

A banking house around 1830: an attempt at reconstruction

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The archives of the Geneva banking houses make it possible to picture, in broad outline, how such a house operated around 1830. The reconstruction that follows is a synthesis and does not describe any particular firm.

The house has three or four partners, among them a father and two sons, or two brothers-in-law. It employs a few clerks and a cashier. Its offices are located in the family home or in a neighbouring building, in one of the districts where the banking houses cluster. The partners arrive early, read the post, which brings letters from correspondents, the prices on foreign exchanges and the political news, and then share out the work.

The day is given over to correspondence, visits from clients, foreign exchange operations and stock exchange orders passed on to correspondents in Paris or London. The clients, often Geneva families or foreigners settled in the region, come to discuss their investments, withdraw funds or deposit securities. The partners receive them personally, in a sober drawing room, and the conversation turns as much on the family's circumstances as on the markets.

In the evening, the clerks copy the letters into the letter book, and the day's entries are posted to the ledgers. Once a year, the partners draw up the inventory and the balance sheet and distribute the profits. Important decisions — the admission of a new partner, participation in a large-scale operation, a change of correspondent — are the subject of family discussions.

Discretion is absolute. Clients' affairs are never mentioned outside the house. The clerks are bound to secrecy, and their loyalty is sustained by the prospect of a career in the firm. This culture of discretion, founded on custom and trust, precedes by more than a century its consecration in criminal law by the Act of 1934, which Chapter IV analyses.

Worked example. Around 1830, a banking house manages client assets amounting to 20 million francs. On these assets it earns custody and management commissions averaging 0.5 per cent, or 100,000 francs a year, to which are added commissions on foreign exchange and stock exchange transactions of 50,000 francs. Its staff, office and correspondence costs come to 60,000 francs. The profit of 90,000 francs is shared among the partners, who are personally liable for the firm's commitments. The figures are fictitious; they give an order of magnitude for the economics of a wealth management house of the period.

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