

## **La place financière et les banques suisses à l'époque du national-socialisme.**

### **Les relations des grandes banques avec l'Allemagne (1931–1946)**

*The Swiss Financial Center and Swiss Banks during the Nazi Period. The Major Swiss Banks and Germany (1931–1946)*

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#### **Summary**

The focus of this study is the Swiss financial center. First and foremost, it examines the dealings of the major Swiss banks with Germany throughout the years 1931 to 1946. Six topics are analyzed: 1. The structures and the evolution of the Swiss financial center; 2. The off-balance-sheet activities of the major banks and the profits earned during the war; 3. The loans granted to Germany by the major Swiss banks and the negotiations conducted on debt-recovery and interest payments after the financial crisis of 1931; 4. The business deals entered into by the major banks with German banking institutions; 5. Anti-Semitism and the attitude of Swiss banks towards the anti-Semitic measures deployed in Germany; 6. The relations between the Swiss banks and the Allies.

The first chapter outlines the structural and economic factors which contributed to the soar of the Swiss financial center: Switzerland's emergence as a financial hub during the First World War; the stability of the Swiss franc; banking secrecy; political stability; social harmony, liberalism, and neutrality. With the presentation of hitherto unpublished figures, this part underscores the significance of Swiss banks' off-balance-sheet activities (security deposits or asset management). Similarly, figures are unveiled for the first time with respect to net profits earned by Credit Suisse (CS) and the Swiss Bank Corporation (SBC) during the 1930s and during the war years.

The second chapter highlights the 1931 German financial crisis and the international agreements stemming from it. In the face of this financial crisis, Germany's international creditors agreed not to withdraw their short-term loans so as to avoid a total collapse of the German economic system. Its international creditors signed accords called standstill agreements or German credit accords in which they committed themselves not to withdraw their loans from Germany before a six-month lapse of time. In exchange, Germany guaranteed, among other things, to keep up interest payments on the frozen capital. This agreement was renegotiated annually by all of its creditors up until 1939, whereupon its renewal was negotiated only by a handful of states (the US, Belgium, the Netherlands, and Switzerland), and then until 1941 when Switzerland alone remained party to the agreement.

The investments which Swiss banks made in Germany almost exclusively consisted of short-term credits that were covered by the standstill agreements and thus benefited from the payment of interest in foreign exchange currency. In contrast, other financial creditors (notably those who held German securities) did not benefit from the same facilities for the transfer of earnings on their investments, due to Germany's 1933 proclamation of a general moratorium on financial transfers applicable with respect to all medium and long-term debts. In Switzerland, this situation gave rise to tensions between banks and other financial creditors, including the industrial sector desirous of obtaining foreign exchange from Germany in

payment for its deliveries of goods. But for a few exceptions, from 1934, all such payments were regulated by clearing agreements.

The third chapter focuses upon the strategy conceived by the seven major Swiss banks to deal with the 1931 freeze placed upon their assets in Germany. From July 1931 on, the Swiss banks were forced to confront two major problems: the freeze on their credit investments in Germany and the Swiss economic crisis. Since they were unable to continue allowing large sums to be blocked in Germany – they were in need of liquidity at home – they set out to negotiate various solutions within the framework of the standstill agreements in order to recover their German loans. The major solution was the creation of the blocked marks (*Sperrmark*), that is to say, a category of devalued Reichsmarks which generated losses whenever they were converted into foreign exchange. Several banks encountered difficulties stemming from the Swiss economic crisis, their lack of liquidity, and the losses due to calling in the loans extended to Germany. After merging with the Union Financière, the Comptoir d'Escompte de Genève renamed itself the Banque d'Escompte Suisse, only to be liquidated in 1934. On two occasions, the Union Bank of Switzerland (UBS) reduced the size of its capital reserves. The Banque Populaire Suisse received the sum of 100 million from the state (a quarter of Federal spending) and still later had to be bailed out a second time. The Federal Bank (*Eidgenössische Bank*) and the Basel Commercial Bank (*Basler Handelsbank*) were kept going thanks to the assistance of the Federal Loan Institution before being absorbed by the Union Bank of Switzerland and the Swiss Bank Corporation in 1945. The Bank Leu & Co. was rescued by the SBC. Never before has a study compiled statistics on the investments made in Germany by the various banks. The CS and the SBC illustrate two banks which were able to successfully cope with having their assets frozen in Germany since they had accumulated internal reserves permitting them to absorb their losses and since they had sufficiently diversified their activities. Thanks to having taken over the Federal Bank, the UBS triumphed in raising itself up to the level of the two largest banks so that at the end of the war, the Swiss banking scene was dominated by this trio.

The fourth chapter delves into the dealings which Swiss banks conducted with the Third Reich. The nature of business pursued by the Swiss banks with Nazi Germany consisted of short-term operations such as the purchase of gold along with that of securities and banknotes, the opening of letters of credit, the financing of arms exports, and camouflaged financial transfers. For certain banks like the Basel Commercial Bank and the Bank Leu & Co., these operations were vital and ensured their temporary survival. For other banks like the SBC, the CS, and the UBS, such operations facilitated the liberation of supplementary earnings. From the moment that their loans in Germany were frozen in 1931, the policy of the banks called for no new credits to be granted beyond the Rhine. Despite this policy, they did grant loans to large German companies like I.G. Farben in hopes of retaining them as clients in the post-war period.

Chapters three and five examine the attitude Swiss bankers manifested towards the Nazi seizure of power, towards the anti-Semitic measures adopted, and towards Nazi-perpetrated violence. Some of the bankers considered Hitler's arrival to power as a bulwark against communism and as a reassuring sign of stability. Later on, the bankers felt an increasing sentiment of distrust towards the Nazis because of their economic policy. These reactions need to be compared with those elicited in other situations: the SBC was one of the first foreign banks to extend credit to the government of Franco; however, after the Popular Front took over power in France, Swiss banks reduced the amount of credit granted to the country.

Several bank directors were infused with a latent anti-Jewish sentiment which, in certain cases, turned into anti-Semitism. In certain banks – the CS and the SBC, among others – deep reluctance was voiced at the prospect of working with Jewish financiers. The UBS hired a Nazi party member to represent its interests in Germany. Certain members of the SCB used Nazi expressions like «Aryan» and «non-Aryan» in reference to their Swiss clientele.

The Swiss banks ran up against the «Aryanization» of Jewish companies to which they had extended loans. In such circumstances, the stance they adopted was to work together with all concerned in order to save the loan deal; however, they themselves did not actively seek out Aryanization business operations. Such operations were considered as being too sensitive for their international reputation, and such transactions ran the risk of subsequently being called into question. In some cases, the banks helped the Jews to transfer their assets to Switzerland and place them beyond the Nazis' reach.

The sixth chapter portrays the relations of the Swiss banks with the Allies. Several cases point out the role played by Swiss banks in dissimulating German interests in the United States: camouflage transactions for the Reichsbank; asset management for German clients in the US; and the creation of front companies to conceal German influence in American and British companies. 1941 marked a crucial turning point for Swiss banks: the freezing of Swiss assets in the United States (June 1941); inquests into the banks' activities; pressuring them into putting a halt to certain transactions for the benefit of Germany. The banks' resistance was based on two arguments i.e., neutrality and banking secrecy, and can be illustrated by the actions that the bankers undertook in the context of the freezing of German assets in Switzerland and their subsequent liquidation. So as to avoid the creation of a precedent, the Swiss bankers wanted their German clients to receive an indemnity. This symbolized an important message addressed to capital holders throughout the world: in the worst of situations, Switzerland guaranteed that the conditions it provided were more secure than those in other countries.

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