

Bank and History

Historical Review

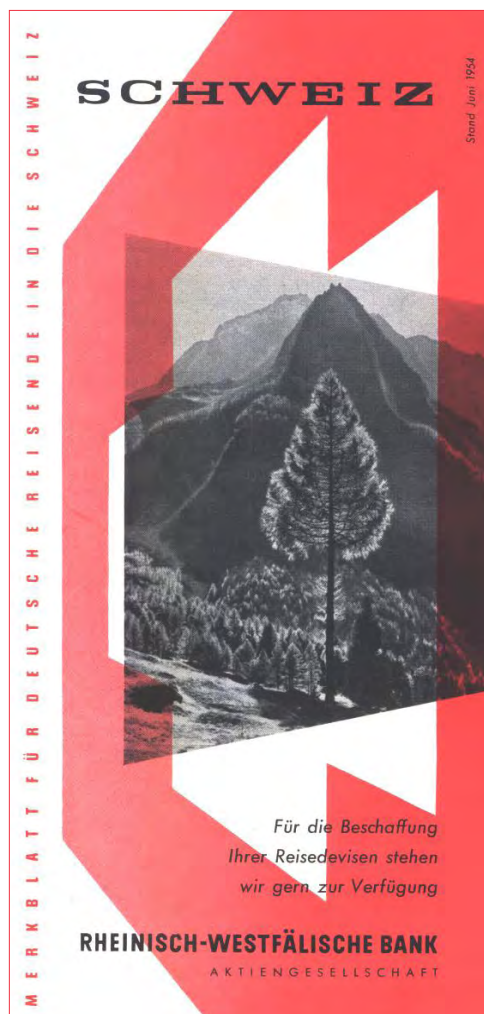
Historical Association
of Deutsche Bank



No. 43

December 2020

Deutsche Bank and Switzerland



Deutsche Bank (Suisse) S.A. was founded in Geneva on 4 December 1980.

This new subsidiary was not just Deutsche Bank's first official representative office in Switzerland; it was the first time ever that a German bank had set up a wholly owned subsidiary under the same company name and received a full banking licence. However, Deutsche Bank's connections with Switzerland date back much further – to the 19th century. Major predecessor institutions such as Disconto-Gesellschaft had been involved in financing the first Gotthard Railway.

Switzerland has always been popular as a holiday destination. In June 1954, Rheinisch-Westfälische Bank – a successor institution to Deutsche Bank in West Germany – informed its customers about the still laborious process of obtaining foreign currency.

The Gotthard Railway

The construction of a railway link through Switzerland, which would cut through the Alps and connect the country with Italy, had been a topic of intense and passionate debate since the 1860s. In addition to the financing provided by the Swiss cantons and neighbouring countries Germany and Italy, a significant proportion of the funding required was to be obtained from private investors. Discussions with German banks had been under way since 1870 – notably with Berlin-based Disconto-Gesellschaft, which would eventually merge with Deutsche Bank decades later. At the end of 1871, Disconto-Gesellschaft set up an international banking syndicate under its own leadership, which raised 102 million Swiss francs for the construction of the tunnel.¹ When it emerged during the construction work – which commenced in 1872 – that the cost would be significantly higher than initially calculated, the Gotthard project teetered on the brink of collapse. In this situation it was Adolph Salomonsohn (1831–1919), one of the partners in Disconto-Gesellschaft, who managed to set up a guarantee syndicate and regain investors' confidence. The tunnel finally broke through the Alps on 29 February 1880, and the Gotthard Railway became fully operational in May 1882. The new railway line was of considerable importance to Switzerland's economy and transport infrastructure. Passenger transport and freight traffic grew sharply once the tunnel was opened. The Gotthard Railway operated profitably and Switzerland became a key transit country in European freight transport.

The entrance to the Gotthard Tunnel near Göschenen in about 1889.



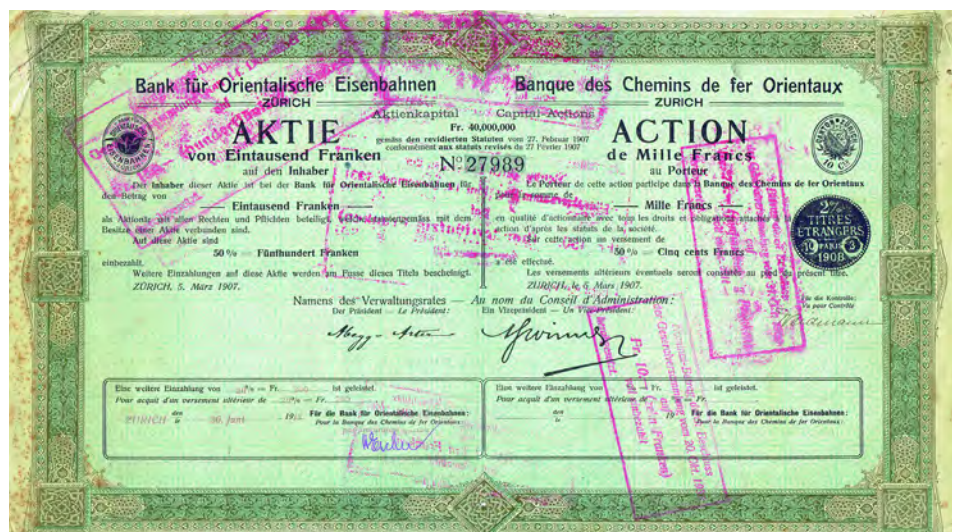
Bank für Orientalische Eisenbahnen, Zurich

