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The geography of financial integration: Regional disparities in Italian correspondent banking with London, 1920-1985

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Abstract: This paper offers new micro-level evidence on how the structure of the Italian banking system evolved *vis-à-vis* banks in London. Our approach allows us to measure the pattern of thousands of bilateral payment connections between banks in Italy and London over the 20th century at a much more granular level than existing studies, which have focused on the business of large banks. We use the data to explore the regional and local geography of cross-border banking links. This reveals how smaller banks in towns and cities across Italy were connected to the global payment system to provide services to local migrants, traders, and investors. We find that the changing pattern of banks' links to London over time did not merely reflect economic growth and suggest further avenues for analysis.

Keywords: Correspondent banking; financial integration; international payments; regional inequality; Italian banking history; London financial centre.

JEL codes: N23, N24, F33, G21, E42

1. INTRODUCTION

Understanding the architecture of cross-border payments offers crucial insights into the mechanics of historical globalisation that cannot be discerned from aggregate national-level trade and capital flow data. The bilateral relationships brokered between banks to effect payments determined which

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firms, regions, and countries could efficiently access international markets, potentially shaping patterns of economic development. Moreover, because correspondent banking required contractual commitments and operational costs, the geographic distribution of these networks reveals how financial institutions assessed commercial opportunities and risks across different locations. When networks contracted during crises or expanded during periods of growth, they created differential access to global commerce, which could reinforce or reshape existing regional economic geographies.

This paper presents new micro-level evidence on how the structure of the correspondent banking system evolved in Italy *vis-à-vis* London. By uncovering the pattern of thousands of bilateral payment connections between banks in Italy and London over the 20th century, we are able to assess these financial links at a much more granular level than existing approaches, which instead have focused on branching and subsidiarisation by large banks (D'Alessandro 1998, 2001; di Quirico 1999, 2000; Stanciu 2000; Barbenni 2023). Moreover, this approach enhances our understanding of the geography of cross-border economic activity by reaching beyond the national scale of most existing analyses of trade and payments to expose the very local dimension. Thus, the data reveal how smaller banks in towns and cities were connected to the global payment system, enabling them to provide services to local migrants, traders, and investors. The data also reveal the variation between regions over time in the intensity of their direct connection to the global payment system, and we find that these patterns cannot be predicted by economic growth alone.

We are also able to relate the pattern of regional economic activity to direct access to payment services in London. Payments services were crucial for producers and traders to engage in international commerce because they were the primary means by which payments were sent and received across borders. Borchert *et al.* (2023) have shown that losing a direct correspondent banking link can have a detrimental effect on producers in the immediate vicinity. The Italian economy is characterised by a large number of banks and close links between local firms and their local banks, especially for new and smaller firms (Aristei and Gallo 2017). By geolocating the banks in our dataset, we show whether smaller banks further from banking centres were more affected by contractions in the network of correspondent banks historically – an issue that is of policy interest given the differential effects on regions produced by the current contraction in the number of global correspondent banking links around the world (Rice, von Peter and Boar 2020; Borchert *et al.* 2023).

We are not the first to consider correspondent banking, but we collect and analyse the most comprehensive data for a single country. Mollan (2012) and Mollan and Michie (2012) demonstrated how evidence of correspondent banking is associated with the distribution of international economic activity for four selected years, with a particular focus on banks in East Asia. Panza and Merrett (2019) mapped global correspondent banking networks in 1935; Battilossi (2006) examined multinational banking before 1914; Merrett (1995) and Chan (2001) described correspondent banking in Australia. Kisling and Molteni (2025) have examined the links between

the London Money Market and credit in Brazil during the first globalisation. Eichengreen and Flandreau (2012), Accominotti (2019), and Accominotti and Ugolini (2020) have uncovered details of the acceptance credit aspect of correspondent banking payments, but only at an international level (rather than regional or city-level), based mainly on the years before 1940. Scott and Zachariadis (2014) described how banks developed a standardised messaging service to increase the efficiency of correspondent banking in the 1970s. These studies demonstrate the potential that a more comprehensive view of correspondent banking could offer for understanding bank internationalisation, international payments and the nature of globalisation and deglobalisation.

