

Foreign exchange and the international business of the Basel banks

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The international orientation of Basel made foreign exchange one of the core businesses of its banks. The chemical companies needed to convert their foreign revenues into francs and to pay their foreign suppliers. The merchants and forwarders of the city handled payments in many currencies. Foreign clients deposited assets in francs, dollars, pounds and other currencies. And the banks themselves traded currencies for their own account, profiting from the differences in exchange rates between markets.¹

Before the First World War, the major currencies were tied to gold. Exchange rates fluctuated only within narrow limits, the gold points, beyond which it became profitable to ship gold. The foreign exchange business consisted mainly of the trade in bills of exchange drawn in foreign currencies and in the arbitrage between markets. After the war, the collapse of the gold standard, the inflations of the 1920s and the devaluations of the 1930s made exchange rates volatile. The foreign exchange business became both more profitable and more risky.

The Swiss Bank Corporation developed one of the largest foreign exchange operations in Switzerland, serving the chemical industry and international clients. Its traders in Basel, connected by telephone and telex with the principal financial centres, dealt in the major currencies and provided forward contracts that allowed companies to hedge their exchange risks. The expertise of the Basel banks in foreign exchange, which grew out of the city's commercial history, became one of the foundations of the later growth of the Swiss Bank Corporation into an international investment bank.

The modern foreign exchange market, with a daily turnover of several trillion dollars, is the largest financial market in the world. The Bank for International Settlements conducts a triennial survey of this market, which

is the principal source of information on its size and structure.² The connection between Basel and the foreign exchange market, which began with the money changers of the medieval mint, thus continues in the statistical work of the BIS.

1 Notes

1. On the foreign exchange business of the Basel banks in the twentieth century, see the literature on Swiss banking history and the history of the Swiss Bank Corporation. To be verified. ↩
2. On the BIS Triennial Central Bank Survey of foreign exchange and over-the-counter derivatives markets, see the BIS publications. To be verified. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/basel-foreign-exchange-and-the-international-business-of-the-basel-banks