The leading role that Disconto-Gesellschaft, since being set up in 1851, had played in the German banking sector was, from the 1880s onwards, increasingly being contested by Deutsche Bank, which was also keen to enter the international railway financing business. In 1888 the Ottoman government granted Deutsche Bank the concession to build and operate the Anatolian Railway from Istanbul to Ankara. When, just two years later, the railways in the European part of the Ottoman Empire were also acquired by Deutsche Bank, Georg von Siemens (1839–1901), its first Management Board spokesman, resorted to a new form of finance, which he launched in collaboration with Wiener Bankverein and Credit Suisse (known at the time as Schweizerische Kreditanstalt). These three partners founded Bank für Orientalische Eisenbahnen (Bank for Oriental Railways) in Zurich in 1890.²



Bank für Orientalische Eisenbahnen was housed within the premises of Credit Suisse on Paradeplatz in Zurich (shown here in a photograph from 1895).

A share certificate of Bank für Orientalische Eisenbahnen, Zurich, bearing the signatures of Carl Abegg-Arter, a member of the Board of Directors at Credit Suisse, and Arthur von Gwinner, a member of Deutsche Bank's Management Board.



This firm was actually not a bank but a financial holding company for railway stocks to which Deutsche Bank gradually transferred its railway investments. Its capital amounted to 63 million Swiss francs and its shares initially remained with its founders. Its management was entrusted to Credit Suisse.³ In 1910 the partner institutions listed the shares and bonds of Bank für Orientalische Eisenbahnen on the stock exchanges in Zurich, Geneva and Basel. While the firm's shares remained largely with the founder banks, the issuance of bonds enabled substantial debt finance to be raised for further investment in the construction of railways. Deutsche Bank thus possessed a source of funding that allowed

international investors to acquire a stake in Ottoman railway projects. Political tensions had prevented potential French and British investors from obtaining direct holdings. A finance company in a neutral country offered a suitable means of overcoming these obstacles.

Bank für elektrische Unternehmungen and Deutsch-Ueberseeische Elektrizitäts-Gesellschaft

Once the principle of an international financial holding company based in Switzerland had a proven track record, the obvious course of action was to finance other sectors similarly as well. The fledgling electrical engineering industry was a strong candidate for this. Deutsche Bank had helped to set up Allgemeine Elektrizitäts-Gesellschaft (AEG) in 1887. AEG was also quick to engage in international business by undertaking projects such as the construction and operation of Genoa's tramways, for which subsidiaries were set up. Bank für elektrische Unternehmungen – usually referred to as Elektrobank – was finally established in 1895 along the lines of the financial holding company for railway stocks. It too was a financing bank and a holding company at the same time and was also headquartered in Switzerland. Its shareholders were AEG, Deutsche Bank and, once again, Zurich-based Credit Suisse. The latter was entrusted with the management of Elektrobank, as it had been in the case of Bank für Orientalische Eisenbahnen.⁴ Elektrobank acquired a majority shareholding in AEG's tramway and lighting business in Genoa and was involved in raising capital for electricity companies in Seville, Barcelona and Bilbao. Zurich-based Elektrobank – along with Deutsche Bank and Credit Suisse – helped to set up Deutsch-Ueberseeische Elektrizitäts-Gesellschaft (DUEG) in 1898. This firm, which was to become Germany's largest international company prior to the First World War, had been initiated by AEG. Its core business was the construction and operation of a major power plant in Buenos Aires.

Prospectus issued by Bank für elektrische Unternehmungen in 1896 to advertise the listing of its bonds on the Berlin stock exchange.

Zürich, im October 1896.

Bank für elektrische Unternehmungen.