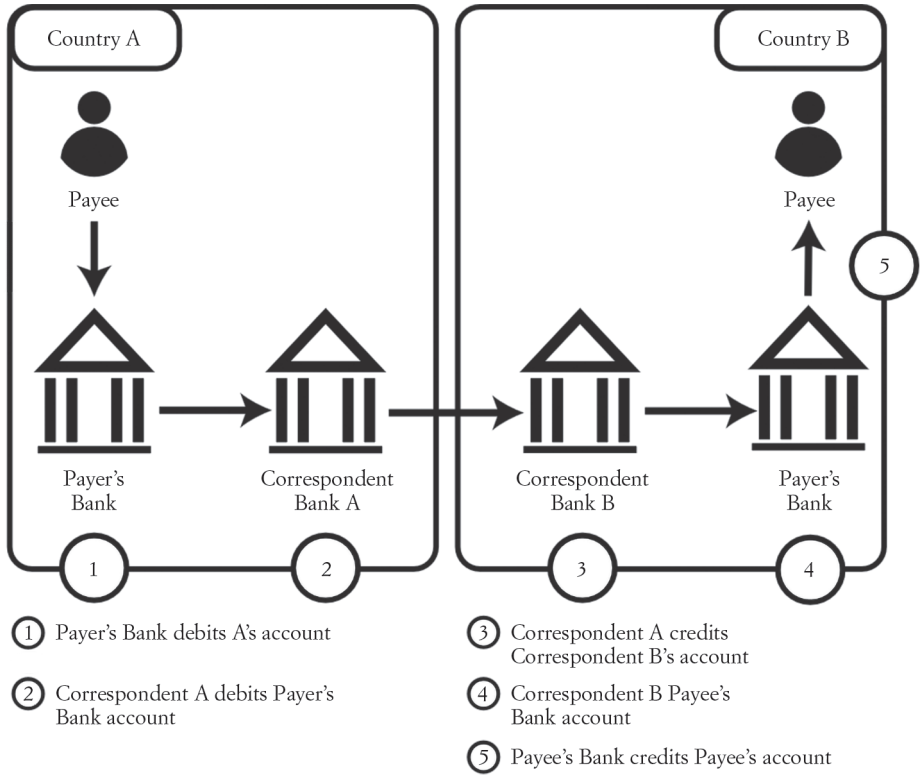
We focus on the case of Italy, which is particularly interesting for several reasons. First, Italy is a developed industrial country, but relatively peripheral in the global financial system during this period. It is thus a good case study since producers and traders need to be connected to the global financial system, but they are not in a position to dictate their conditions. Second, Italy has a bank-based financial system, but it has also had a fragmented banking system, with many local banks playing a significant role in financing local entities and firms (Carnevali 1996; A'Hearn 2005). This allows a greater granularity to the geographic evidence in our data compared to economies where bank branch networks were more dominant. Thirdly, Italian economic development during the 20th century has a strong regional dimension (A'Hearn and Venables 2013; Felice 2019). Therefore, analysing how cross-border correspondent banking links for Italian banks changed over time offers new insights into how this pattern was linked to the pace and nature of economic change. Finally, we use this case as an experiment in a novel methodology for examining the nature of historical globalisation.

The paper proceeds as follows. Section 2 reviews the evolution of correspondent banking in the 20th century, establishing the institutional and technological context for our analysis. Section 3 presents our new dataset on Italian-London correspondent relationships, drawn from the *Bankers Almanac*, and discusses its scope and limitations. Section 4 analyses patterns in these relationships from three complementary perspectives: the geographic distribution of Italian banks' connections, the side of London correspondent banks, and the relationship between financial connectivity and regional economic development. Section 5 discusses the implications of our findings for understanding Italy's integration into global financial networks and suggests directions for future research.

2. Historical evolution of correspondent banking in the 20th century

Figure 1 offers a stylised view of the mechanics of correspondent banking. Banks established correspondent agreements that included holding accounts in each others' ledgers. They agreed on fees for passing payments and settlement through these accounts (often linked to commercial credit) and set the interest payable on these accounts. For example, an importer

Figure 1. Example of cross-border payment through correspondence agreements.



