

The oldest international financial institution

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The Bank for International Settlements is the oldest international financial institution in the world. It was founded in 1930, fourteen years before the conference of Bretton Woods created the International Monetary Fund and the World Bank. It opened its doors in Basel on 17 May 1930. Its original purpose, the administration of the German reparations under the Young Plan, disappeared within a few years when the reparations were suspended in 1931 and abandoned in 1932. The institution survived its founding purpose, the Second World War and a resolution of the Bretton Woods conference recommending its liquidation. In the second half of the twentieth century it became the principal meeting place of the world's central bankers.¹

Its mission today is described by the BIS itself as supporting central banks in their pursuit of monetary and financial stability through international cooperation and acting as a bank for central banks. The formula contains three functions that this chapter examines in turn. The BIS is a forum in which central bankers and supervisors exchange information and coordinate their policies. It is a bank that holds deposits and manages reserves for its central bank clients. It is a centre of economic research and statistics whose publications are read in every finance ministry and central bank. To these three functions must be added a fourth, which has grown in importance since the 1970s: the BIS hosts the secretariats of committees and associations that set international standards, a function that the BIS calls the Basel Process.²

The size of the institution is modest when measured by its staff. The BIS employs several hundred people from more than sixty countries, most of them in Basel, which makes it a small employer compared with the pharmaceutical groups of the city or with the large Swiss banks. Its weight lies in the rank of the people who meet in its premises and in the reach of the standards drafted there. When the governors of the central banks of

the United States, the euro area, China, Japan and the United Kingdom sit at the same table in Basel, the decisions they discuss affect the financial conditions of the whole world.³

1 Notes

1. On the history of the BIS from 1930 to 1973, see Gianni Toniolo (with the assistance of Piet Clement), *Central Bank Cooperation at the Bank for International Settlements, 1930–1973*, Cambridge University Press, 2005; for the later period, Claudio Borio, Gianni Toniolo and Piet Clement (eds.), *Past and Future of Central Bank Cooperation*, Cambridge University Press, 2008. To be verified. ↩
2. BIS, mission statement as published on its website and in its Annual Report; on the Basel Process, see the section "The Basel Process" in the BIS Annual Report of recent years. To be verified. ↩
3. On the number and nationalities of BIS staff, see the BIS Annual Report, section on organisation and governance, which gives figures for each financial year. Figures to be verified. ↩

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