Auf Grund vorstehenden Prospects sind

nom. M. 24,300,000 = nom. Fr. 30,000,000

4 %ige, zu 103 % rückzahlbare Obligationen Lit. A.,
unkündbar bis 1901,

der Bank für elektrische Unternehmungen in Zürich

zum Handel und zur nichtamtlichen Notirung an der Berliner bezw. Frankfurter Börse zugelassen und wird ein Theilbetrag von

nom. M. 6,075,000 = nom. Fr. 7,500,000

unter nachstehenden Bedingungen zur Subscription aufgelegt:

1. Die Zeichnung findet

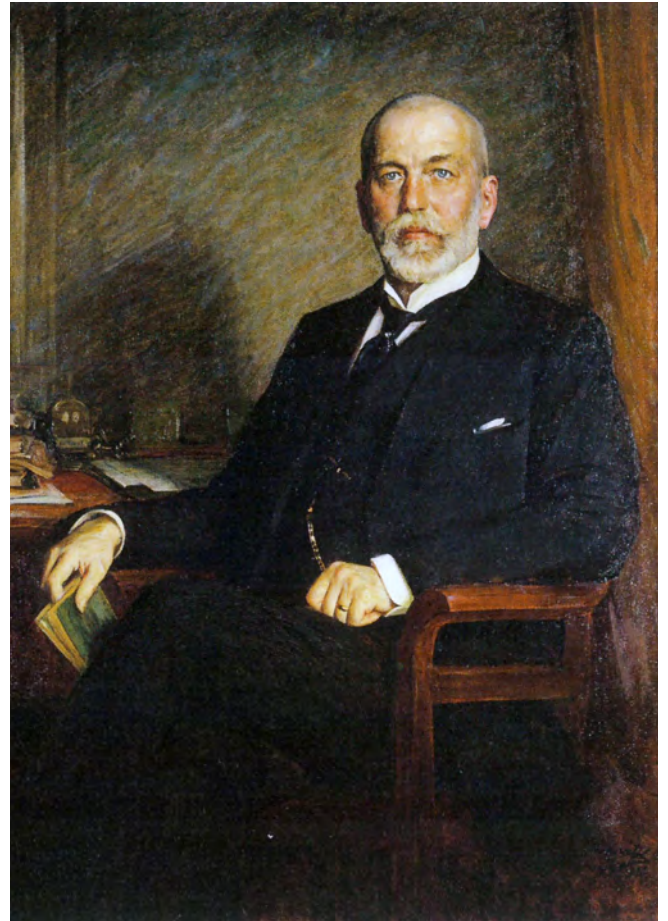
Donnerstag, den 17. December 1896

gleichzeitig bei den nachstehend verzeichneten Stellen, nämlich:

| | |
|--------------------------|--|
| in Berlin | bei der Deutschen Bank, |
| | „ Berliner Handels-Gesellschaft, |
| | „ Nationalbank für Deutschland, |
| | „ dem Bankhause Delbrück Leo & Co., |
| | „ „ Jacob Landau, |
| „ Frankfurt a. M. | „ „ Gebrüder Sulzbach, |
| | bei „ Frankfurter Filiale der Deutschen Bank, |
| „ München | „ „ Bayerischen Filiale der Deutschen Bank |

Banca Commerciale Italiana

The third project on which Deutsche Bank and Credit Suisse collaborated was the formation of Banca Commerciale Italiana in Milan. It was modelled on the continental European universal banks that had been particularly successful in Germany and Switzerland since the mid-19th century. Its initial capital of 20 million lire was raised solely by German, Austrian and Swiss banks in September 1894. They took advantage of the market gap created by the collapse of Credito Mobiliare, which until then had been Italy's leading industrial bank.



Arthur von Gwinner and Julius Frey

Arthur von Gwinner and
Julius Frey (right)

Credit Suisse had long become Deutsche Bank's business partner of choice in Switzerland. This collaboration was so close that, for many decades, Deutsche Bank never seriously considered opening its own branches or subsidiaries in Switzerland – not least out of consideration for the interests of its Zurich-based business partner. Business relations between the leading banks in Berlin and Zurich partly drew their strength from the friendly relationship between their leading men – Arthur von Gwinner (1856–1931) and Julius Frey (1855–1925).

Gwinner joined Deutsche Bank's Management Board in 1894. Because of his international experience he was soon put in charge of the bank's international business, which he took over from Georg von Siemens. Frey joined the senior management team at Credit Suisse at almost the same time. He became a deputy

director of the bank in 1895 and then a director in 1900 before chairing its Board of Directors from 1911 to 1925. He had also been entrusted with the management of Bank für elektrische Unternehmungen ever since this institution was set up, and he sat on the Board of Directors of Bank für Orientalische Eisenbahnen.⁵ In a large number of letters that went backwards and forwards between Berlin and Zurich, Gwinner and Frey not only discussed everyday business matters, they also confided in each other about the general economic and political situation. In particular the railway investments held in the Balkans and the Ottoman Empire meant that these investors were increasingly becoming involved in newly emerging conflicts that erupted into several regional wars. "Unfortunately our Baghdad business has drawn us into the world of high politics",⁶ Gwinner noted regretfully in 1903. The sale of the Oriental Railways in the Balkans to an Austro-Hungarian consortium in 1913 was the logical consequence in the face of what had now become incalculable political risks.