Note: This figure illustrates a stylised representation of how a cross-border payment between two individuals can occur through various national and international institutional contracts.

instructs their bank to make a payment to an exporter in another country. The importer's bank then instructs its correspondent in that country to make the payment to the exporter's bank, and all the banks adjust their accounts to settle the payment. These instructions may be processed through a domestic payments system that acts as a clearinghouse. Suppose the importer's bank does not have a direct foreign correspondent banking link. In that case, the sequence of interbank transactions becomes more prolonged, going first through one or more other domestic banks. Time introduces the key element of risk; payments are likely to go out before the exporter's bank finally receives funds and this introduces market risk (in case of exchange rate changes) and counterparty risk (in case the payer's bank fails, and the funds are not forthcoming) or operational risk (if the ICT system fails). The interconnectedness of interbank accounts and the large volume and value of transactions (which may be dependent on each other) also introduce systemic risk. Gross pre-funding, or waiting until all accounts have been finally reconciled before settlement, is costly for customers, so banks tend to take on these remote risks in return for lucrative customer fees. These risks make

it particularly interesting to examine the correspondent banking network, where payments were instructed and settled based on contractual agreements between banks rather than through the branch network of a multinational bank, where these risks (and costs) could be internalised. Providing payment services was a core business of commercial banks, associated with commercial credit and foreign exchange trading on behalf of their customers. This business generated income from fees, interest margin, foreign exchange margin and cross-selling of other services to bank customers.

The 20th-century payments system evolved from the first globalisation of the 19th century, when London was the world's major international banking and financial centre, and the Bill on London was a crucial means of financing and settling payments between traders. Formal agreements between banks were a crucial component of the global payments system, although these instruments evolved in response to technological innovations and financial crises. To overcome the delay between shipping goods and receiving payment, bills of exchange were used, especially in the 19th and early 20th century, as an important instrument both for payments and for financing cross-border trade. Exporters outside Britain drew bills on importers in Britain; when accepted by the importer, the bill became a legal obligation to pay for the goods on arrival. The exporter could then take the bill to their bank or a specialist merchant house and request that the funds be deposited into their account (locally or in London) immediately at a discount. The exporter's bank then sent the bill to its correspondent bank in London, instructing them to deposit the funds into their account with the London correspondent and then credit the funds to their customer's account. To settle payment instructions, banks operated bilateral contractual relationships to adjust ledgers related to payments between their customers through «nostro» and «vostro» accounts. The London bank could either hold the bill until maturity and receive payment from the importer or rediscount the bill in London. In this way, bills of exchange also relied on correspondent banking relationships for payments. Another standard route was reimbursement credits. In these arrangements, a correspondent bank in London would extend a line of credit to a bank overseas, which that bank then offered to its own customers. The London bank then agreed to accept the bills drawn on them by their correspondent's customer on set terms, which could be one-third lower than the charge for accepting a bill at a specialist house (Macmillan 1931, p. 72). Correspondent banking relationships could reduce the cost of trade finance as well as settlement.

The institutional arrangements for international payments were far more varied than this stylised description suggests. There was a myriad of patterns in which payments and credit were effected, and these changed over time. Instead of a correspondent banking agreement, payments could be internalised within the ledgers of branch networks of merchant banks, British overseas banks and internationally active commercial banks but, given the distance (and therefore time) involved in trade to Africa, Latin America and Asia, even these payments instructions were often accompanied by bills of exchange. In the 19th and early 20th centuries, it was common for bills of exchange to be accepted and discounted by specialised financial institutions in London, allowing exporters to receive payment quickly while their goods

were in transit. Such merchant banks and acceptance houses also appear in our data as London correspondents for banks worldwide.

