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## Swiss Currency

### 210 years ago the Franc becomes the official Swiss Currency

Whenever conversation turns to the Swiss franc, Money historian Thomas Lutz goes into raptures. "There are individual coins which have been minted since 1870 and are still valid. That is unique in the world," explains the head of the historic collection of a Cologne bank. In addition, "the old man" of currencies is now in circulation in a four-fold version: as "Franken" in German-speaking Switzerland, as the French "franc Suisse", Italian "franco svizzero" and in the Rhaeto-Romanic region of Graubünden as "franc svizzer." In fact, no other nation is as proud of its currency which has been prized worldwide for now 210 years through wars and times of crisis as a stable payment method.

Curiously, it wasn't the Swiss themselves who introduced the franc as the national currency for the Confederation. Since the Middle Ages, there have been countless different coins in circulation. Every feudal lord of the historic federally distinctive cantons is free to mint his own money. So there are as many currencies as towns and cantons, bishoprics and abbeys, counts and barons. Add to that, foreign coins stream regularly into Helvetia brought in by Swiss mercenaries who, in the service of foreign generals, bring their pay back home. However, although this "big mess", as Thomas Lutz describes the situation, with the crossing of all borders through business and social life enormously complicating things, it is the revolution in neighbouring France that first puts an end to the many currencies.

In the year 1798, Napoleon's revolutionary troops march into Switzerland. The new rulers transform the mesh of cantons into the Helvetica Republic and with it – completely following the French model – change it into a central state with a single national currency. So on 19th March 1799 the 'franc' is declared the official currency of Switzerland. However - only for four short years. For with the overthrow of Napoleon, in 1803 the franc also disappears.

The Helvetic Republic declares itself again as a federal confederacy wherein the reform of coinage legislation lies with the individual cantons. In fact, the good experiences of the standardized currency ultimately prevail.

Under expanding economic pressure, gradually all the cantons forgo the pre-

revolutionary money muddle and follow the example of the city of Geneva, which in 1838 consents to the French currency system. Ten years later, in the revolutionary year of 1848, the coining prerogative passes once and for all to the central administration in Bern. Since then, the franc rules supreme in the banking paradise of Switzerland and remains thus into the age of the Euro without a single currency reform.

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### Did you know... 1 in 10 Swiss Banks disappeared in 2015

The much vaunted Swiss private banking sector lost 10% of its institutions in 2015 as it continued to groan under the weight of rising cost, the high franc and increasing regulations.

A survey by KPMG and the University of St Gallen maintains its prediction of 2014, that around one third of Swiss-based private banks will disappear as the industry realigns itself to a harsh new climate. The global crackdown on tax evasion and money laundering has also played a large hand in the industry's declining fortunes.

Banks have also struggled to cope with a sharp fall in income from risk-adverse clients and a low interest rate environment. They have been forced to find new ways of making money from clients who no longer pay, simply to hide behind the now-defunct shield of Swiss banking secrecy laws.

Established names like Bank La Roche (founded 1787) and Hottinger (which traces its roots back to 1786) vanished last year. However, the procession was led mainly by foreign-owned private banking branches, such as Coutts. Several other players have joined the list this year, led by the acquisition of BSI Bank by EFG.

#### Two tier performance

The fortunes of private banks have been sharply divided since the 2008 financial crash, according to the study. The largest players, plus small niche boutiques, have ridden the storm better than medium to small sized players.

The biggest of the banks surveyed have had enough financial clout to beef up compliance teams and upgrade IT systems. This, combined with a physical global presence, allows them to tap into the growing markets of Asia and Latin America. Switzerland's two largest,

UBS and Credit Suisse, were not included in the survey.

"The gap between the strongest and the weakest banks continues to widen," said the KPMG/University of St Gallen survey of 87 Swiss banks. "Rather than the strong players pulling ahead, however, it is the weak performers who are in continuing decline."

Some 55% of the banks surveyed were classified as either outright weak performers or as those that have functioned relatively well since 2010, but saw performance slide last year. Only 18% stood in the category of strong performers.

Revenues fell for 68% of banks last year, reducing margins. The report says that not enough banks are taking appropriate measures to halt their decline in performance.

#### Shrinking assets

The findings were broadly backed up by a separate private banking study released by consultancy firm, Roland Berger. This study looked at 55 Swiss and Liechtenstein banks, including UBS and Credit Suisse, with combined assets under management of CHF4.9 trillion (\$5.7 trillion).

However, that impressive figure hides a myriad of problems for many of these banks, the report states. Last year (2015) saw a marked drop in net new money, to CHF88 billion, down from CHF109 billion in 2014. This indicates that wealthy people are less inclined to deposit their assets at private banks.

Three quarters of the surveyed banks have seen a fall in either revenue, which are fees derived from managing assets, or in gross margins, which are also called profit – or both.

Eighty Swiss private banks have disappeared in the last decade according to the report.

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