During the First World War

Switzerland was one of the few European countries to remain neutral during the First World War, which was triggered by yet another conflict in the Balkans. Immediately after the outbreak of war, Deutsche Bank sent its *Prokurist* (holder of commercial power of attorney) Bruno Axhausen (1874–1940), who had worked in the United States for some time, from Berlin to Zurich. Axhausen's most important mission was to maintain communication with the bank's North and South American business partners and representative offices. In order to circumvent boycotts imposed by the Entente powers, Deutsche Bank routed its international transactions through Switzerland, especially via Credit Suisse, whose senior management was aware of the plan.⁷ Nonetheless, Axhausen's mission was a tricky one.

The Swiss were worried that the British and French would get wind of his activities and so warned him not to send any messages of a military nature. He had to change his postal address in Switzerland several times. For some messages he was forced to cross the border into Germany, which was a highly challenging undertaking in conditions of war.⁸ The situation was exacerbated by Italy's entry into the war, which meant that Switzerland was now entirely surrounded by the warring powers. Deutsche Bank's Management Board spokesman Gwinner wrote to Julius Frey in May 1915: "These circumstances have well and truly placed your country, which I have come to love and appreciate so much, in the most difficult of situations".⁹

Things became especially unpleasant for Credit Suisse when the French military censors noticed that the Latin American and Spanish branches of Deutsche Ueberseeische Bank, which formed part of the Deutsche Bank Group, were sending large amounts of their Germany-bound mail to addresses of the bank in Zurich or to its branches and staff, from where it was then forwarded to its actual destination.

Consequently, the censorship authorities banned Credit Suisse from postal services with France.¹⁰ This shut down one of Deutsche Bank's key communication channels during the war.

Switzerland's role in the sale of German assets held abroad

When the First World War ended, Deutsche Bank lost nearly all of the investments that it had held abroad prior to 1914, for many of which – such as the real-estate firms and railway companies in the newly created countries of Iraq and Syria – it received no compensation. Switzerland played a key role in attempts to salvage at least some of these investments. In order to prevent the bank's shares in the Romanian oil company Steaua Romana – which were held via Deutsche Petroleum Aktien-Gesellschaft (DPAG) – from being confiscated by Romania, Deutsche Bank director Kurt Weigelt (1884–1968) set up the company Erdöl-Syndikat (EOS) in Switzerland. Swiss firm EOS acquired the Steaua shares from German company DPAG with the aim of selling them on to prospective international investors. Given Germany's prevailing hyperinflation, the sale proceeds of 72 million Swiss francs represented a highly welcome injection of foreign exchange, which Deutsche Bank was able to secure for itself by merging with DPAG in 1922. The bank adopted a similar approach to its shareholding in the Anatolian Railway Company, whose shares were transferred to Bank für Orientalische Eisenbahnen in Zurich. Once Turkey had won the Greek-Turkish War and negotiations had commenced in Lausanne, the shares were gradually sold to a British consortium. In this case, too, the fact that the owner was based in Switzerland had prevented confiscation without any compensation being paid.¹¹

A share certificate of Deutsch-Ueberseeische Elektrizitäts-Gesellschaft (DUEG) from 1906. Its Mark-denominated share capital was eroded by rising inflation.



The most painful loss among Deutsche Bank's pre-war investments came in 1920 when DUEG was sold to a consortium led by the Brussels-based Société Financière de Transports et d'Entreprises Industrielles (Sofina). The bank had to accept the fact that DUEG, which prior to the First World War had been especially successful in Argentina, could not survive as a German company. Its shares, which were denominated in Marks, were exposed to the gradual depreciation of the German currency. The Swiss shareholders who were particularly heavily exposed to DUEG through their investments in Bank für elektrische Unternehmungen received no more dividends and saw the value of their invested capital being gradually eroded. At the same time, the weakness of the Mark was an invitation for foreign investors to acquire shareholdings in DUEG. Moreover, there was a risk that the victorious powers would confiscate this company as German property for reparation purposes.

This disposal, which transformed DUEG into the Madrid-based firm Compañía Hispano-Americana de Electricidad (CHADE), allayed Deutsche Bank's concerns that inflation would continue to erode the value of its invested capital. However, this transaction left some in Switzerland disappointed.¹² Julius Frey complained bitterly to Gwinner about the plight of Swiss investors who were being hit by rampant inflation: "No one in Germany seems to care any more about the fact that we foreign creditors are simply being ruined by the current value of the German currency, or that we paid our German borrowers at least 123.45 gold francs in exchange for 100 Marks at the time and are now being fobbed off with 8 or 9 francs in return, or that our shareholdings in German enterprises – even with a dividend of 10 per cent – are not even yielding a return of 1 per cent on our investment, which means that a sharp devaluation in the latter is inevitable".¹³ Gwinner, seeking to defend himself, resorted to platitudes: "Heaven knows, it is not our fault. Deutsche Bank provided you with nothing but the finest, soundest and most splendid transactions; the products that we created were able to withstand any crisis – except for the one caused by the lost World War".¹⁴ And later he added: "... just imagine for one moment how I must be feeling inside – I who have created or built up Germany's largest and finest international enterprises and am now standing among the ruins not only of my life's work but also of a destroyed fatherland".¹⁵