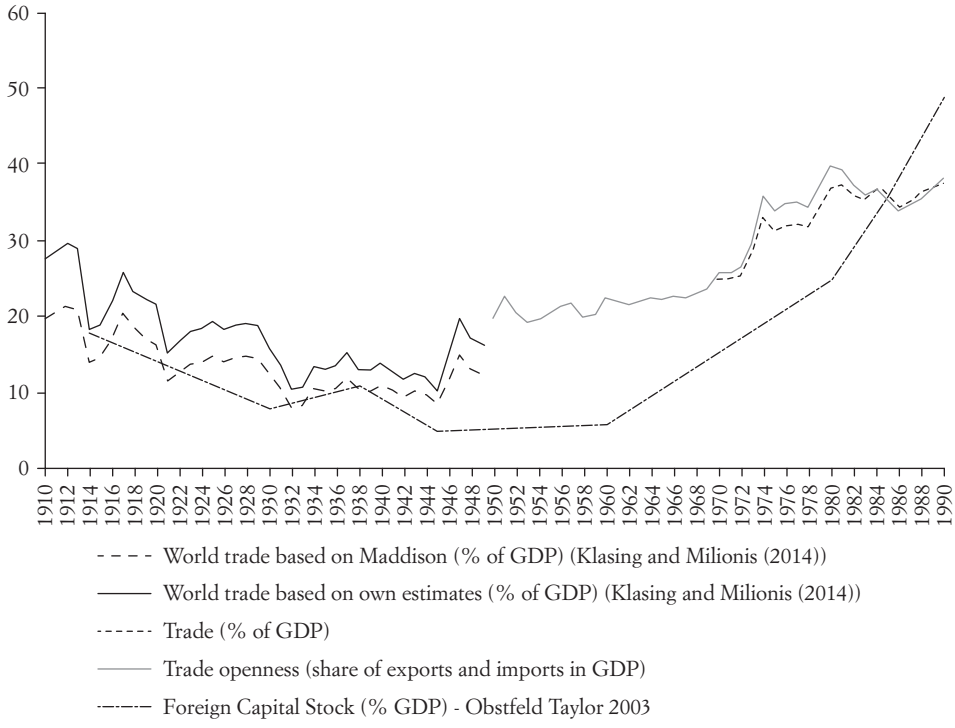
This paper focuses primarily on the evidence of bilateral relationships between joint-stock banks and foreign banks after 1920. The specialist acceptance and discount houses were hit severely by the financial crisis of 1931 because they were less diversified and less well-capitalised than London's commercial banks. From the 1930s, therefore, joint-stock banks took over more of the payments business in London.[1] Moreover, banks were able to charge significantly less than specialised acceptance houses to effect payments, which provided a further incentive to shift from market-based bills business to bilateral contractual relations (Macmillan 1931, p. 72). Accominotti and Ugolini (2020) have shown that the changing structure of international commercial finance across the 20th century resulted in the retreat of specialised acceptance houses (which dealt in bills of exchange) after the 1930s. After the end of the Second World War, the bill of exchange gradually receded as the main instrument for international payments, and direct correspondent banking payments based on telexed instructions became the primary means of cross-border payments. The bilaterally based correspondent banking structure persists into the present day, despite significant changes in communications and information technology, as well as elaborate institutional arrangements to facilitate multilateral netting and clearing.

Comprehensive evidence on the evolution of correspondent banking (and the payments system generally) is scarce; making our new dataset particularly valuable. As an indication of the overall reach and structure of the system, we have collected the number of distinct banks recorded as engaging in correspondent banking with institutions in London in the *Bankers Almanac* from 1920-1985.[2] Throughout the 19th and 20th centuries, bankers worldwide relied on the *Almanac* to access information on how to send payments through London, and each year it recorded thousands of bilateral banking links. As noted above, the dataset does not capture every correspondent contract, but it represents the links that the banks themselves wanted to advertise and were likely the most important. The *Almanac* includes all British-registered banks and a large number of internationally active banks headquartered across the rest of the world. There was no charge for entries into the *Almanac*; it was published and sold annually, and considerable year-to-year variation suggests that the lists were updated regularly. Another *caveat* is that our historical data only shows the system's architecture, not the number or value of payment flows. However, our data represent an improvement over the available modern SWIFT transaction data, because they include bilateral country and city links/corridors, as opposed to just the number of active correspondent banks and the number of payment messages by region.

[1] At the start of 1930, before the financial crisis of 1931, Kindersley of Lazards estimated that only about 40 per cent of acceptances were processed by specialist acceptance houses. Macmillan (1931, p. 75).

