

Irregularities and responsibility

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The expert reports commissioned after the failures revealed serious irregularities in the management of the collapsed banks.¹ The research of the University of Milan speaks of a banking system administered in dilettante and often dishonest ways.² The legal instruments available were civil claims against directors and auditors under the company law of the Code of Obligations and criminal proceedings under the cantonal penal code. How far they were used against the officers of the failed banks has not yet been studied systematically and remains to be reconstructed from the cantonal archives.³ The absence of a federal criminal code, which came into force only in 1942, meant that offences such as fraudulent bankruptcy, false accounting or misappropriation were judged under the penal code of the canton by courts whose members were themselves elected on party lists. Whatever their outcome, the proceedings did not restore the depositors' money.

1 Political consequences

The political consequences followed quickly. The president of the Banca Cantonale Ticinese, Giuseppe Stoffel, a radical-liberal who had sat in the National Council since 1902 and in the Bank Council of the Swiss National Bank since 1906, left both bodies in 1914, the year of the crash.⁴ Since the two failed banks were identified with the two great parties, neither party could blame the other without implicating itself. The crisis discredited the model of the party bank and the idea that a cantonal name could substitute for a cantonal guarantee. The solution chosen in 1914 and 1915, a bank owned and guaranteed by the State and governed by a public law statute, responded directly to this experience, as the next section shows. At the federal level the first attempt to regulate banks followed two years after the crash. A federal banking bill was prepared in 1916, but it was shelved until the crises of the 1930s, when the collapse of the Banque de Genève in 1931 and the rescue of the Swiss Volksbank in 1933 with CHF 100 million of

federal money forced the adoption of the Banking Act of 8 November 1934.⁵

The Swiss National Bank also drew conclusions. It did not reopen its Bellinzona agency under a private bank. In 1919 it decided to reopen the agency, which had disappeared in the banking crisis of 1914, and to entrust it to the new Banca dello Stato del Cantone Ticino. The agency reopened on 15 April 1920.⁶ The decision expressed confidence in the new State bank and gave it a role in the canton's payment system that the private banks had lost.

Essentials. After the crash, depositors ranked as ordinary creditors without insurance or State guarantee and lost more than CHF 30 million. Investors could only rely on the general law of contract: in BGE 43 II 487 (1917) the Federal Court held that a buyer of shares in the insolvent Credito Ticinese could rescind the purchase for essential error and recover the price from the BSI as seller. The crisis ended the model of the party bank, preceded the first federal banking bill of 1916 and led to the creation of a State-guaranteed bank in Ticino.

2 Notes

1. Wetter (as above), 89. ↩
2. Università degli Studi di Milano, project 2007-ATE-0033 (as above).
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3. Proceedings against officers of the failed banks: Archivio di Stato del Cantone Ticino; Nosetti's book. ↩
4. Dodis, "Stoffel-Schenkel, Giuseppe (1863–1929)", <https://dodis.ch/P17892> (National Council 1902–1914, Bank Council of the SNB 1906–1914). The source gives the dates of the mandates without stating why they ended. ↩
5. Bruppacher, "La vigilanza sulle banche in Svizzera" (as above). Bruppacher records that a first federal bill of 1916 stayed in the drawers of the federal administration until the world economic crisis of the 1930s. He does not connect it with the Ticinese failures, and the sequence given in the text is chronological only. On the Volksbank see also Baumann, "Banca popolare svizzera (BPS)" (as above). ↩

6. Swiss National Bank, Geschäftsbericht 1919 (as above); Geschäftsbericht 1920 , https://www.snb.ch/dam/jcr:7d85a480-d752-4eb4-b05a-fa0e7f39214a/annrep_1920_komplett.de.pdf ("Auf 15. April 1920 konnte die nunmehr der Banca dello Stato del Cantone Ticino übertragene Agentur Bellinzona wieder eröffnet werden"). ↩

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