Germany's borrowing in Switzerland

The stabilisation of Germany's currency in 1924 calmed the hyperinflation-induced conflicts between the German and Swiss financial communities. The strong demand for foreign-currency loans within the German Reich provided the Swiss banks with a lucrative new line of business. 35 Swiss franc-denominated bonds – mainly municipal and industrial bonds – totalling some 500 million Swiss francs were issued to German borrowers between 1924 and 1934. Switzerland also contributed a small tranche, which it partly issued in its own national currency, to the Dawes bond for the German Reich in 1924.¹⁶ Just for comparison: Germany's borrowing in the Netherlands and the United States over the same period amounted to 540 million Dutch guilders and

roughly 1.3 billion US dollars respectively.¹⁷ In the second half of the 1920s, 10 Swiss francs cost around 4.8 Dutch guilders or 1.9 US dollars. This means that Germany's borrowing in Switzerland amounted to around half as much as that in the Netherlands but only just over 7 per cent of the German liabilities owed to the United States. As with most of Germany's foreign-currency bonds, those issued in Swiss francs were no longer serviced after 1931. The post-war settlement of these German liabilities owed to Switzerland was linked to the claims that had arisen during the Second World War. The agreement that the Federal Republic of Germany and Switzerland signed in 1952 settled the matter of the German assets held in Switzerland and the German clearing liabilities owed to Switzerland. This released the German assets held in Switzerland if their owner surrendered one third of their value to Switzerland. At the same time, the Federal Republic of Germany declared that it was willing to pay 650 million Swiss francs to discharge the German liabilities accrued during the war.¹⁸ The question of the repayment of the Swiss franc-denominated bonds raised during the interwar years was settled in the London Debt Agreement of 1953, for which Hermann J. Abs (1901–1994) led the negotiations on behalf of the fledgling Federal Republic of Germany.

Fresh summer air and merger negotiations in the Engadin

The Swiss mountains had already become a popular holiday retreat for Deutsche Bank directors and other captains of German industry in the years prior to the First World War. The Engadin proved especially popular during the summer months, with the quieter locations of Sils Maria and Pontresina generally being preferred over the livelier St. Moritz. Arthur von Gwinner often stayed at Hotel Edelweiss in Sils Maria. In later years his colleagues preferred Hotel Waldhaus, which opened in the same village in 1908.

Letterhead of Hotel Waldhaus in Sils Maria from 1932. When it opened in 1908 the hotel became one of the most popular holiday destinations for German bankers.

Work did not stop during these stays in Switzerland, which usually lasted for weeks, as evidenced by many letters written on hotel notepaper. As a number of bankers and industrialists were often staying in the same hotel or in the immediate vicinity, this presented an opportunity to hold discussions in a



relaxed holiday atmosphere. Perhaps the dramatic alpine scenery encouraged them to think in greater, longer-term dimensions. This was how the initial idea of a potential merger between Deutsche Bank and Disconto-Gesellschaft came about in Pontresina, when Robert Pferdmenges (1880–1962), the head of A. Schaaffhausen'scher Bankverein – a Disconto subsidiary – and Oscar Schlitter (1868–1939), a member of Deutsche Bank's Management Board, met there in the summer of 1926. Schlitter argued that the wave of concentration taking place within industry was forcing banks to form larger entities so that they could provide the capital required by companies. However, another three years passed and further discussions were needed in Pontresina in the summer of 1929 – this time between Schlitter and Eduard Mosler (1873–1939) of Disconto-Gesellschaft – before agreement on a merger was reached. It was finally completed in October 1929 under the new company name of 'Deutsche Bank und Disconto-Gesellschaft', which was used until 1937.¹⁹

Switzerland as a place of refuge

The negotiations with Schlitter in Pontresina should actually have been conducted by Mosler's colleague Georg Solmssen (1869–1957), who was, however, unable to travel owing to the death of his mother. Mosler and Solmssen had been partners in Disconto-Gesellschaft since 1911. Solmssen – who, incidentally, was the son of the Gotthard Tunnel financier Adolph Salomonsohn – was a regular guest at Hotel Waldhaus in Sils Maria, where he found tranquillity and recuperation in the alpine air, as his doctor had recommended. He also frequented the spas in St. Moritz.²⁰ Following the merger, Solmssen sat on the Management Board of the combined institution and in 1933 replaced Oscar Wassermann (1869–1934) as the Management Board spokesman of Deutsche Bank und Disconto-Gesellschaft. Almost as soon as he took office he became the target of National Socialist attacks. As far as the racial ideology espoused by the National Socialists was concerned, it was irrelevant that Solmssen had been christened as a protestant in 1900, that he had germanised his surname or that he identified strongly with the idea of the Prussian-German state. He was considered a Jew and so had to gradually relinquish all of the official positions that he held, the final one being his membership of Deutsche Bank's Supervisory Board. From 1937 onwards he found refuge in Switzerland where, one year previously, he had purchased an agricultural estate with a large house in Horgen on Lake Zurich. He lived here until his death.



