

The Zurich stock exchange and the creation of SOFFEX

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The Zurich stock exchange, whose nineteenth-century origins are described in Part D, grew with the rest of the financial centre after the war and remained the largest of the Swiss exchanges. Its method of trading, however, remained essentially unchanged for more than a century. Traders met at the ring, communicated by voice and hand signals, and dealt in a morning session from half past nine until about noon.¹ Trading was dominated by the big banks, which also acted as issuers, underwriters and custodians. In a system in which the same institutions controlled the primary market, the secondary market and the custody of most client portfolios, a good deal of trading took place within the banks themselves and never reached the ring.

The modernisation of the Swiss market began in the late 1980s. Its most important early step was the creation of the Swiss Options and Financial Futures Exchange, SOFFEX. Founded in 1988, SOFFEX is generally described as the world's first fully electronic exchange. It dispensed with a trading floor altogether and integrated trading and clearing in a single system. SOFFEX licensed its trading system to the German Deutsche Terminbörse, which launched in 1990. In 1998 the two exchanges merged to form Eurex, which its founders described as the world's first transnational derivatives market.² Back in the year of SOFFEX's foundation, the Swiss Market Index, created on 30 June 1988 with a base value of 1,500 points, provided the underlying for index derivatives. Options on the index began trading on SOFFEX on 7 December 1988, with futures following on 9 November 1990.³

The electronic model of SOFFEX soon reached the stock exchange itself. On 17 May 1995 the exchanges of Basel, Geneva and Zurich were merged into the Swiss Exchange, SWX, based in Zurich.⁴ Electronic trading began for foreign shares on 8 December 1995 and for Swiss equities on 2 August

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1996. On 15 August 1996 the traders rang the bell for the last time in the Zurich ring, which had moved only in 1991 into the new exchange building on the Selnaustrasse. Electronic bond trading began the following day.⁵ The Swiss Finance Museum describes the shift as a paradigm change that removed the need for physical presence at the ring, made trading from anywhere possible and led to a massive increase in turnover and liquidity.⁶

In the context of this chapter, SOFFEX represents the end of the post-war model of the Zurich financial centre. That model rested on the placing power and custodial role of the big banks, on informal agreements with the central bank and on a domestic market largely sheltered from competition. SOFFEX and the electronic exchange belonged to a different world, in which technology, open access and cross-border competition mattered more than relationships. The later history of SIX, of the Swiss market infrastructure and of the Swiss derivatives market belongs to Part G and to the chapters on today's financial centre.

1 Notes

1. Swiss Finance Museum (Schweizer Finanzmuseum), “The history of trading”, guided tour description, <https://www.finanzmuseum.ch/en/home/visit/guided-tours/history-of-trading.html>. ↩
2. MarketsWiki, “SOFFEX”, <https://www.marketswiki.com/wiki/SOFFEX>. ↩
3. SIX Group, “30 years at a glance”, SMI anniversary timeline, <https://www.six-group.com/en/site/smi-30years/time-journey.html>. ↩
4. SIX Group, “30 years at a glance”, <https://www.six-group.com/en/site/smi-30years/time-journey.html>. ↩
5. Verein ehemaliger Zürcher Ringhändler (VeZR), “Die Börse”, <https://vezr.ch/DIE-BOERSE/>. ↩
6. Swiss Finance Museum, “The history of trading”, <https://www.finanzmuseum.ch/en/home/visit/guided-tours/history-of-trading.html>. ↩

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