

The crisis of 1931 and the reorganisation of the banking sector

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The world economic crisis, triggered by the Wall Street crash of October 1929, reached Europe in 1931. The collapse of the Creditanstalt in Vienna, followed by the German banking crisis, sent a shock wave through the Swiss banks, which were heavily exposed to Germany and Central Europe.¹ Foreign capital was withdrawn, claims on Germany were frozen, and several Swiss banks ran into serious difficulties.

The Wikipedia article on bank client secrecy in Switzerland notes that the banking crisis of 1931 saw the disappearance of one of the eight leading Swiss banking institutions and the reorganisation of the sector, and that it opened a debate on the idea of a law regulating the banking sector in order to protect small savers.² The Confederation had to step in to support certain institutions, and public opinion demanded better protection for depositors.

Geneva was not spared. Several Geneva institutions ran into difficulties in the early 1930s, and the failure of a major Geneva bank caused a political scandal and losses for many depositors.³ These events fed distrust of the banks and strengthened the demand for public supervision.

The crisis of 1931 exposed the weaknesses of the Swiss banking system of the time. The banks were subject to no specific federal supervision. They did not always publish reliable accounts. They could take considerable risks without any control. Depositors, and small savers in particular, were poorly protected. The law of 1934 would seek to remedy these weaknesses while sparing the interests of a sector that political circles regarded as essential to the country's prosperity.

The crisis also revealed the difference between business models. The large commercial banks, engaged in risky international lending, were the hardest hit. The Geneva private bankers, whose model rested on wealth

management and who took little credit risk, came through the crisis in better shape, even though they suffered from falling markets and the departure of some clients. This difference reinforced the reputation for prudence enjoyed by Geneva private banking.

1 Notes

1. Wikipedia (en), “European banking crisis of 1931”: on 11 May 1931 the Creditanstalt announced that it could not publish its accounts; Hoover moratorium of 20 June 1931; failure of the Danat-Bank on 13 July 1931, bank holidays from 14 July, suspension of the convertibility of the Reichsmark and capital controls on 15 July 1931; standstill agreements concluded in August and September 1931 after the London conference of 20–23 July. ↩
2. Article “Secret bancaire en Suisse”, Wikipédia (fr) (accessed September 2026). ↩
3. Feuille d’avis de Neuchâtel, 15 July 1931 (doc.rero.ch): the directors of the Banque de Genève declared that “the immediately realisable assets of the company no longer cover its liabilities” and that the bank “is in fact in a state of cessation of payments”; management committee chaired by Paul Logoz; the Geneva socialist party demanded the resignation of the Council of State; Dictionnaire historique de la Suisse (DHS), art. “Moriaud, Alexandre”: member of the Council of State (1924–1931) and the State’s delegate on the bank’s board of directors, arrested in September 1931, prosecution for passive corruption dropped in 1934; DHS, art. “Banques”: “the Banque d’escompte suisse, of Geneva, collapsed in 1934”; DHS, art. “Genève, fusillade de” (9 November 1932: 13 dead, 65 injured). ↩

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