[2] Each bank entity may have had links to London through branches in multiple cities or countries. The dataset includes a total of approximately 110,000 bilateral bank links from London to the rest of the world for 19 years (average of 5,790 per annum). For reference in 2005, 7,863 financial institutions used the main payments messaging service, SWIFT.

Figure 2. Trade and Financial Globalisation, 1910-1990.



Sources: Trade from Esteban Ortiz-Ospina, Diana Beltekian, and Max Roser (2018) – «Trade and Globalization». Published online at OurWorldinData.org; Foreign Capital from Obstfeld and Taylor (2003).

The pattern revealed by the *Bankers Almanac* shows a decline in the number of links during the Great Depression and World Wars, and then recovery from the 1960s as trade increased and exchange controls relaxed. This interwar contraction was due not only to the fall in trade and payments during the Great Depression, but also to the collapse, merger, and appropriation of many banks, especially in Germany and Central Europe, which reduced the number of potential correspondents. Figure 2 shows the U-shaped curve of globalisation across the (long) 20th century based on an index of the sum of world exports and imports divided by world GDP and foreign capital assets divided by world GDP. Although this data are likely to be incomplete and biased toward richer countries, we might expect it to relate to the volume of global commercial payments (although it neglects investment flows). In the 1920s, the Bank of England discouraged London's clearing banks from opening offices overseas, which encouraged more contractual relationships with overseas banks. During the 1950s-1970s, the Bank of England authorised commercial banks in London to implement the official exchange controls imposed on foreign payments in the UK as world trade grew rapidly, giving the banks greater agency in the payments busi-

ness. In these ways, the pattern of direct correspondent banking links followed the pattern of cross-border commerce in the 20th century.

The data we present relates only to links to payments and settlement services in London. London was the world's largest international banking market through most of the 20th century (based on share of banks' foreign assets/total assets), and was host to the world's largest foreign exchange market as well as commodity markets, shipping and insurance and other international commercial services. Eichengreen and Flandreau (2012) have shown that there was a drift from the use of sterling to the US dollar as the leading commercial currency in the 1920s, but the dollar did not permanently overtake sterling as an invoice and settlement currency in international trade until the late 1950s. In 1957, the British Treasury prohibited the use of sterling in third-party trade, and the City of London quickly switched many of its operations to the USD. Notably, the rise of the Eurodollar market dates from this period (Schenk 1998). By 1986, 70 per cent of the London foreign exchange market turnover was in currencies other than sterling (Bank of England 1989b). London remained a leading international banking market, accounting for 27 per cent of the international banking business of G10 countries in 1980, twice as much as the USA and well ahead of any other individual centre (Bank of England 1989a).

3. New data on Italy

The database of correspondent banking relationships between Italian banks and their London agents extends from 1920 to 1985, compiled from the *Bankers Almanac* at five-year intervals.[3] The data include 7,738 correspondent banking relationships between 177 correspondents in London and 518 banks in Italy, spread around 223 distinct Italian localities.

The *Almanac* in these years has two sections from which we retrieve our data, the «British Bank Section» (BBS) and the «International Bank Section» (IBS). The British Banks Section reports all banks registered or incorporated in London, including subsidiaries of foreign banks and also British overseas banks, which did not offer retail services in the UK.[4] Each bank reported its name, address, contact (telex, telephone, telegram or SWIFT code), and in most cases the names of the directors, a succinct version of the latest balance sheet along with a brief institutional history. British banks listed the banks for which they acted as a correspondent in London, organised by country or region for handy use by bankers and traders in London and around the world to identify how to instruct cross-border payments.

[3] The directory has operated under three titles and publishers: *The Banking Almanac, Directory, Year Book and Diary* (Groombridge & Sons, London, 1845-1919); *The Bankers' Almanac and Year Book* (Thomas Skinner, London, 1920-1993); and *The Bankers' Almanac* (Reed Information Services, East Grinstead, 1993-present). While initially focused on British banks, from the early 1890s the coverage was expanded to include internationally active banks headquartered outside the UK.. The directory's utility was enhanced in the mid-1920s with an improved finding aid to locate foreign banks and their branches (Panza and Merrett 2019).

