

The transformation of 2014

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In the early 2010s, the great Geneva houses decided to transform their legal structure. In February 2013 the *Tribune de Genève* announced that Lombard Odier & Cie, founded in 1796, and Pictet & Cie, founded in 1805, would become limited companies (sociétés anonymes) from 1 January 2014, each held by a non-operating holding entity organised as a partnership limited by shares (société en commandite par actions). The newspaper noted that two of the oldest banks in Switzerland were thereby giving up their ancestral status as private bankers.¹

According to the account given in the article devoted to the Lombard Odier group, this transformation put an end to the partnership status under which the partners were liable without limit on their personal assets, and it brought with it the obligation to publish half-yearly and annual accounts. The banks Pictet, Mirabaud and Gonet adopted the same status at the same time or shortly afterwards, in response to needs for transparency, to regulatory requirements and to a concern to limit risk, in a context marked by the closure of the private bank Wegelin & Co following a dispute with the United States Department of Justice.²

The Wegelin affair played a revealing role. This bank from St Gallen, often presented as the oldest bank in Switzerland, was prosecuted in the United States for having helped American taxpayers to conceal assets, and it ceased its activities.³ For the partners of private banking houses, the affair showed that unlimited liability could expose them personally to considerable legal risks, arising from foreign sanctions, quite independently of any market loss. Part E will return to the crisis of banking secrecy that led to these prosecutions.

The transformation of 2014 thus answered several concerns. It limited the personal risk of the partners, in an environment in which legal and regulatory risks had taken on a new dimension. It met the expectations of transparency held by clients, counterparties and authorities. It facilitated

the international development of the groups and their access to certain markets. Through the structure of the holding entity as a partnership limited by shares, however, it preserved a link between management and the liability of the managing partners, as well as the partners' control over the group.

Caution. The houses transformed in 2014 remain run by their partners and lay claim to their tradition. The transformation altered the structure of liability, by limiting the partners' personal risk for the operating entities, and it increased the financial transparency of the groups.

1 Notes

1. "Deux banquiers privés genevois font leur mue" (Two Geneva private bankers shed their skin), Tribune de Genève, 6 February 2013. ↩
2. Article "Banque Lombard Odier", Wikipédia (fr), cited above. ↩
3. U.S. Department of Justice, Southern District of New York, "Swiss Bank Pleads Guilty in Manhattan Federal Court to Conspiracy to Evade Taxes" (3 January 2013): Wegelin & Co, "Switzerland's oldest bank" (founded in 1741), indicted in February 2012, pleaded guilty on 3 January 2013 to conspiring with American taxpayers to conceal more than USD 1.2 billion; restitution of USD 20 million, fine of USD 22.05 million, forfeiture of USD 15.8 million, in addition to USD 16.2 million forfeited in April 2012 (approximately USD 74 million in total); France 24, "La plus vieille banque suisse cesse d'exister" (Switzerland's oldest bank ceases to exist), 4 January 2013. ↩

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