Georg Solmssen at his desk on the Arnhof estate near Lake Zurich.

Alfred Kurzmeyer and Deutsche Bank's gold during the Second World War

At the same time as Solmssen and other exiles were finding safe refuge in Switzerland, a Swiss banker was rapidly advancing his career in Berlin. Alfred Kurzmeyer (1880–1968) from Roggliswil in the canton of Zurich had in 1910 joined Mendelssohn & Co., a prestigious Berlin-based private bank, where his

elder brother was a *Prokurist* (holder of commercial power of attorney). The younger Kurzmeyer was also successful and became a *Prokurist* in 1921. This made him one of the most important members of staff at the bank and the only *Prokurist* who had no Jewish ancestry. The fact that he did not have to fear any discrimination by the Nazi regime strengthened his position from 1933 onwards. When in 1938 the National Socialists insisted that the remaining Jews still working at banks be removed from their positions, Kurzmeyer tried to continue running the bank under his own leadership.²¹ This attempt failed because the partners in Mendelssohn were by this time negotiating with Hermann J. Abs on a potential takeover by Deutsche Bank. In the end, a large proportion of Mendelssohn's assets and liabilities as well as its non-Jewish employees were transferred to Deutsche Bank. Mendelssohn went into liquidation and retained its foreign-exchange holdings and its real estate.²² Alfred Kurzmeyer was one of the Mendelssohn employees taken on by Deutsche Bank. Although he did not achieve his ambition of being promoted to the bank's Management Board, he became one of only four General Managers (*Direktoren mit Generalvollmacht*) in 1939.



Alfred Kurzmeyer represented Deutsche Bank as a General Manager (*Direktor mit Generalvollmacht*) in Zurich from 1943 until the end of the war.

Kurzmeyer played a key role after the outbreak of the Second World War. His Swiss passport meant that he was the only one of the bank's senior executives who could move freely between Germany and Switzerland. As had been the case during the First World War, essential connections and communication channels used by Deutsche Bank were routed via Switzerland from 1939 onwards. This enabled the bank to maintain contact with its subsidiaries in South America and Asia and with its branch in neutral Turkey. At the end of 1943 the bank sent Kurzmeyer to Zurich, where he took up residence in Hotel Baur en Ville on Paradeplatz directly opposite Credit Suisse. His job was to act as trustee for the currency reserves held in Switzerland on behalf of Deutsche Bank and its subsidiaries, which totalled more than 10.8 million Swiss francs.²³ One of the most important items was 307 kilogrammes of gold belonging to the bank's Istanbul branch, which had conducted a lucrative gold trading business until Turkey's diplomatic relations with the German Reich were severed in August 1944. The remaining gold was now held in Switzerland, where Kurzmeyer temporarily registered it under his own name to prevent it from being confiscated. One problem was the origin of the gold, which the Istanbul branch had acquired from the Reichsbank in Berlin. As a committee of independent historians commissioned by Deutsche Bank managed to prove in 1999, a fairly significant proportion of this was looted gold which the SS had supplied to the Reichsbank.²⁴ The agreement signed by the Federal Republic of Germany and Switzerland in 1952 released the German assets that had been frozen. However, the gold belonging to the Istanbul branch remained in Switzerland for decades. It was not until 1995 – after the death of Hermann J. Abs – that it was finally sold. Deutsche Bank donated the resultant proceeds of DM 5.6 million in 1997, giving half to the World Jewish Restitution Organization and half to the 'March of the Living' Foundation.

International collaborations during the post-war period

Once the matters of the German liabilities owed to Switzerland and the German assets held in Switzerland had been finally settled in 1952/53, business relations with the Swiss banks were gradually restarted. They were initially restricted to correspondent banking relationships and short-term deposit-taking business. Even after the European Economic Community had been set up in 1957, a significant proportion of the Federal Republic of Germany's flows of money and capital were transacted with countries outside this economic area. Of the short-term investments that German banks held abroad in mid-1963, for example, almost half were held in the United Kingdom, the United States or Switzerland. A similar situation applied to these banks' short-term foreign liabilities.²⁵

The Swiss-German joint venture UBS-DB Corporation had its offices at 40 Wall Street.



