

The monetary question: from the Swiss franc to the National Bank

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The Constitution of 1848 gave the Confederation the right to coin money. The Federal Coinage Act of 1850 introduced the Swiss franc, modelled on the French franc, which facilitated exchanges with France and with the countries using the same system.¹ In 1865, Switzerland took part in the creation of the Latin Monetary Union, with France, Belgium and Italy, which harmonised the gold and silver coins of the member countries.²

The issue of banknotes, by contrast, remained decentralised. For several decades, numerous cantonal and commercial banks issued their own notes, whose quality and convertibility varied. This plurality created difficulties and risks for the public. A constitutional revision at the end of the nineteenth century gave the Confederation the monopoly of issue, and an Act of the early twentieth century organised the Swiss National Bank.³ The National Bank began operations in 1907, and the partners of the house founded by Henri Hentsch are presented as having worked towards its creation.⁴

The creation of the Swiss National Bank was a decisive step for the financial centre. It unified the paper currency, strengthened confidence in the franc and gave the country an institution capable of acting as lender of last resort in a crisis. The stability of the Swiss franc, which would become one of the financial centre's principal assets in the twentieth century, rests on this institution and on the prudent monetary policy it would pursue.

For Geneva's bankers, monetary unification simplified operations and strengthened Switzerland's position in international finance. The Swiss franc, backed by substantial gold reserves and managed by an independent central bank, would become a safe-haven currency sought by investors the world over. Part B recalled that the Federal Constitution today charges the National Bank with conducting a monetary policy that serves the general interests of the country (Art. 99 para. 2 Cst.).

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Date	Stage of Swiss monetary unification
1848	the Federal Constitution gives the Confederation the right to coin money
1850	introduction of the Swiss franc
1865	participation in the Latin Monetary Union
end of the nineteenth century	the Confederation is given the monopoly of banknote issue
1907	the Swiss National Bank begins operations

1 Notes

1. Federal Coinage Act of 7 May 1850 (RO I 305); Dictionnaire historique de la Suisse (DHS; Historical Dictionary of Switzerland), art. "Politique monétaire": "The Federal Coinage Act of 1850 was the first step towards the centralisation of monetary policy"; with accession to the Latin Monetary Union (1865), Switzerland moves from a silver currency to bimetallism and then, from the 1880s, to a de facto gold standard; DHS, art. "Monnaies". ↩
2. Dictionnaire historique de la Suisse (DHS), art. "Union monétaire latine": convention concluded in Paris on 23 December 1865 between France, Belgium, Italy and Switzerland (Greece acceding in 1868); gold/silver ratio of 1 to 15.5; foreign silver écus lose their legal tender status in Switzerland on 31 March 1921; the Union is dissolved at the end of 1926; SNB, "Chronique monétaire" (snb.ch), entry of 23 December 1865. ↩
3. SNB, "Chronique monétaire" (snb.ch): popular vote of 18 October 1891 accepting the new Art. 39 Cst. (banknote monopoly transferred to the Confederation); Federal Act on the Swiss National Bank of 6 October 1905 (RO 22 47); opening of the SNB's counters on 20 June 1907 in Basel, Bern, Geneva, St Gallen and Zurich; Dictionnaire historique de la Suisse (DHS), art. "Banque nationale suisse (BNS)": the right of issue passes from the 36 banks that held it to the SNB alone; legal and administrative seat in Bern, general management in Zurich. ↩

4. Les Hénokiens, “Banque Lombard Odier & Cie SA (1796)”,
henokiens.com, cited above. ↩

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