

The First Ticinese Banks and the Crash of 1914 — overview and summary

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)

The Canton of Ticino had no bank of its own until the middle of the nineteenth century. When the first one opened its doors in Bellinzona in 1861, it was a joint-stock company with a public name, a note-issuing privilege, a tax exemption and a cantonal government that held a fifth of its shares and sat on its board. Within fifty years the canton counted eight banks with a combined balance sheet of about CHF 145 million.¹ In the first weeks of 1914, three of them collapsed. The two failures that opened the crisis, those of the Credito Ticinese of Locarno and the Banca Cantonale Ticinese of Bellinzona, struck institutions that were each tied to one of the two parties that had fought over the canton since the 1830s. According to the Ticino bankers' association, the savings lost in the canton exceeded CHF 30 million.² From the wreckage the Grand Council created a new institution, the Banca dello Stato del Cantone Ticino, which opened in 1915 with the full guarantee of the State and which, as BancaStato, is still the canton's own bank.

This chapter asks how a poor Alpine canton of emigrants built a banking sector, why that sector failed so badly, and what the failure taught the canton and the Confederation about deposits, supervision and the role of the State. The argument runs in four steps. The first concerns credit before banks: notaries, private lenders, the Church and the emigrants themselves financed the rural economy, while the first savings bank of 1833 was a public utility designed to channel small savings into the cantonal treasury. The second step traces the foundation of commercial banks between 1858 and 1897, each tied to a town, a party or a migrant network, from the Banca della Svizzera Italiana of 1873 to the Banca Svizzera Americana with its agency in San Francisco. The third step analyses the boom and the crash: deposits gathered in Ticino were lent in Italy and invested in hotels, funiculars and local railways. The system broke when a Paris bank that financed the Locarno railways failed and the Credito Ticinese could not

pay. The fourth step follows the consequences into the present, from the State bank of 1915 and the arrival of the big Swiss banks in Lugano after 1908 to today's rules on cantonal banks, deposit insurance and banks considered too big to fail.

The chapter builds on the three that precede it. Chapter C.I describes the political institutions of the canton, the rivalry of radicals and conservatives and the unrest of 1890, which form the background to the party banks treated here. Chapter C.II covers the Risorgimento exiles and the movement of money across the Italian border in the mid-nineteenth century. Chapter C.III tells the story of the Gotthard railway, whose opening in 1882 brought tourists and northern capital to Lugano. Where these subjects matter for the history of banking, they are taken up briefly and cross-referred. The chapter closes with a conclusion of Part C.

1 Conclusion

The first generation of Ticinese banks grew out of a society that already had a great deal of credit but few institutions. Notaries, landowners, parishes and emigrants financed the valleys, while the savings bank of 1833 gathered small deposits for the cantonal treasury. From 1858 the canton tried to give itself a modern banking system: a privileged joint-stock bank with the canton's name, followed after the opening of the Gotthard railway by the BSI in Lugano, two popular banks, a conservative bank in Locarno and a bank of emigrants with an agency in San Francisco. By 1910 eight banks held a combined balance sheet of CHF 145 million in a canton that had counted 138,638 inhabitants at the census of 1900. Their deposits exceeded what the local economy could use, so they lent in Italy and financed hotels, funiculars and railways whose promoters often sat on their own boards.

The system failed in January 1914 for domestic reasons, several months before the war. The Credito Ticinese closed on 10 January, the Banca Cantonale Ticinese stopped payments within days and the Banca Popolare Ticinese succumbed to the run that followed. Three of the seven principal banks, holding half of the sector's balance sheet, disappeared. Savers lost more than CHF 30 million. The causes were thin capital, lending to related parties and party friends, speculative investments, the failure of a Paris bank that financed the Locarno railways and the absence of any supervision or deposit protection. The canton responded with a State-owned and State-guaranteed bank, the Banca dello Stato, whose very name marked the break with the failed "cantonal" bank. The big Swiss banks moved in, and

by 1920 the Union Bank of Switzerland had absorbed the Banca Svizzera Americana.

The modern law of depositor protection answers each of the weaknesses exposed in 1914. Article 3a of the Banking Act allows cantons to guarantee their banks, and Ticino does so without limit. Deposits up to CHF 100,000 are privileged in bankruptcy and insured through esisuisse, while FINMA supervises capital, liquidity and governance. The Credit Suisse crisis of 2023 nevertheless showed that the largest risks still lie beyond the reach of these instruments, and that in a crisis the authorities still meet in emergency session, as they did at the Swiss National Bank in Bern on 20 January 1914.

