

A cantonal bank that was not a State bank

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The legal form of the Banca Cantonale Ticinese explains much of its later history. It carried the name of the canton and enjoyed public privileges, but it was a private company in which the State was a minority shareholder. Its depositors had no guarantee from the canton beyond the temporary liquidity support of the first five years. The Historical Dictionary classifies it among the eight "mixed" cantonal banks of the first wave of foundations between 1840 and 1860, a group of institutions in which private shareholders and the State combined capital and control.¹ The name nevertheless suggested to savers that the canton stood behind the bank. When the bank failed in 1914, the confusion between name and guarantee became a political problem. For this reason the Grand Council chose for the new institution of 1915 the deliberately different name of "Banca dello Stato".

The bank's relationship with the canton was a source of repeated litigation. In 1882 the canton introduced a tax of five per mille on the issue of banknotes. The bank refused to pay, invoking the thirty-year exemption of 1858. In a judgment of 7 February 1885 the Federal Court held that the exemption had created a genuine private right of a patrimonial nature, which the canton could not revoke at will before its expiry in 1890, and ordered the canton to refund the taxes collected.² The bank and the canton met again before the Federal Court in 1892. After the frauds committed against the cantonal treasury by the cantonal cashier, Luigi Scazziga, had come to light in 1890, the bank sued the canton for CHF 734,870 with interest under a current account that it said had been agreed in 1878. The canton objected that Article 108 of the statutes sent disputes between the government and the bank to arbitration. In a judgment of 11 November 1892 the Federal Court, sitting as sole instance, held the objection unfounded because an agreement to arbitrate could not refer to a legal relationship that did not yet exist, so that the claim could proceed before the court.³ These cases are early examples of a theme that recurs in the

history of Swiss cantonal banks: the tension between the bank as a commercial enterprise with acquired rights and the bank as an instrument of cantonal policy.

1 Note issue and its end

Like many cantonal banks of the time, the Banca Cantonale Ticinese issued its own banknotes. The issue of notes was the main privilege of the early Swiss banks. More than sixty institutions issued notes in the nineteenth century, and thirty-six were still active at the end of the century. The Federal Constitution of 1874 gave the Confederation the power to legislate on banks of issue. The federal act of 1881 then obliged them to redeem their notes and to hold gold cover. In 1891 the monopoly of issue was transferred to the Confederation. The Swiss National Bank, created by statute in 1905, began operations in 1907. Its notes replaced those of the private and cantonal banks, which had all withdrawn from issuing before 1910.⁴ The loss of the note issue changed the economics of the cantonal banks. Notes had provided cheap funding without interest. Once they were gone, the banks depended on savings deposits, current accounts and bonds, for which they had to compete for these with the new commercial and popular banks. The Banca Cantonale Ticinese ran the agency of the Swiss National Bank in Bellinzona, a role that linked the two institutions closely and became a liability for the central bank when the cantonal bank stopped its payments.⁵ The bank also issued bonds secured on mortgages. Surviving blank certificates of a 4 % special obligation of 500 francs, dated 6 June 1888, show that it financed itself on the bond market with paper backed by real estate, including properties in Milan.⁶

Essentials. The Banca Cantonale Ticinese, authorized by legislative decree of 8 June 1858, was a joint-stock company with a capital of CHF 1 million in which the canton held 1,000 of 5,000 shares. It took over the cantonal savings bank of 1833, received an exclusive banking privilege, the right of note issue and a thirty-year tax exemption, and had a government representative on its board. It enjoyed no permanent State guarantee of its liabilities. The Federal Court upheld its tax privilege against the canton in 1885. When it failed in 1914, its name misled depositors who believed that the canton stood behind it.

2 Notes

1. Froidevaux, "Banche cantonali" (as above). ↩
2. BGE 11 (judgment of 7 February 1885, as above). ↩

3. BGE 18 No. 146 (as above): "Nel 1890 essendo venute alla luce le frodi commesse a danno dell'erario del Cantone dal Cassiere cantonale Luigi Scazziga"; "un pactum de compromittendo non è da riferirsi ad un rapporto giuridico, che ancora non esiste"; dispositive: "L'eccezione del compromesso sollevata dalla parte convenuta è dichiarata infondata."
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4. Peter Püntener, "Banche di emissione", in DSS, version of 6 August 2009, <https://hls-dhs-dss.ch/it/articles/013746/>; Olivier Frédéric Dubuis, "Banknoten", in HLS, version of 4 November 2004, <https://hls-dhs-dss.ch/de/articles/013750/> ("mehr als 60 Institute, wovon Ende des 19. Jahrhunderts noch 36 tätig waren"; monopoly to the Confederation in 1891; SNB in 1907). ↩
5. Swiss National Bank, Geschäftsbericht 1914 (Bern 1915), https://www.snb.ch/dam/jcr:4249e5f6-2667-40b9-8206-0fcd54078990/annrep_1914_komplett.de.pdf (the SNB's "Agentur Bellinzona" had to be run by its own staff after the suspension of payments of the Banca Cantonale Ticinese). ↩
6. Spink, auction lot "Banca Cantonale Ticinese, 4 %-Obligation 500 Franken, Bellinzona, 6 June 1888", <https://spink.com/lot/SW1008000289>; Spink, lot SW1014000133, <https://spink.com/lot/SW1014000133> (special obligation, series VII, secured on properties in Milan). Catalogue descriptions of auction houses are secondary sources and are cited here only for the objects themselves. ↩

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