

Joint-stock banks and competition with the private bankers

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

The middle of the nineteenth century saw the appearance in Europe of a new type of institution: the joint-stock bank, which pools the capital of many shareholders and can mobilise resources far greater than those of the family houses. In France, the *Crédit mobilier* of the Pereire brothers, founded in the early 1850s, embodied this model, financing major industrial and railway projects.¹ Geneva followed the movement.

Several joint-stock banks were founded in Geneva in the middle of the century. Some devoted themselves to trade and discounting, others to mortgage lending, others again to large financial and industrial operations. One of them, conceived on the model of the *Crédit mobilier*, set out to finance enterprises in Switzerland and abroad, before running into serious difficulties.²

These banks introduced new practices. They published accounts, held shareholders' meetings, recruited salaried managers and sought rapid growth. They financed industrial enterprises, railways and property companies. They sometimes issued banknotes. Their size allowed them to take part in large-scale operations, but their pursuit of growth exposed them to significant risks.

The private bankers responded in several ways. Some took part in the founding and the capital of the new banks and sat on their boards of directors. Others remained faithful to their traditional model, based on wealth management and the personal liability of the partners, and left the riskiest operations to the joint-stock banks. This division of labour, which took shape in the middle of the nineteenth century, would become a lasting characteristic of the Geneva financial centre: the private bankers concentrate on wealth management, while the commercial banks provide credit and handle the major operations.

The coexistence of the two models offers an instructive field of observation. The family houses, whose partners are liable with their personal assets, have an incentive to be prudent. The joint-stock banks, whose shareholders risk only their contribution and whose managers are not always owners, may be tempted by riskier strategies. The failures of several joint-stock banks over the course of the century, in Geneva as elsewhere, would strengthen the private bankers' reputation for prudence.

Characteristic	Private banker	Joint-stock bank
Ownership	a few partners, often related	numerous shareholders
Liability	unlimited and personal liability of the partners	limited to the shareholders' contribution
Management	by the partners themselves	by directors and salaried managers
Main activities	wealth management, commission business, foreign exchange	credit, discounting, issues, large operations
Publication of accounts	limited	shareholders' meetings and published accounts
Risk culture	prudent, oriented towards preservation	more oriented towards growth

Caution. The distinction between prudent private bankers and bold joint-stock banks is a simplification. Family houses have failed through imprudence, and joint-stock banks have been managed with rigour. The liability structure shapes incentives without by itself determining the quality of management.

1 Notes

1. Wikipedia (en), "Crédit Mobilier": limited liability joint-stock company created in 1852 by the Pereire brothers, mobilising savings to finance railways and infrastructure; serious crisis in 1866–1867 and forced resignation of the Pereires at the request of the Banque de France; Dictionnaire historique de la Suisse (DHS; Historical Dictionary of Switzerland), art. "Fazy, James": Banque générale suisse de crédit international mobilier et foncier (Geneva, 1853). ↩

2. Dictionnaire historique de la Suisse (DHS), art. “Billets de banque”: the Banque du commerce de Genève issues banknotes from 1845; DHS, art. “Fazy, James”: Caisse hypothécaire (1847), Banque de Genève (1848), Caisse d’escompte (1849), Banque générale suisse de crédit international mobilier et foncier (1853, crash in 1865). ↩

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/geneva-joint-stock-banks-and-competition-with-the-private-bankers