[4] From 1979 onwards, only banks considered as such by the 1979 Banking Act are included in this list.

Table 1. *Correspondent banking connections reported between Italy and London, 1920-1985*

Year	BBS links	IBS links	Both BBS and IBS	Unique connections
1920	263	232	43	452
1925	347	266	84	529
1930	333	253	72	514
1935	296	166	57	405
1940	185	108	35	258
1945	185	84	33	236
1950	317	220	82	455
1955	221	337	93	465
1960	303	460	117	646
1965	358	523	143	738
1970	310	531	149	692
1975	457	497	172	782
1980	490	449	176	763
1985	613	402	212	803

Note: This table illustrates the number of connections between Italian banks and London banks as reported in the International (IBS) and British (BBS) sections of the Bankers Almanac, 1920-1985.

BBS = British Banks Section, IBS = International Banks Section.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.

The International Banks Section (IBS) reports the details of internationally active banks registered outside the UK. Each bank included a list of their main London (and New York) correspondents for the convenience of its international customers. We collected all the links from both sources, standardised the bank names over time and assigned a unique ID to each bank. Then, we removed the duplicates resulting from the same relationship recorded in both sections. Table 1 presents the number of Italian banks that maintained at least one formal correspondent link with a bank in London each year, with the section of the *Almanac* where they appear and the count of unique connections. As the number of Italian banks listed in the IBS increased after 1950, the overlap between the coverage of the two sections also increased, but still only about 40% of the links were reported in both sections. This is mainly because British banks reported links to smaller Italian banks that were not included in the IBS, and also because Italian banks reported correspondents in London that were branches of other foreign banks, which did not appear in the BBS.

The long-term shape of the data follows the decline in globalisation from the 19th century and the rise from the 1960s, shown in Figure 2. Overall, the 1920s had the highest rate of banks disappearing from the dataset, as participants in correspondent banking links to London, and at the same time, the highest rate of new banks entering the market. This is consistent with the volatile period of post-war economic recovery, followed by the financial crisis. The number of banks reporting links to London declined during the Great Depression and the 1940s, a period of significant globalisation reversal, due to both a decline in cross-border trade and payments and the collapse or merger of many banks, before recovering in the 1960s. In Italy, the

number of banks decreased from 4,657 in 1926 to 2,042 in 1936 (Biscaini-Cotula and Ciocca, 1979).[5] In the first half of the 1970s, there was a surge in the intensity of international trade (from 26% to 36% of world GDP), and this is reflected in a sharp acceleration in the number of banks with correspondent links to London in our dataset. The decline in unique connections from 1965 to 1970 reflected the merger of District Bank, National Provincial Bank and Westminster Bank in 1968, each of which had managed their own correspondent banking.[6] The number of banks in London, as well as the number of banks in particular countries around the world, conditions the number of unique connections.

The *Almanac* has several strengths as a historical source. It was designed for practical use by bankers to facilitate international payments, so there were strong commercial incentives for accuracy (Mollan 2012). Its comprehensiveness in covering banks engaged in international transactions created important network effects – the more banks that registered their details, the greater the benefits to other banks in reporting their correspondents (Panza and Merrett 2019). The reliability was verified for the pre-1914 period by cross-checking with other contemporary sources (Battilossi, cited in Mollan 2012). By the 1930s, its coverage may have improved compared to earlier periods when London banks were still being urged to supply «particulars of those they represent in London» (Panza and Merrett 2019).

However, the *Almanac* also has limitations that must be acknowledged. Importantly, it does not provide information on the volume or nature of correspondent activity between banks, making it impossible to validate whether reported relationships were active or dormant (Mollan 2012). The data thus support a view of the architecture of the correspondent banking system, but not the scale or nature of payments themselves. We have excluded entries with generic descriptions, such as «Main London bankers», which cannot be specified, while some banks did not list any correspondents (Panza and Merrett 2019). Editions published prior to the 1890s suffer from sparse coverage (Nishimura, cited in Mollan 2012); therefore, we truncate our data collection to 1920-1985, when the presentation of the data was standardised. Finally, it is important to acknowledge that our data does not fully capture the connections with all branches, as banks in IBS only reported connections with their headquarter address. By contrast, British banks in the BBS reported their correspondents by location around the world and this often included the location of the branch for which they acted as London correspondent.

