

The telegraph, information and the speed of the markets

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

The introduction of the electric telegraph in the middle of the nineteenth century transformed finance. In Switzerland a telegraph network was set up from the early 1850s.¹ Financial news, which had previously travelled at the speed of horses and stagecoaches, now passed between the major financial centres in a matter of minutes. The transatlantic cable, successfully laid in the mid-1860s, linked Europe and America.²

This acceleration changed the banker's trade. Price differences between financial centres narrowed, because arbitrage became faster. Information on political and economic events spread almost instantly. Specialised news agencies supplied dispatches to bankers and newspapers. Bankers had to react more quickly, and the advantage drawn from the slowness of information, which had made the fortune of the correspondent networks, diminished.

For the Geneva financial centre, the telegraph strengthened its integration into the international markets. Bankers could follow the prices in Paris, London and Berlin in real time and execute their clients' orders promptly. International wealth management became more responsive. This development foreshadowed the later transformations, from the telephone to the electronic networks and algorithmic markets of the twenty-first century, each of which altered the way in which information is turned into an investment decision.

1 Notes

1. Dictionnaire historique de la Suisse (DHS; Historical Dictionary of Switzerland), art. "Télégraphe": petition by major trading houses in April 1851, telegraph law adopted at the end of the same year; "The first line (Zurich–St Gallen) was put into service on 15 July 1852 and official

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operation of the network began at the end of the year”; seventy localities served by the end of 1853, more than a thousand stations in 1875; Bern became the seat of the International Telegraph Union in 1865. ↩

2. Dictionnaire historique de la Suisse (DHS), art. “Télégraphe”: “Thanks to the submarine cable laid in the Atlantic (after a first failure) in 1866, the country was connected to the intercontinental network”. ↩

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