

Chiasso in the lira economy

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The demand for the branch's services came from Italy. Chapter D.II describes the Italian economic miracle of the 1950s and 1960s, the political tensions of the 1970s and the currency regime that made the export of capital from Italy first an administrative offence and then a crime. In the 1970s the pressure on Italian savers grew. Inflation was high, the lira lost value against the Swiss franc and the Deutschmark, kidnappings for ransom targeted entrepreneurs and their families, and the parties of the left gained strength in elections. Many Italians with savings or business income looked for a place where money could be held in a stable currency, beyond the reach of the Italian tax administration and of a possible future government of the left. Lugano and Chiasso were the nearest such places.¹

Italian law responded with increasing severity. By a decree-law of 4 March 1976, converted into Law No. 159 of 30 April 1976, Italy made the unauthorized export of capital above a certain amount a criminal offence and offered a short period during which capital held abroad could be repatriated without punishment.² For Swiss banks the Italian rules did not change the legal position at home, because Swiss law did not enforce foreign exchange controls and Swiss banking secrecy covered the identity of the client. They did change the risk for the clients, and therefore their wish to keep the money out of sight and to keep it working. An Italian who had exported capital illegally could not easily bring it home to invest in his own company without disclosing its origin. This was the gap that Texon filled.

1 Warnings before 1977: Vallugano and Weisscredit

The Chiasso affair was not the first sign that the rapid growth of banking in Ticino had outrun its controls. A few years earlier the Banca Vallugano, a small institution in Lugano, had failed, an event that a cantonal history of the decade later described as a failure "of a scope not such as to undermine

confidence in a structure that functioned as a whole".³ At the end of February 1977 a much larger case came to light. The Weisscredit Banca Commerciale e d'Investimenti in Lugano had recommended to its clients deposits with a Liechtenstein establishment, the Finanz- und Vertrauens-Handelsanstalt in Schaan, as an investment free of Swiss withholding tax. The establishment had only a nominal domicile in Liechtenstein and was in fact run from Switzerland by the general manager of Weisscredit. With a capital of CHF 20,000 it had taken in more than CHF 200 million of third-party money and invested it worldwide, without publishing accounts or submitting to an audit. When it had to apply for a moratorium (*Nachlassstundung*), the Federal Banking Commission found that the managers of Weisscredit had operated a bank without a licence through the establishment, withdrew the bank's licence and ordered the immediate closure of its counters.⁴

The Federal Banking Commission drew the comparison in its annual report for 1977. The management of the Kreditanstalt's Chiasso branch, it wrote, had used "a construction similar to that of Weisscredit", although the business had reached "considerably larger dimensions".⁵ Both cases followed the same pattern. A Swiss bank in Ticino collected deposits from Italian clients and placed them, outside its own balance sheet, in a Liechtenstein entity that it controlled in fact but not in law. The entity then lent or invested the money without supervision. The difference lay in size and in the name of the bank. Weisscredit was a regional institution, while the Kreditanstalt was one of the three big banks of the country.

Essentials. Chiasso became a banking town because it was the first Swiss municipality on the road and railway from Milan. The big Swiss banks arrived early (Swiss Bank Corporation in Chiasso in 1908, the Kreditanstalt in Lugano in 1913), but the boom of the 1960s and 1970s rested on Italian flight capital. Italian law made the unauthorized export of capital a crime in 1976, which increased the clients' need for discretion. Before the Kreditanstalt affair, the collapse of Weisscredit in Lugano in early 1977 had shown the same structure: Italian deposits placed through a Liechtenstein establishment outside the bank's balance sheet.

2 Notes

1. On the Italian background of the 1970s (inflation, devaluation of the lira, kidnappings for ransom and the electoral advance of the Communist Party in 1975 and 1976) see Chapter D.II. The motives of individual depositors are described in general terms. ↩

2. Decree-Law No. 31 of 4 March 1976, converted with amendments into Law No. 159 of 30 April 1976, Disposizioni penali in materia di infrazioni valutarie; l'Unità, 5 March 1976, 1, https://archivio.unita.news/assets/main/1976/03/05/page_001.pdf, reports the government's approval of the draft decree on currency offences. ↩
3. Ente Ticinese per il Turismo, "Lo 'scandalo' di Chiasso", series Storia del Ticino, anni '70, <https://www.ticino.ch/de/about-us/ett-storico/anni-70/scandalo-chiasso.html> ("c'era stato, qualche anno prima, il fallimento della banca Vallugano, ma con una portata non tale da intaccare la fiducia in una struttura globalmente funzionante"). ↩
4. Eidgenössische Bankenkommission (EBK), Jahresbericht 1977, 22–23, <https://finma.ch/FinmaArchiv/ebk/d/publik/bericht/pdf/jb77-d.pdf> (Weisscredit, Banca Commerciale e d'Investimenti, Lugano; Finanz- und Vertrauens-Handelsanstalt, Schaan; nominal capital of CHF 20,000; third-party funds of more than CHF 200 million; no published accounts and no audit): "Ende Februar 1977 wurde die Bankenkommission darüber orientiert, dass die der Weisscredit ... nahestehende Finanz- und Vertrauens-Handelsanstalt ... um Nachlass-Stundung habe nachsuchen müssen"; "wurde der Weisscredit unverzüglich die Bewilligung entzogen und die sofortige Schliessung der Schalter angeordnet". ↩
5. EBK, Jahresbericht 1977 (above), 23: "Einer ähnlichen Konstruktion wie die Weisscredit bediente sich die Direktion der Filiale Chiasso der Schweizerischen Kreditanstalt, wobei die Geschäfte jedoch wesentlich grössere Dimensionen erreichten." ↩

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