

The reaction of the markets and the National Bank

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The news struck a Swiss banking system that had already been unsettled by the Weisscredit failure. Depositors, foreign correspondent banks and the financial press asked whether one of the three big banks could absorb a loss of unknown size. The Swiss National Bank reacted on two levels. Its president, Fritz Leutwiler, announced that the National Bank would make a credit line of CHF 3 billion available to the Kreditanstalt to demonstrate that its liquidity was secure.¹ The bank's management did not need to use the facility. In its annual report for 1977, the National Bank noted that around the middle of the year it had taken account of "the increased liquidity needs of the banks following the disclosure of the events at the Schweizerische Kreditanstalt" and had supplied the money market somewhat more generously.² The SNB's intervention was an early example of what is now called a lender-of-lastresort signal. The announcement of a credit line was meant to stop a run before it started. The sources consulted here report no run on the Kreditanstalt, which, according to the cantonal account, covered the gap from its own reserves.³ The episode reveals a feature of Swiss banking in the 1970s: a big bank could hold reserves large enough to absorb a loss of more than a billion francs arising in a single branch.

1 How large was the loss?

The figures for the Chiasso affair vary widely, and each one answers a different question. The figure of CHF 250 million in the first press release was the bank's preliminary estimate of the exposure, made before the full extent of the guarantees was known. The figure of about CHF 2.2 billion refers to the total of Texon's commitments, which the Kreditanstalt took over when it assumed the establishment's liabilities.⁴ The figure of about CHF 1.2 to 1.4 billion is the net loss that remained after the bank had valued the assets it acquired with Texon. A cantonal history speaks of a gap "of more than one billion two hundred million francs" that the bank had to

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cover from its reserves, and the Historical Dictionary of Switzerland of a loss "of about CHF 1.4 billion".⁵

The Federal Banking Commission explained why the final number could not be known in 1977. The loss suffered by the Kreditanstalt, it wrote, "depends primarily on the value of the Texon assets", in other words on whether the Italian companies taken over with Texon could be restructured or sold.⁶ The bank therefore spent years managing a portfolio of Italian wine producers, tourism developments and industrial firms. The difference between the gross commitments and the net loss reflects the value that this portfolio still had. For comparison, the losses of savers in the Ticino banking crash of 1914 were estimated at more than CHF 30 million, a sum that ruined thousands of households in the canton (Chapter C.IV). The Kreditanstalt absorbed a loss forty times larger without a single depositor losing money.

In figures. The first press release of 14 April 1977 referred to a loss of CHF 250 million.⁷ Texon's commitments are put at CHF 2.2 billion.⁸ The net loss of the Kreditanstalt is given as more than CHF 1.2 billion in a cantonal history and as about CHF 1.4 billion by the HLS.⁹ The National Bank announced a credit line of CHF 3 billion.¹⁰

2 Notes

1. Le Temps, "Grandes affaires économiques suisses (26)" (above): Fritz Leutwiler, president of the SNB, promised a credit line of CHF 3 billion. The English Wikipedia article "Chiasso scandal" states that the bank's management declined the facility. ↩
2. Swiss National Bank, 70. Geschäftsbericht 1977, 11–12, https://www.snb.ch/public/asset/de/www-snb-ch/publications/communication/annual-report/annrep_1977_komplett/publications0/annrep_1977_komplett.de.pdf: "Gegen Mitte Jahr trug die Nationalbank allerdings den im Anschluss an das Bekanntwerden der Vorgänge bei der Schweizerischen Kreditanstalt angestiegenen Liquiditätsbedürfnissen der Banken Rechnung und versorgte den Markt etwas grosszügiger." ↩
3. Ente Ticinese per il Turismo, "Lo 'scandalo' di Chiasso" (above): the Credito Svizzero "deve coprire con le proprie riserve" the gap. Neither this account nor Le Temps or SWI swissinfo.ch (above) mentions a run on the bank. ↩

4. EBK, Jahresbericht 1977 (above), 25: the Kreditanstalt's management took over Texon's debts directly; Le Temps (above) for the figure of CHF 2.2 billion. ↩
5. Ente Ticinese per il Turismo, "Lo 'scandalo' di Chiasso" (above) ("una voragine di oltre un miliardo e duecento milioni di franchi"); Baumann, "Schweizerische Kreditanstalt (SKA)", HLS (above) ("ca. 1,4 Mrd. Fr."). ↩
6. EBK, Jahresbericht 1977 (above), 25–26: "Der von der SKA aus der Angelegenheit Texon erlittene Verlust hängt in erster Linie vom Wert der Texon-Aktiven ab." ↩
7. Ente Ticinese per il Turismo, "Lo 'scandalo' di Chiasso" (above). ↩
8. Le Temps (above); SWI swissinfo.ch (above) ("more than 2 billion francs"). ↩
9. Ente Ticinese per il Turismo (above); Baumann, HLS (above). ↩
10. Le Temps (above). ↩

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