

The bill of exchange and the exchange fairs

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The long-distance trade was settled by bills of exchange. A bill of exchange (*lettera di cambio*) was an order in writing by which a person (the drawer) instructed another person (the drawee), usually in another town, to pay a sum in the local currency to a third person (the payee) at a fixed date. It combined a transfer of funds between places with a credit for the period until the maturity date and an exchange of one currency into another.¹ The instrument acquired its main features in Italy between the thirteenth and the fifteenth centuries, and by the sixteenth century it was in general use between Milan, Genoa, Venice, Lyon, Antwerp, Nuremberg and Augsburg. Merchants in Lucerne, Basel and Zurich drew and accepted bills on Milan and Lyon to pay for silk and textiles and to receive payment for cattle and cheese.

The settlement of bills was concentrated at the exchange fairs. From the 1530s the Genoese bankers organized fairs, known as the fairs of Besançon (*fiere di Bisenzone*), which moved from Besançon to Chambéry and Poligny and settled in 1579 in Piacenza, where they were held four times a year.² At these fairs, bankers from Genoa, Milan, Florence and other cities met to settle the bills that matured, to fix the exchange rates for the next period and to extend credit by rolling over obligations. The fairs financed the Spanish crown, which paid its armies in Flanders and Italy with Genoese credit. They also cleared the commercial payments of the Milanese and Swiss trade. The Spanish pensions paid to the Catholic cantons under the alliance of 1587 passed through the same system (Chapter B.III).

The merchants of the bailiwicks participated in this system at its margins. A Lugano merchant who sold cattle to a Milanese buyer might receive a bill on a Milanese banker, which he could present in Milan, discount with a local merchant or endorse to a creditor in Lucerne. The endorsement, which appeared in Italy as early as the fifteenth century but came into wide use only at the end of the sixteenth, made the bill transferable and turned

it into a negotiable instrument that circulated among merchants as a means of payment.³ The modern Swiss law of the bill of exchange, contained in Art. 990 to 1099 CO and based on the Geneva uniform law of 1930, still regulates the same instrument. The documentary credit of modern trade finance is its functional descendant.⁴

1 Local credit: notaries, censi and acknowledgements of debt

Below the level of the bill of exchange, credit in the southern valleys rested on notarial instruments. The notary was the central figure of private law in the Italian-speaking territories, and every significant transaction (sale of land, marriage contract, will, loan) was recorded in a notarial deed. The typical credit instruments were the acknowledgement of debt (*confessione di debito*), by which a debtor recognized a sum owed and promised to repay it, often with a pledge or mortgage on land. The second was the *censo* or *livello*, an annuity secured on land that allowed the lender to receive a fixed annual income without violating the canonical prohibition of usury.⁵ Chapter B.III discusses the doctrine and practice of the *censi* in the Catholic economy. For the transit trade, notarial credit financed the purchase of animals by carriers, the stock of innkeepers and shopkeepers, the advance of rents by *dazieri* and the operations of smugglers.

The creditors were merchants, notables, clergy and religious institutions, and increasingly the families of emigrants whose remittances accumulated in the valleys (Chapter A.III). The notarial archives of the Ticino communes, many of them preserved in the State Archives in Bellinzona, show a dense network of small debts that linked the valleys to the market towns and the market towns to Milan.⁶

2 Currency and units of account

The trade of the bailiwicks used a multiplicity of coins. The Milanese lira remained the principal unit of account in the southern bailiwicks throughout the Confederate period, as Chapter A.I explains for the earlier centuries, while the coins in circulation included Milanese, Spanish, French, Venetian, Savoyard and Confederate pieces of gold and silver.⁷ The rates at which the various coins were accepted were fixed by the authorities from time to time, but in practice they followed the market. Money changers, merchants and toll collectors earned a margin from the conversion of coins. The ability to judge the weight, fineness and value of foreign coins was a professional skill of every trader on the route. The

foreign exchange business that Lugano's banks later developed, above all in Italian lire, had its roots in this daily practice.

Historical Function Modern equivalent in Swiss law institution *Sensale* (sworn Brings parties together, Brokerage contract, Art. 412 broker) records terms CO *Commissionario* Buys or sells in own name for Commission contract, Art. 425 principal CO *Spedizioniere* Arranges carriage and pays Forwarding contract, Art. 439 charges CO Carriers' Carry goods, bear risk of loss Contract of carriage, Art. 440 associations CO *Sust (sosta)* Public warehouse, records Warehouse business, Art. 482 deposits CO *Lettera di Payment*, credit and exchange Bill of exchange, Art. 990 CO *cambio*

3 Notes

1. Wikipedia, "Bill of exchange", https://en.wikipedia.org/wiki/Bill_of_exchange (consulted as a last resort): "In Italy in the 13–15th centuries, bills of exchange and promissory notes obtained their main features". HLS, art. "Wechselbrief" (Martin Körner, Jean-François Bergier, version of 08.05.2014), <https://hls-dhs-dss.ch/de/articles/026229/2014-05-08/>: "Ab dem 14. Jh. spielten W.e auch eine Rolle im Verhältnis zwischen den Schweizer Städten, allen voran Basel, mit anderen Geschäftszentren." The general use by the sixteenth century and the bills of Lucerne and Zurich merchants on Milan and Lyon: Raymond de Roover, *L'évolution de la lettre de change, XIVE–XVIIIe siècles* (Paris 1953). ↩
2. José-Gentil da Silva, *Banque et crédit en Italie au XVIIe siècle*, 2 vols (Paris 1969); Treccani, *Enciclopedia Italiana*, art. "Fiere di cambio". The fairs moved from Piacenza to Novi in 1621. ↩
3. HLS, art. "Wechselbrief" (as above): "Der Übertragungsvermerk, der den W. zu einem negoziablen Wechsel machte, tauchte bereits im 15. Jh. in Italien auf, fand aber erst Ende des 16. Jh. Verbreitung." Further literature: De Roover (as above). ↩
4. Convention of 7 June 1930 providing a Uniform Law for Bills of Exchange and Promissory Notes (with annexes and protocol), SR 0.221.554.1, title and date as given at [droit-bilingue.ch](https://www.droit-bilingue.ch), <https://www.droit-bilingue.ch/de-fr/0.2/0.22/0.221.554.1-index.html> ("Convention du 7 juin 1930 portant loi uniforme sur les lettres de change et billets à ordre"). See Chapter G.I on documentary credits. Code of Obligations, SR 220, Art. 990–1099 (bill of exchange). ↩

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5. HLS, art. "Zinsen" (Anne-Marie Dubler, version of 03.02.2015), <https://hls-dhs-dss.ch/de/articles/013923/2015-02-03/>: "Erlaubt waren der Bodenkredit (Grundpfandrecht) mit bodenabhängigen Renten, darunter die in der Schweiz verbreitete Gült"; HLS, art. "Kredit" (Martin Körner, Richard Schwertfeger, version of 10.11.2011), <https://hls-dhs-dss.ch/de/articles/013893/2011-11-10/>, on the Rentenkauf, by which the lender acquired "eine auf dessen Grundbesitz lastende Rente", and on the Church's condemnation of loan interest as usury. The Italian terms are the author's. See Chapter B.III. ↩
6. Archivio di Stato del Cantone Ticino, Bellinzona, notarial collections (fondo notarile). ↩
7. See Chapter A.I. HLS, art. "Lira"; HLS, art. "Münzwesen". ↩

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