

The founding charter in brief

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

Since Part D has described in detail how the BIS came into being, a short summary suffices here.¹ The Young Plan, adopted at the two Hague conferences of August 1929 and January 1930, provided for an international bank that would receive, administer and distribute the German reparation annuities and serve as a forum for central bank cooperation. The Hague Agreements of 20 January 1930 included a convention between Switzerland and the creditor powers (Belgium, France, Germany, Italy, Japan and the United Kingdom) by which Switzerland undertook to grant the new bank a Constituent Charter. The charter gave the BIS legal personality under Swiss law, confirmed its Statutes and granted it fiscal privileges and protection of its assets.²

Three features of the founding instruments have shaped the BIS until today. The first is the protection against amendment: Switzerland undertook not to abrogate or amend the Constituent Charter and not to legislate in a manner that would affect the Statutes without the agreement of the other parties to the convention. The second is the immunity of the bank's assets, which were protected against expropriation, seizure and confiscation, including in time of war, and in particular the assets deposited by central banks. The third is the provision for arbitration, under which disputes concerning the interpretation of the Hague Agreement and the Statutes were to be submitted to an arbitral tribunal. This clause, which seemed technical in 1930, became decisive in the dispute with the private shareholders seventy years later.³

The choice of Basel, examined in Part D, resulted from a compromise among the great powers. London and Paris were excluded because each would have given too much influence to one creditor, Brussels and Amsterdam were considered and rejected. Switzerland, by contrast, offered neutrality, a stable currency and a convenient location at the junction of the French, German and Swiss railway networks. Within Switzerland,

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Zurich was the obvious candidate as the largest financial centre, although Basel won the contest, thanks to its position on the borders of Germany and France and to the support of the Swiss National Bank. The founders installed the new bank in the former Grand Hotel et Savoy Hotel Univers next to the railway station, a provisional arrangement that lasted almost half a century.⁴

1 Notes

1. See Part D, Chapter V, sections "The Hague Agreements and the Swiss charter", "Why Basel?" and "The first shareholders and the first president". ↩
2. Convention respecting the Bank for International Settlements, signed at The Hague on 20 January 1930, and Constituent Charter of the Bank for International Settlements of the same date (SR 0.192.122.971.1 and related instruments). On the parties, see the text of the Convention. To be verified. ↩
3. Constituent Charter, Arts. 1 and 10 (immunity of assets); Convention of 1930, Art. 1 (undertaking regarding the Charter); Hague Agreement of 20 January 1930, Art. XV, and BIS Statutes, Art. 54 (arbitration). Numbering to be verified. ↩
4. On the choice of Basel and the first premises, see Toniolo, 2005, chapter 2; Part D, Chapter V, section "Why Basel?". On the hotel building at the Centralbahnplatz, see the history pages of the BIS website. To be verified. ↩

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