

What the measures did to Lugano

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

The federal measures were designed against speculative money that sought to profit from an appreciation of the franc. Flight capital from Italy behaved differently. An Italian who had carried lire across the border to escape the tax office or a possible Communist government did not expect interest. He expected safety and discretion and was willing to pay for them. A commission on new deposits reduced the return. It did not change the decision to keep the money in Switzerland. The banks of Lugano adapted by moving client money out of franc deposits and into instruments that the measures did not reach: fiduciary deposits placed abroad in the bank's name, foreign currency accounts, gold, foreign securities and Eurobonds.¹ The result was a shift in the structure of the business. Increasingly, Lugano became the place where Italian money was managed, while the assets were booked elsewhere and the advice, the client relationship and the fees remained in Ticino. This shift prepared the later development of Lugano into a centre of private banking and asset management (Chapter E.I).

Common misconception. The Swiss negative interest rates of 2014 to 2022 are often described as unprecedented. Switzerland had used negative charges on foreign deposits before, in 1972 and in 1978, together with bans on interest payments to foreigners, restrictions on investments in Swiss securities and land, and a limit on the import of foreign banknotes. The earlier measures were selective. They applied to foreign money only and were aimed at keeping hot money out of the franc, while domestic savers continued to receive interest.

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1 Notes

1. On the shift into fiduciary deposits as a response to the measures against foreign funds see Swiss National Bank, *The Swiss National Bank 1907–2007* (as above), and Chopard (as above). ↩

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