

The Geneva stock exchange of 1850: the first in Switzerland

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Geneva is credited with the first stock exchange in Switzerland, founded in 1857 at a time when joint-stock banks, railway companies and foreign loans were transforming the city's financial centre. This article traces the setting in which the exchange emerged, the differing dates given for its origins and the long line that runs from its trading floor to the institutions of the present-day Geneva financial centre.

1 A financial centre in transformation

The exchange belongs to the period opened by James Fazy. The Historical Dictionary of Switzerland (Dictionnaire historique de la Suisse, DHS) records that Fazy led the radical revolution of 1846 and overthrew the government. He wanted to break what he regarded as the grip of the great families on credit. According to the DHS, his programme produced the Caisse hypothécaire in 1847, the Banque de Genève in 1848, the Caisse d'escompte in 1849 and the Banque générale suisse de crédit international mobilier et foncier in 1853. That last institution, modelled on the Crédit mobilier founded in France in 1852 by the Pereire brothers, suffered a resounding crash in 1865 that ruined its founder.

These joint-stock banks published accounts, held shareholder meetings, hired salaried managers and financed industry, railways and property. Their shares, together with public loans, created a growing volume of securities that needed a market. As brokers began to meet to trade them, the need for an organised exchange became apparent. Private bankers, meanwhile, increasingly concentrated on wealth management, which gave them a direct interest in a place where client orders could be executed and new issues placed.

2 1850, 1855, 1856 or 1857

The founding date depends on the source consulted. Les Hénokiens, the association of bicentenary family firms of which the Lombard Odier group is a member, states that the Geneva stock exchange was created in 1857 and presents it as the first exchange to have come into being in Switzerland. The same source names the partners of the house founded by Henri Hentsch among those who worked towards its creation. That house, established on 11 January 1796 as a silk and commission business, is the origin of today's Lombard Odier group.

The DHS entry on stock exchanges gives a more gradual chronology. It records that exchange trading in the shares of joint-stock companies began in Geneva in 1850, that a trading ring was inaugurated in 1855 and that the Council of State recognised it in 1856. Because the 1857 date comes from a source close to one of the founding houses, it is best read together with the earlier steps recorded by the DHS. On either account, Geneva came well ahead of Basel, whose exchange the DHS dates to 1876, as well as Zurich, recognised by the state in 1884.

3 What the exchange did

An exchange brings buy and sell orders together in one place, which supports price formation and allows the publication of official prices. It sets rules for trading and settlement that make transactions secure. It also lets companies and states raise capital, since investors know they can resell their securities, thereby adding to the liquidity of the financial centre. The Geneva exchange listed shares in banks, insurance companies, railways and industrial companies, as well as Swiss and foreign bonds. Private bankers executed their clients' orders there and placed new issues, much as the merchants of the medieval fairs had relied on rules, judges and money-changers to do business.

Railway securities brought the market both business and risk, since railways offered attractive but hazardous investments. The federal law of 1852 left the construction and operation of railways to private companies under cantonal concession. Geneva celebrated its connection to the Lyon line in March 1858, according to the history site Genève à la carte, with trains on the Lausanne–Versoix–Geneva line following from June. The DHS records that as early as 1861 four fifths of Swiss railway companies faced financial difficulties. The great lines were later taken over by the Confederation after a popular vote on 20 February 1898, which created the Swiss Federal Railways.

4 Capital, information and the wider market

Genevan capital also flowed into the wider international market. The Fondation Napoléon records that the Crédit lyonnais, founded on 6 July 1863 with a capital of 20 million francs in 40,000 shares of 500 francs, counted more than 70 Swiss investors among its 353 original shareholders. Most of them were bankers and stockbrokers from Geneva, Basel, Winterthur, Schaffhausen, Lausanne, Bern and Zurich. When the Banque de Paris et des Pays-Bas was formed on 27 January 1872, according to the English-language Wikipedia article on that bank, Edouard Hentsch was among its founders and represented Genevan banking interests.

Faster information changed how the market worked. The DHS records that the first Swiss telegraph line, between Zurich and St Gallen, came into service on 15 July 1852, with the official network opening at the end of that year. Geneva newspapers published stock prices, company results and market commentary. The *Journal de Genève*, founded in 1826 by a group that included Fazy, had become a daily in 1850. Newspapers tied to financial interests and promotional prospectuses also accompanied speculative operations, which fed calls for regulation.

5 From the trading floor to the electronic exchange

The Geneva exchange had a long history before its integration into the Swiss electronic exchange at the end of the twentieth century. The DHS notes that by summer 1996 trading in shares and bonds was fully computerised and open outcry belonged to the past. Its memory survives in the organisation of the financial centre, because the Fondation Genève Place Financière was created in 1991 by the 80 member banks of the Geneva stock exchange. The investor-information concerns of the nineteenth century are now addressed by statute: the Financial Services Act (FinSA) of 15 June 2018, in force since 1 January 2020, requires anyone making a public offer of securities in Switzerland to publish a prospectus in advance (Article 35 paragraph 1).

6 What to take from it

The founding date needs its source. The year 1857 comes from a presentation linked to Lombard Odier, while the DHS records trading from 1850, a trading ring in 1855 and state recognition in 1856.

Private bankers built market infrastructure. The partners of the Hentsch house worked towards the exchange because an organised market served their own business of executing orders and placing issues.

The exchange shaped today's institutions. Its 80 member banks founded the Fondation Genève Place Financière in 1991, a few years before trading in Switzerland became fully electronic.

7 Sources

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