

Leu & Co. (1755) and the state as investor — overview and summary

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

On 15 April 1755 a small committee of Zurich magistrates began to receive money in a single room of the town hall on the Limmat. The body was formally a commission of the city-state, the *Zinskommission*, charged with placing capital at interest. To the outside world it traded under a name borrowed from its president, the treasurer Johann Jacob Leu: *Leu et Compagnie*. Out of this modest arrangement grew the institution that Swiss banking historiography regards as the oldest bank in the country, which survived revolution, occupation, two world wars and repeated restructurings before it was absorbed into Credit Suisse in 2012.¹ The foundation date of 15 April 1755 is given both in the biographical literature on Leu and in the local historical tradition of Zurich's banking houses.²

The institution matters for the history of the Zurich financial centre for a reason that goes beyond its age. Leu & Co. was created by a government that had too much money. The Zurich authorities of the mid-eighteenth century faced the problem that modern finance ministries in Oslo, Singapore or Abu Dhabi know well: how to invest public surpluses and accumulated private savings prudently, profitably and without compromising the independence of a small state. Their answer was an intermediary under public direction that pooled funds, diversified them across the sovereign and quasi-sovereign borrowers of Europe and distributed the interest to depositors at home. In that sense the *Zinskommission* is an early Swiss example of the state acting as an investor. It stands at the beginning of a line that leads, through the cantonal banks of the nineteenth century, to the public asset managers of today.

The chapter follows that line. It begins with the public finances of the Zurich ancien régime and the problem of surplus capital, turns to Johann Jacob Leu and the founding of the commission, and then examines its organisation, its governance and its portfolio of foreign loans. A section is

devoted to the darker side of that portfolio, which recent research has brought to light, while a further section compares Zurich's approach with those of Bern, Geneva and other Swiss republics. The revolutionary break of 1798, which forced the conversion of the commission into a private house, is treated here only as far as Leu is concerned, since the wider events belong to Chapter C.III. The chapter then follows the bank through its nineteenth- and twentieth-century history to its disappearance. It closes by asking what the model of 1755 means for the public investors of the present, from the Zürcher Kantonalbank, which is treated in Part D, to the Swiss National Bank and the social insurance funds.

1 Notes

1. Historisches Lexikon der Schweiz (HLS), Jan-Henning Baumann, "Bank Leu", version of 3 November 2022, <https://hls-dhs-dss.ch/de/articles/041661/>. The article describes Leu as a bank founded in Zurich in 1755 that was originally state-owned, and traces its path to the Clariden Leu merger of 2007 and the integration into Credit Suisse in 2012. ↩
2. Hans Rudolf Schmid, "Leu, Johann Jakob", in *Neue Deutsche Biographie* 14 (1985), pp. 363–365, online at *Deutsche Biographie*, <https://www.deutsche-biographie.de/gnd12889010X.html>; see also the local register "Namen alter und ehemaliger Bankhäuser in der Stadt Zürich", Gebrüder Dürst, https://www.gebrueder-duerst.ch/turicum/adressbuch/bank/ehemalige_banken.html, which places the opening in the Zinskommmissionsstube of the town hall. ↩

2 Conclusion

The *Zinskommision* founded in Zurich in 1755 under the presidency of the treasurer Johann Jacob Leu was the product of a republic that had more capital than it could employ at home. The Zurich state had accumulated a treasure since 1670, invested it in part with south German religious houses and, from 1727, in shares of the South Sea Company. By the eighteenth century it drew its principal revenue from interest. Private savings, the funds of guilds and foundations and the accumulated wealth of the merchant families sought returns that the saturated domestic market no longer provided. Leu and Hans Conrad Heidegger answered with a public commission that pooled these funds under the name *Leu et Compagnie*, supplied it with 50,000 gulden of public capital, placed it under the management of councillors and invested it abroad.

The commission's portfolio covered the sovereign and quasi-sovereign borrowers of Europe: English annuities, French obligations, the Vienna *Stadtbank*, the Empress Maria Theresa, Saxon bearer bonds, Danish royal obligations and bank shares, and the princes, cities and abbeys of southern Germany. It grew from 183,000 gulden in 1758 to some 2.7 million gulden in 1797. Part of the Danish and Dutch business, as research since 2007 has shown, financed the colonial plantation economy of the Caribbean and thus the Atlantic system of slavery. Compared with Bern, whose state treasure was many times larger and was lost to France in 1798, and with Geneva, whose private bankers speculated heavily in French life annuities, Zurich's commission was modest, diversified and conservative.

The revolution of 1798 destroyed the old state and its treasure, but the commission survived by converting itself into a private house owned by its depositors, who met in their first general assembly on 25 July 1798. Once the rule that had confined it to foreign investment was abandoned, Leu became the leading mortgage bank of the canton in the first half of the nineteenth century. It became a joint-stock company in 1854, lost its link to the state when the canton founded the Zürcher Kantonalbank in 1870, and developed into a universal bank that joined the ranks of the major Swiss banks in 1908. After the crises of the interwar years and the growth of the post-war decades it was acquired by CS Holding in 1990, merged into Clariden Leu in 2007 and integrated into Credit Suisse in 2012.

The significance of Leu for the Zurich financial centre lies in the model it embodied, whatever the modest size of the institution. It was the first Zurich institution in which the state acted as an investor on behalf of its citizens. In the conditions of the eighteenth century it posed the questions of governance, separation of assets, diversification, concentration and ethical provenance that the Zürcher Kantonalbank, the Swiss National Bank, Compenswiss and the sovereign funds of today must still answer. The Zurich tradition of cautious, diversified and publicly supervised investment of surplus capital begins in a single room of the town hall on the Limmat.

3 In five sentences

1. The Zurich *Zinskommission*, which traded as *Leu et Compagnie* from 15 April 1755, was created by the councils of a city republic whose public treasure and private savings exceeded what the domestic economy could absorb.
2. Under the presidency of the treasurer and lexicographer Johann Jacob Leu and the management of Hans Conrad Heidegger, it pooled public and

private funds behind 50,000 gulden of public capital and invested them abroad in English annuities, French and Austrian paper, Saxon and Danish obligations and loans to German princes and abbeys.

3. Part of its Danish and Dutch business financed the Caribbean plantation economy, a dimension that entered the public record only with the reports of 2007 and 2020 and the transfer of the archive to the Staatsarchiv in 2011.

4. In 1798 the commission escaped the fate of the Zurich and Bernese state treasures by converting itself into a private bank owned by its depositors, after which it became the canton's leading mortgage lender, a joint-stock company from 1854 and one of the major Swiss banks until its absorption by Credit Suisse between 1990 and 2012.

5. Its model of the state as investor, with public capital, public supervision, pooling and international diversification, runs through the Zürcher Kantonalbank of 1870 to the Swiss National Bank, compenswiss and the sovereign funds of today, which answer with law and disclosure the questions that the councillors of 1755 answered with trust.

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