity every month until June 1983.

This month members are visiting the Glasgow Light Opera Club, and next month Mr and Mrs J. Proudfoot will host what they describe as "a Christmas party for grownups" at their

home in Muirend.

In January the club's secretary, Mr James Sheffield, will educate his audience with a talk on Scottish architecture in the 18th century.

Then in February there will be a guided tour of the City Chambers.

In March, Mr George Drysdale will present an illustrated talk on

animals and in April the new Honorary Swiss Consul in Edinburgh, Dr Hans-Jörg Wirtz, will join the group for an evening which will end in Würstli, Weggli und Tee.

Wine and cheese at the annual general meeting and a June barbecue complete a programme which should offer something for everyone.

of banking

them with the five big banks. Sixteen banks have a total of 71 subsidiaries abroad. Many have affiliated companies abroad and representatives in the main financial centres of the world.

The Swiss National Bank, 75 years old this year, is neither a bank nor a federal agency. Its main characteristic is that of a joint stock company whose share capital is subscribed partly from private sources and partly by cantons and former banks of issue. It is independent and not subordinated to any government department.

Its composition, powers and responsibilities are, however, precisely laid down by law. It has the monopoly of issuing bank notes and the duty to execute business of the state free of charge. It still has to pay 80 cents per head of the population annually to the cantons as compensation for the loss of this right. Its dividend is

limited to six per cent, and the capital is Sfr. 50 million.

There are 29 cantonal banks, as Berne, Geneva and Vaud each have two institutions, ie their deposits are guaranteed by the canton. All of them were founded between 1834 and 1916 except, of course, that of the Canton Jura.

Their original aim was to issue bank notes to provide funds for the financing of mortgages for farmers and to provide banking facilities for farmers and lower-income groups. They are still engaged in the mortgage business.

Dr von Wyss said that the five big banks are the best known all over the world. Their development followed closely the development of Swiss industry, trade and insurance. They were the first to establish offices in other countries, and with the development of international

banking at least three of them now have offices in all the world's major financial centres.

With an overall balance sheet of Sfr. 11 billion from all Swiss banks, the five big banks account for about half, the cantonal banks having 20 per cent and the regional banks 10 per cent. Nearly half of the balance sheet of the big banks on the asset and liability sides is outside Switzerland.

The business of the 219 regional banks is mostly rooted in the places where they operate. The largest is in the canton of Berne and to this group belongs the safe deposit establishments which operate as co-operatives.

Dr von Wyss mentioned the Darlehens und Raiffaisenkassen co-operatives. Founded in 1900, they have 1,231 offices, though their share of the total overall balance sheet is only three per cent.

Of Switzerland's 176 banks,

the speaker mentioned that 93 were Swiss-owned and 83 under foreign ownership. Most of the foreign banks had been founded during the past 20 years, proving the attraction of Switzerland as a financial centre. The first was the French, followed by the Americans and the British, while the Japanese are the late-comers.

Of the private banks, the oldest, some of them going back to the 18th century, have decreased in number over the past 20 years and there are only 25 left out of a total of 200 at the turn of the century.

Their activity is mainly concerned with portfolio management and brokerage. Their balance sheets are not published as their partners are personally liable with their private property for the commitments of the bank. Nine of them are in Geneva, five in Zurich

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SOCIETY AND SOCIAL SCENE

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and four in Basle.

Dr von Wyss then spoke of the expansion of international finance, the recycling of petrodollars, Switzerland's involvement and the increase in liabilities to foreign depositors.

He explained the requirements needed to achieve the status of an international financial centre – attractive rates of interest and above all, adequate savings.

"The better a country is able to satisfy its capital needs through internal savings," said Dr von Wyss, "the better a position it is in to assume a turntable function for capital flowing into it from abroad. A place which largely absorbs the capital it imports has diminished prospects of becoming an international financial centre."

He stressed the importance of

the foreign provider of capital being allowed to withdraw his money without hindrance, and to know that it is being invested safely. Finally, a financial centre must have at its disposal adequate technical machinery for executing the desired capital transactions to the satisfaction of the client.

"Political stability and the development of the Swiss export industry, insurance and services, not forgetting tourism, have helped to develop the Swiss banking system. Confidence in the Swiss franc played a large role in it," said Dr von Wyss.

He mentioned some of the problems which success and quick growth had brought, such as attacks on banking secrecy. He explained that banking secrecy was there to help the client but that in legal cases, where higher interests are at stake, information

has to be disclosed.

Dr von Wyss next referred to capital flight and the strict rules applying to it. Although it is not yet punishable under Swiss law, the Swiss banks have asked for legislation and have in the meantime blocked insider trading misusing Swiss banks.

Dr von Wyss said that the banks were good tax payers, having contributed Sfr. 685 million in 1979 – about 15 per cent of the taxes paid by the limited companies – to which can be added the taxes paid by the private bankers and the employees.

He concluded: "The Swiss banks are an important part of the Swiss economy, and contribute about one-third of all the service industries to the Swiss balance of payment.

"Despite increasing competition from abroad, they will hold

their place in the Swiss economy as long as international trade and exchange and our liberal and solid political system are kept alive."

MM

Paul Lerch-Heath

IT is with deep regret that we announce the death of Paul Lerch-Heath of 30 Southleigh Drive, Leeds. He died after a long illness in his 83rd year.

He and his wife, Edith have been staunch members and supporters of the Yorkshire Swiss Club since its beginning in the 1940s. He will be sadly missed by his friends and fellow members.

We extend our deepest sympathy to his wife and family.

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