1958 marked the first time since the outbreak of the First World War that Deutsche Bank was able to operate in the international capital markets and, consequently, it managed its own flotation of a convertible bond in German currency for a foreign issuer. When further bond issues, such as that for the World Bank in 1959, revealed a lack of capacity in the German capital markets, Deutsche Bank – under its Management Board spokesman Hermann J. Abs –

suggested involving foreign banks, especially the big Swiss banks, in deutsch-mark-denominated bond issues. He considered them to be especially suitable because of their close contacts with affluent groups of foreign investors who were not permitted to purchase Swiss financial instruments.²⁶

While Deutsche Bank attached considerable importance to its collaborations with the big Swiss banks on international capital market transactions, Swiss banks were not involved in another development concerning cross-border cooperation in the 1960s. Deutsche Bank, Amsterdamsche Bank, Brussels-based Banque de la Société Générale de Belgique, and London-based Midland Bank joined forces to form the European Advisory Committee in 1963. This subsequently included other European partner banks and developed into the EBIC Group, which operated in the Asian and US markets by setting up joint banking entities. The three big Swiss banks did not participate in these European banking clubs and went their own separate ways in pursuing their international strategies.

Union Bank of Switzerland (UBS) set up American UBS Corporation in New York in October 1970 so that it could transact underwriting business in the US market. One year later it offered Deutsche Bank the opportunity to participate as an equal partner in this US subsidiary. Deutsche Bank, which until then had had no access to underwriting business in the United States, accepted the offer. This gave rise to UBS-DB Corporation, which after just a short time achieved a respectable position in the US investment banking market. It conducted several placements of securities for US subsidiaries of prominent German companies such as BASF, Robert Bosch, Daimler-Benz, Carl Freudenberg and the Carl Zeiss Foundation. The bank employed 68 people in New York during this period.²⁷ This joint venture ended in 1978. Deutsche Bank subsequently ran this investment subsidiary under its own management – initially under the name Atlantic Capital Corporation and then, from 1985 onwards, as Deutsche Bank Capital Corporation.²⁸

Formation and development of Deutsche Bank (Suisse)

Running its American subsidiary under its own management was consistent with the change of strategy that Deutsche Bank pursued from 1976 onwards. Instead of being internationally represented through EBIC and other partners, it now returned to the major foreign financial centres under its own name for the first time since the Second World War. In rapid succession it opened branches in London, Tokyo, Paris, Brussels, Antwerp, New York, Madrid, Milan and Hong Kong. It also set up new subsidiaries abroad, such as Deutsche Bank (Asia Credit) in Singapore in 1978.

Two years later it was ready to do likewise in Switzerland. Deutsche Bank (Suisse) was founded in Geneva on 4 December 1980. It had an initial share capital of 30 million Swiss francs and was primarily set up as a specialised institution focusing on investment advice and asset management. It would also engage in trust business, real estate and investment activities and in the trading of foreign exchange and precious metals.

Switzerland, with its prominent banking sector, had always been appealing as an investment location for wealthy international private clients. It also increasingly attracted foreign banks after the Swiss regulatory criteria governing such institutions had been liberalised.

In March 1980 the Management Board of Deutsche Bank took the decision to set up a Swiss subsidiary, and it received official approval from the Swiss banking authorities on 27 November of that year. The reason why Deutsche Bank chose to headquarter its Swiss subsidiary in French-speaking Geneva related partly to the Middle East crisis at the time. Beirut was no longer able to perform its traditional function as a financial centre for the Middle East, and even Deutsche Bank had closed its Lebanon representative office, which had been operating since 1967.

Deutsche Bank (Suisse) was founded in Geneva on 4 December 1980. Management Board spokesman F. Wilhelm Christians (sixth from the left) became the first chairman of the new subsidiary's Board of Directors. Richard Steinig (third from the right) was the first managing director.



The new subsidiary's Board of Directors, most members of which were Swiss, was chaired by Deutsche Bank's Management Board spokesman F. Wilhelm Christians (1922–2004). He summarised the bank's strategy as follows: "We intend to approach our business cautiously, with great delicacy, carefully adapting to Swiss circumstances, as is the way in Switzerland".²⁹ Richard Steinig, who had previously worked for the bank in Düsseldorf, was appointed as the first managing director of Deutsche Bank (Suisse). Some six months passed between the subsidiary's formation and the actual opening of its branches. Because Switzerland had virtually full employment at the time, Deutsche Bank had real difficulty finding suitable staff locally. Press conferences held on 1 and 2 June 1981 marked the dates on which business finally commenced with 30 employees in Geneva and ten members of staff at a second branch in Zurich. The bank opened a third branch in Lugano in 1988 to establish its presence in Italian-speaking Switzerland as well.



Deutsche Bank (Suisse) moved into its premises in Geneva (left) and Zurich in 1981.

Having conducted a thorough review of its strategy and activities in Switzerland, Deutsche Bank closed its Lugano branch in 2017 in order to continue to develop its business in the international financial centres of Zurich and Geneva. As part of this strategy the bank set up a new centre of competence in Geneva for wealthy European clients booked in Switzerland. German clients booked in Switzerland continue to be covered from Zurich.³⁰

Anticipating Switzerland's modernised investment law, which came into force in 1995 and was largely based on the EU standard, Deutsche Bank (Suisse) joined forces with DWS to set up DWS Investment (Schweiz) at the end of 1994. Deutsche Bank acquired the Swiss private bank Rüd, Blass & Cie from Zurich Financial Services in 2003, significantly strengthening its position in asset management. Rüd, Blass & Cie was fully integrated into Deutsche Bank (Suisse) in June 2009. Deutsche Bank currently employs just over 600 people in Switzerland in its International Private Bank (IPB), DWS and its Corporate and Investment Bank.

