

Correspondents: the network of the Basel houses

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A private bank of the early nineteenth century was only as good as its correspondents. To serve its clients, it needed relationships with banks in the principal financial centres of Europe, which would pay bills drawn on them, accept funds for the account of the Basel house, buy and sell securities on its instructions and inform it about the markets and the creditworthiness of merchants and states. The Basel private banks built such networks through family connections, business relationships and the exchange of services.¹

Paris was the most important centre. In the early nineteenth century, the Paris *haute banque*, a group of private banking houses that financed the French state, the railways and international trade, included several houses of Swiss Protestant origin: the Mallet, the Delessert, the Hottinguer and others, many of them descended from Genevan or other Swiss families. The companion volume describes the Genevan contribution to the *haute banque*. The Basel houses maintained relationships with these Paris banks, which gave them access to the French money and capital markets.

Frankfurt was the second important centre. The Frankfurt banking houses, among them the Bethmann and, from the late eighteenth century, the Rothschild, financed German states and trade and dominated the market for German public debt. The Rothschild family, whose five branches in Frankfurt, London, Paris, Vienna and Naples formed the most powerful financial network of the nineteenth century, was a correspondent of Swiss banks and later participated in the financing of Swiss railways.

London, the financial capital of the world in the nineteenth century, and Amsterdam, which had lost its leading position but remained an important market, completed the network. Through their correspondents in these centres, the Basel private banks could offer their clients access to the principal markets of Europe and participate in the placement of foreign loans and the trade in foreign securities.

The correspondent network was based on trust, reciprocity and information. Correspondents extended credit to each other, honoured each other's bills and shared information about the markets and about their clients. Often personal and long-term, the relationship was reinforced by family ties and visits. The modern system of correspondent banking, which allows banks to provide cross-border payment services through accounts held with other banks, is the heir of this network. Its regulation has become a central concern of the fight against money laundering, since correspondent accounts can be used to channel illicit funds through the international financial system.²

1 Notes

1. On the correspondent networks of Swiss private banks in the early nineteenth century (Paris, Frankfurt, Amsterdam, London, Lyon, Milan), see the literature on Swiss banking history. To be verified. ↩
2. On the regulation of correspondent banking relationships under anti-money laundering law (FATF Recommendation 13; Art. 12 ff. AMLO-FINMA), see Part E. To be verified. ↩

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