

Three types of institution in the face of the crisis

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The crisis of the 1930s struck the institutions of the Geneva financial centre differently according to their business model. Three profiles can be distinguished, without any intention here of describing particular institutions.

The first is that of the commercial banks engaged in substantial lending, in Switzerland and abroad. These institutions were the most exposed to the crisis: their debtors defaulted, their claims on Germany and Central Europe were frozen, and their depositors withdrew their funds. Several of them had to be restructured or disappeared.

The second is that of the private bankers specialising in wealth management. Their balance sheets were modest, their credit risks limited, and their clients' assets were largely held off balance sheet. They suffered from falling markets and shrinking commissions, but they came through the crisis without any threat to their existence. Their reputation for soundness was strengthened as a result.

The third is that of the savings and mortgage institutions, oriented towards local clients. Their position depended on the quality of their loans and the confidence of their depositors. Well-managed savings banks held up, while imprudent institutions ran into difficulties.

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This typology sheds light on the regulation of 1934, which sought to protect depositors and to supervise the risks taken by banks while taking account of the diversity of models. It also sheds light on contemporary regulation, which differentiates the applicable requirements according to the size, systemic importance and risk profile of the institutions.

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