Martin L. Müller

- ¹ Die Disconto-Gesellschaft. Denkschrift zum 50jährigen Jubiläum, Berlin 1901, pp. 97–102
- ² Fritz Seidenzahl, *The Bank for Oriental Railways*, in: *Studies on Economic and Monetary Problems and on Banking History*, Mainz 1988, pp. 12–20; Werner Plumpe, *In the Age of the First Globalisation 1870–1914*, in: *Deutsche Bank. The Global Hausbank 1870–2020*, London 2020, p. 89
- ³ M. Esslinger, *Geschichte der Schweizerischen Kreditanstalt während der ersten 50 Jahre ihres Bestehens*, Zurich 1907, pp. 104–107; Adolf Jöhr, *Schweizerische Kreditanstalt 1856–1956*, Zurich 1956, pp. 189–190
- ⁴ Jöhr, *Schweizerische Kreditanstalt*, pp. 192–193
- ⁵ Andreas Steigmeier, Frey, Julius, in: *Historisches Lexikon der Schweiz (HLS)*, version dated 3 March 2005. Website: <https://hls-dhs-dss.ch/de/articles/042084/2005-03-03/>, consulted on 11 November 2020
- ⁶ Gwinner to Minister Testa, 25 May 1903, HADB, OR300
- ⁷ Alexander Nützenadel, *Between State and Market 1914–1989*, in: *Deutsche Bank. The Global Hausbank 1870–2020*, p. 233
- ⁸ Christopher Kobrak, *Banking on Global Markets. Deutsche Bank and the United States, 1870 to the Present*, New York, Cambridge 2008, p. 176
- ⁹ Gwinner to Frey, 20 May 1915, HADB, OR616
- ¹⁰ Gross (Credit Suisse) to Heinemann, 29 April 1916, HADB, S3773
- ¹¹ For information on the sale of the bank's shares in Steaua Romana and the Anatolian Railway Company see Gerald D. Feldman, *The Deutsche Bank 1914–1933*, in: Lothar Gall et al., *The Deutsche Bank 1870–1995*, London 1995, p. 181
- ¹² *Ibid.* pp. 182–184
- ¹³ Frey to Gwinner, 5 January 1921, HADB, OR287
- ¹⁴ Gwinner to Frey, 31 March 1920, HADB, S99
- ¹⁵ Gwinner to Frey, 27 January 1921, HADB, OR287
- ¹⁶ Hermann J. Abs, *Entscheidungen 1949–1953. Die Entstehung des Londoner Schuldenabkommens*, 1991, p. 16
- ¹⁷ Hans-Georg Glasemann, *Deutschlands Auslandsanleihen 1924–1945*, Wiesbaden 1993, pp. 5–9
- ¹⁸ Martin Meier, *Clearing*, in: *Historisches Lexikon der Schweiz (HLS)*, version dated 18 December 2003. Website: <https://hls-dhs-dss.ch/de/articles/013779/2003-12-18/>, consulted on 14 November 2020
- ¹⁹ Fritz Seidenzahl, *100 Jahre Deutsche Bank*, Frankfurt 1970, pp. 312–318
- ²⁰ Solmssen to Karl Kimmich, 16 July 1933, in: Harold James / Martin L. Müller (ed.), *Ein deutscher Bankier. Briefe aus einem halben Jahrhundert*, Munich 2012, p. 368
- ²¹ Sebastian Panwitz, *Das Haus des Kranichs. Die Privatbankiers von Mendelssohn & Co. (1795–1938)*, Berlin 2018, pp. 276–277
- ²² Harold James, *The Nazi Dictatorship and the Deutsche Bank*, New York, Cambridge 2004, pp. 71–73
- ²³ Jonathan Steinberg, *The Deutsche Bank and its Gold Transactions during the Second World War*, Munich 1999, pp. 60–64
- ²⁴ *Ibid.* pp. 49–58, 71.; James, *The Nazi Dictatorship and the Deutsche Bank*, pp. 180–182
- ²⁵ Deutsche Bank, *Annual Report 1963*, p. 18
- ²⁶ Deutsche Bank, *Management Board meeting on 3/4 May 1965*, HADB, V10/73, p. 1
- ²⁷ UBS-DB Corporation, New York, in: *db-aktuell*, 1976, H.51, pp. 10–11.
- ²⁸ Nützenadel, *Between State and Market*, pp. 431–432
- ²⁹ Deutsche Bank (Suisse) SA, *Genfer Fluidum*, in: *db-aktuell*, 1981, H.1, pp. 2–3
- ³⁰ Deutsche Bank (Suisse) SA, *Annual Report 2017*