

Legacy: what the years 1907 to 1936 left in Zurich

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

The first three decades of the Swiss National Bank left a legacy that can still be traced in the law, the institutions and the habits of the Zurich financial centre. Four elements stand out.

The first is the institutional form of the central bank itself. The special-statute joint-stock company created in 1905, with cantonal and private shareholders, a capped dividend and a profit distribution in favour of the cantons, has survived every revision of the National Bank Act. The Historical Dictionary notes that the revision of 2003 reduced the number of the bank's governing bodies from seven to four, but the basic structure remained.¹ The independence of the national bank, which the Federal Constitution of 1999 now guarantees expressly, has its roots in the construction of 1905. A bank owned by shareholders, with a Governing Board sitting in Zurich among the commercial banks and at a physical distance from the Federal Council in Bern, had from the outset a degree of autonomy that a state bank in the capital would not have had. The experience of the First World War, when the bank had to finance the federal deficit and inflation followed, taught the bank and the political class the value of that autonomy. The experience of 1936, when the Federal Council imposed a devaluation against the wishes of the bank, taught them that monetary autonomy has limits when the government holds the power to change the parity by decree. Both lessons shaped the modern constitutional article, which obliges the national bank to pursue a monetary policy in the overall interest of the country as an independent central bank.²

The second element is the tradition of the hard currency. The return to the pre-war parity in the 1920s, which only a handful of countries achieved, and the long defence of the gold parity in the 1930s created a reputation that has outlasted the gold standard itself. The franc has since become one of the classic safe-haven currencies of the world, sought after in every

Legacy: what the years 1907 to 1936 left in Zurich

international crisis. The national bank has had to deal repeatedly with the consequences of that reputation, from the negative interest rates and capital controls of the 1970s, treated in chapter F.IV, to the minimum exchange rate of 2011 to 2015 and the negative policy rate that followed. The dilemma between a strong currency and domestic employment that dominated the deflation years of the 1930s has never disappeared. It returns whenever foreign capital seeks refuge in Switzerland and the franc appreciates beyond what the export industry can bear.

The third element is the role of Zurich as the operational centre of Swiss money. The divided seat of 1905 gave Bern the legal and administrative seat, while Zurich received the Governing Board and, from 1922, the building from which the bank's monetary operations are directed. Over the decades the weight of the bank's activity has shifted steadily towards Zurich, where its money market, foreign exchange and asset management operations are located. When the Swiss National Bank announces a change in its monetary policy, the decision is taken and communicated in Zurich, with the market reaction felt first on the trading floors of the banks within walking distance of Börsenstrasse. In this sense, the compromise of 1905 anticipated a division of labour between political capital and financial capital that corresponds to the actual structure of the country.

The fourth element is the pattern of crisis management that emerged from the interwar crisis. The Swiss banks learned in 1931 how dangerous it was to fund long-term or illiquid foreign lending with short-term foreign deposits, and how quickly a financial centre built on confidence could lose it. The Confederation learned that it could not stand aside when a large bank failed. Its rescue of the Volksbank in 1933 became the prototype of later interventions. The legislative response, the Banking Act of 1934 with its supervisory authority and its criminal protection of banking secrecy, shaped the Swiss financial centre for the rest of the century. Chapter F.II will show how that statute, adopted in the immediate aftermath of the crisis described in this chapter, combined prudential supervision with a legal guarantee of confidentiality that became both a business model and a national symbol.

For the practitioner, the interwar years also offer a lesson in humility. The Swiss banks of the 1920s were well capitalised by the standards of their time, managed by experienced bankers and supervised by nobody. Their business model, which combined the collection of foreign deposits with lending to a neighbouring country at attractive margins, seemed prudent until the moment it collapsed. Anyone who advises banks, asset managers or their clients in Zurich today on concentration risk, liquidity mismatches

or exposure to a single foreign jurisdiction is dealing with a problem that the directors of the Basler Handelsbank, the Eidgenössische Bank and the Volksbank would have recognised immediately.

1 Notes

1. Tanner, “Schweizerische Nationalbank (SNB)” (HLS), <https://hls-dhs-dss.ch/de/articles/013747/2015-06-29/>, on the revision of 2003. ↩
2. Art. 99 para. 2 of the Federal Constitution of 18 April 1999 (SR 101), English text at <https://www.droit-bilingue.ch/en-de/1/10/101-99-117.html>: “The Swiss National Bank, as an independent central bank, shall pursue a monetary policy that serves the overall interests of the country; it shall be administered with the cooperation and under the supervision of the Confederation.” Art. 3 of the National Bank Act of 3 October 2003 (SR 951.11), <https://www.droit-bilingue.ch/en-de/9/95/951.11-3-6.html>, provides that the SNB has its head offices in Berne and Zurich. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/zurich-legacy-what-the-years-1907-to-1936-left-in-zurich