

The Banque protestante: Huguenots, the Refuge and eighteenth-century capital

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Banking in Geneva was founded by refugees and their descendants. Read the family names of the oldest houses and you read the history of European Protestantism: expulsion, settlement, correspondence network, capital. This article follows that sequence and shows how each step produced a competence the centre still sells.

1 Two waves of migration

The first wave came after 1550 from France and from Italy. Lucchese families — Burlamaqui, Diodati, Micheli, Calandrini — entered the Geneva patriciate. Between 1549 and 1587 the city received some 8,000 refugees, of whom around 3,000 stayed, against a population of about 13,150 in 1550.

The second wave followed the revocation of the Edict of Nantes in 1685. Of roughly 800,000 Protestants in the French kingdom, about 200,000 left. The Edict of Fontainebleau forbade emigration and threatened the galleys for men and imprisonment and the confiscation of property for women; those who went, went clandestinely, frequently with smugglers, and left land behind. The British Isles and the Dutch provinces formed what contemporaries called the great ark of the Refuge; the Swiss cantons took those from the south of France; others reached Hesse-Cassel, Hesse-Homburg, Lippe, the Palatinate, Scandinavia, the North American colonies, Surinam, the Cape and Russia.

That dispersal is the key to what followed. It created a network of relatives and co-religionists in the principal trading cities of Europe who trusted one another because they shared the same experience and the same risk.

2 Why a refugee network becomes a bank

A correspondence network is a bank in waiting. Four functions follow almost automatically from having trusted relatives in several cities.

- **Payments.** Obligations in opposite directions can be set off; only the balance moves, and it moves as a bill of exchange, leaving the coin where it lies.
- **Credit.** A bill drawn on a correspondent is credit for the period until maturity, priced in the exchange rate.
- **Information.** News of a harvest, a war, a default or a change of ruler reaches a family network before it reaches the market.
- **Placement.** Capital can be directed to whichever centre offers the best terms, because someone trustworthy is already there to receive it.

The Geneva houses of the eighteenth century did all four. Families such as Rilliet, Lullin and Pictet were established in Paris and London, others in Genoa, Amsterdam and Lyon.

3 Where the capital came from

It came from the *Fabrique* — watchmaking and goldsmithing — and from trade. The reformed order had banned conspicuous jewellery, which pushed the city's goldsmiths towards an object regarded as useful, the watch; immigrant craftsmen brought the skill. The Fabrique was organised as a network in which an *établisser* coordinated dozens of specialised workshops and carried the sales risk, which produced both volume and a class of entrepreneurs familiar with costing, pre-financing and distant markets.

Geneva is small and offered little scope for investment in land. The profits therefore went abroad. The City of Geneva puts it this way in its own account of its history: in the seventeenth century the city became one of the greatest European centres of wealth accumulation and helped finance, among others, the Dutch East India Company and the Bank of England; the returns from watchmaking and goldsmithing then fed, in the eighteenth century, a banking activity that made Geneva one of the first financial centres of the continent.

4 Where the capital went

Into government debt, principally. Rentes on the Hôtel de Ville de Paris, royal loans, English funds, Dutch issues. Three reasons drove the preference. Yields on French borrowing were attractive because the crown

met its needs by borrowing, leaving taxation aside. The alternatives were poor: the Fabrique carried commercial and regulatory risk, and the territory offered no land. And the family networks gave access to the placing syndicates in Paris, London and Amsterdam.

The best-known construction of this period, the pooling of French life annuities written on selected young lives and sold in tradable shares, is treated separately on this site. Its significance here is what it shows about the milieu: a group of bankers able to spot a pricing error in a sovereign's borrowing programme, to build a legal and actuarial structure around it, to monitor the lives on which it depended, and to distribute the product to investors across the city.

5 The private client business before it had a name

The Refuge created a second line of work that is now the centre's main one. A refugee established in Geneva might own land in Languedoc, claims in Lyon, a share in a merchant house in Amsterdam and relatives in London or Berlin. Transmitting that estate raised questions of succession law, of the validity of wills, of matrimonial property and of the recognition of foreign instruments. Confiscation of the property of those who had fled added a further difficulty.

Geneva notaries, lawyers and bankers developed an early competence in exactly this: powers of attorney permitting action at a distance, sales and collections through correspondents, advice on residence and on the drafting of wills, and knowledge of the rules and administrative habits of several countries. Cross-border estate planning, in other words, was a Geneva speciality two centuries before the term existed.

6 The houses that remain

From this milieu come the names that still mark the square: Lombard Odier, tracing its origin to 1796; Pictet, to 1805; Mirabaud, to 1819. For two centuries they were partnerships in which the partners were liable without limit with their private wealth. On 1 January 2014 Lombard Odier and Pictet converted into corporations — a break that weighs more heavily in the history of the centre than many a statute.

The Association of Swiss Private Banks now counts seven members: Bordier & Cie, E. Gutzwiller & Cie, Banque Lombard Odier & Cie SA, Mirabaud & Cie SA, the Pictet group, Rahn+Bodmer Co. and Reichmuth & Co.

7 What survived into the present

Preservation over growth. A family that has carried wealth through an expulsion measures success in generations. The Geneva mandate still reflects that: capital preservation, diversification across jurisdictions, and a tolerance for lower returns in exchange for lower ruin risk.

Discretion as a survival condition. For a Huguenot family with property in a kingdom that had confiscated the property of fugitives, silence was not a marketing proposition. It became one later, and the twentieth-century disputes over banking secrecy are a late chapter of that older story.

Internationality by necessity. Geneva houses never depended on a domestic market because they had none. That is why they were early in London, Paris and Amsterdam, and it is why the modern successors were early in Asia and the Middle East.

The reverse side belongs to the same history. Capital moved across borders also escapes authorities, and the line between protecting a client and concealing assets has been thin from the beginning. The regulatory history of the twentieth and twenty-first centuries — the end of tax secrecy, the anti-money laundering regime, the asset-recovery statutes — is the working out of that ambiguity.

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