2 In five sentences

Before 1858 credit in Ticino ran through notaries, private lenders, Church foundations and emigrant remittances, while the first institution, the savings bank of 1833, channelled small savings into the cantonal treasury. Between 1858 and 1897 the canton acquired a privileged but privately owned Banca Cantonale Ticinese, the BSI in Lugano, two popular banks, the conservative Credito Ticinese and the emigrants' Banca Svizzera Americana with its agency in San Francisco. These banks gathered more deposits than the local economy could absorb and lent them in Italy and to hotels, funiculars and local railways promoted by their own notables. In January 1914, months before the war, the Credito Ticinese, the Banca Cantonale Ticinese and the Banca Popolare Ticinese failed with losses to savers of more than CHF 30 million, after which the canton created the State-guaranteed Banca dello Stato in 1915 and the big Swiss banks took over the leading private positions. Today's law, with State guarantees under Article 3a BankA, deposit insurance under Articles 37a–37k BankA and FINMA supervision, answers the weaknesses of 1914, although the Credit Suisse crisis of 2023 showed that the failure of a large bank still requires emergency action.

3 Conclusion of Part C

Part C has followed the Canton of Ticino from its creation to the eve of the First World War. Chapter C.I described the decision of 1798 to be "free and Swiss", the cantons of Lugano and Bellinzona in the Helvetic Republic and the Act of Mediation of 1803, which created the Canton of Ticino. The constitutions of 1803, 1814 and the reform of 1830 gave the new canton its institutions, while Stefano Franscini laid the foundations of statistics and public education. The conflict between radicals and conservatives, with the

unrest of 1839, 1841 and 1890 and repeated federal intervention, shaped political life for a century. The chapter showed that the building of institutions, including a court system, a public administration and a cantonal capital settled in Bellinzona from 1878, was the precondition of any financial centre.

Chapter C.II turned to the Risorgimento. Lugano and Capolago became refuges for Italian exiles, the presses of the Tipografia Elvetica printed the literature of Italian liberalism, and Carlo Cattaneo taught in the cantonal lyceum. Austrian pressure, culminating in the blockade of 1853, showed the costs of asylum for a small canton dependent on Lombardy. The chapter traced the movement of people and money across the border and the role of Ticino as a safe haven, a theme that would return in the twentieth century under very different conditions. Chapter C.III then described the Gotthard railway, from the Gotthardbahn-Gesellschaft of Alfred Escher and the treaties of 1869 and 1871 to the opening of the line in 1882 and its nationalization in 1909. The railway transformed Ticino's economy, brought tourists to Lugano and Locarno and tied the south to the capital markets of Zurich, Basel and Germany.

The present chapter has shown how the canton built its first banks on these political and economic foundations and how that first banking system collapsed in 1914. Together the four chapters describe a canton that acquired in little more than a century the institutions, the infrastructure and the habits of a modern economy, but whose banks remained small, political and exposed. The crash of 1914 closed this period. It left behind a State bank with a public guarantee, a strengthened presence of the national banks and a lasting distrust of local banks tied to party interests.

Part D follows the rise of Lugano to the rank of Switzerland's third financial centre between 1914 and 1990. Chapter D.I begins with the First World War, the rise of Fascism and the first capital flight from Italy under Fascist currency controls, and treats the Banking Act of 1934 with its Article 47 on banking secrecy, as well as the Second World War at the southern border. Chapter D.II describes the lira economy of the post-war decades, the cash couriers known as *spalloni* and the foundation of dozens of banks and fiduciary companies in Lugano and Chiasso. Chapters D.III and D.IV examine the Chiasso scandal of 1977 and the response of Swiss law to money laundering and organized crime in the 1980s. The institutions created between 1914 and 1920, the State bank and the branches of the national banks, were the platform on which this growth took place. The experience of 1914 remained the background against which Ticino's bankers and legislators measured the risks of the boom that followed.

4 Notes

1. Associazione Bancaria Ticinese, "Cenni storici" (as above): "Le otto banche create raggiungono nel 1910 una cifra di bilancio complessiva di 145.1 milioni di franchi". ↩
2. Associazione Bancaria Ticinese, "Cenni storici", <https://www.abti.ch/cenni-storici> ("con una perdita di risparmio del Cantone di oltre 30 milioni di franchi"). The figures for the individual banks are discussed below. ↩

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