

The Basler Handelsbank

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The second major joint-stock bank of Basel was the Basler Handelsbank, founded in 1862. As its name indicates, it was a commercial bank that specialised in the financing of trade and industry. It became an important financier of the Basel chemical industry, of foreign trade and of foreign borrowers, in particular in Germany and Central Europe.¹

The Handelsbank was deeply involved in lending to Germany in the 1920s, when German companies and public bodies borrowed heavily abroad to finance reconstruction and reparations. When the German banking crisis of 1931 led to the freezing of foreign credits under the standstill agreements, the Handelsbank saw its German loans immobilised and suffered heavy losses. Its difficulties were aggravated by the Paris affair of 1932, which the following section describes. After surviving the 1930s with difficulty, the bank was taken over in 1945 by the Swiss Bank Corporation.²

The fate of the Basler Handelsbank illustrates the risk of concentrated foreign exposure, which Part B discussed in connection with the Fugger and Part C in connection with the eighteenth-century investments in French debt. A bank that lends heavily to borrowers in a single foreign country is exposed to the political and economic risks of that country, including the risk that its government will prevent the transfer of payments abroad. The modern regulation of country risk and of large exposures addresses this risk, drawing on the experience of the standstill agreements of 1931 as one of its historical lessons.

1 Notes

1. On the Basler Handelsbank, founded in 1862, its business in trade and industrial finance and its foreign lending, in particular to Germany, see HLS, article "Basler Handelsbank". To be verified. ↩

The Basler Handelsbank

2. On the losses of the Basler Handelsbank on German credits frozen under the standstill agreements of 1931 and its takeover by the Swiss Bank Corporation in 1945, see HLS, article "Basler Handelsbank"; the history of the Swiss Bank Corporation. To be verified. ↩

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