So far, there has not been a comprehensive source against which the *Almanac* can be verified for the 20th century. Some discrepancies have been noted between published sources and internal bank records regarding the number of correspondents, as in the case of Midland Bank (Mollan 2012).

[5] Most of this contraction, however, concerned local banks such as mutual cooperatives which were not connected into the international payment system. Hence, we do not see a proportional drop in the connections in our dataset.

[6] The three constituent banks had 24 Italian banks in common, and removing the overlapping entries corresponds closely to the total number of links for National Westminster Bank in 1970.

However, the scale and complexity of the data make comprehensive verification through archival research impractical. Given that the *Almanac* was a public directory and the data were supplied by the banks themselves, we assume that the recorded links were considered the most useful or important, whether to demonstrate their largest or most significant correspondents or to advertise the breadth of their overseas networks.

Examining archival evidence from Banca Commerciale Italiana (BCI), which had an extensive branch and correspondent banking network, we can gain a more thorough understanding of how the information was collected.[7] The process was systematic and iterative. Each year, typically in June, Thomas Skinner & Co., located at Gresham House in London, sent banks a proof copy of their current entry in the *Almanac* for review and update. A first letter requested banks to «carefully revise» their entry and return it «with as little delay as possible, even if no correction is required». Banks were explicitly asked to verify information not typically available in published reports, such as details about branches and agencies, and to provide their most recent annual accounts. If banks did not respond promptly, follow-up letters were sent, as evidenced by the September 1936 letter to BCI (France), urging the return of the proof along with updated balance sheets. The proof of the entry itself was highly detailed, containing comprehensive financial information including capital, reserves, deposits, asset structure, branch locations, telegraph codes, leadership information, correspondent relationships, and dividend history. The publisher actively sought updates and confirmation of information, with handwritten annotations on the proofs requesting specific updates, such as «please state later dividends», visible on BCI's proof. This evidence suggests that the compilation of the *Almanac* was not a passive collection of information but rather an active, annual verification process conducted directly with the banks, thereby strengthening its reliability as a historical source. The *Almanac* was then published each November, incorporating all the verified and updated information.

The accuracy of the *Bankers' Almanac* can also be validated against archival evidence from Banca Commerciale Italiana (BCI), which demonstrates the general reliability of the source, though with some discrepancies. We cross-checked the correspondent relationships reported in the *Almanac* against the lists that banks sent to the New York branch of BCI in the 1930s.[8] For some banks, like Bank Handlowy w Warszawie S.A., the match is perfect – it told BCI's New York branch that its London correspondents, included BCI, Hambros Bank Ltd, Midland Bank Ltd, Lloyds Bank Ltd, and Guaranty Trust Company of New York, which are all accurately reflected in the *Almanac*. Similarly, the Deutsche Effecten und Wechsel-Bank's connections with BCI in London and New York are correctly reported. However, some discrepancies emerge in other cases. The Banque Federale's entries show some differences: while both sources list Midland Bank, Westminster Bank, and Barclays Bank among their London correspondents, the

[7] ASISP, Comit, FE/FR, cart. 11.

[8] ASISP, Archivi periferici della BCI / Rete estera / New York / Filiale di New York /, 28-30.

Almanac lists additional relationships (like Credit Lyonnais and Banque Belge pour l'Etranger) that the Banque Federale did not reveal to BCI New York. Similar minor discrepancies appear for Banco Lisboa & Acores, where not all correspondents listed in the *Almanac* appear in the lists these banks sent to BCI New York. These differences may reflect the dynamic nature of correspondent relationships, the timing of updates, or variations in reporting standards and purposes. Nevertheless, this partial evidence suggests that the *Almanac* can be considered a reliable, albeit not fully comprehensive, source for mapping international correspondent banking relationships across the 20th century.

Having established the scope and reliability of our data, we now turn to analysing the patterns of correspondent banking relationships between Italy and London.

4. Patterns of Italian correspondent banking

With these qualifications in mind, we can proceed with a preliminary analysis of the correspondent banking patterns that emerge from the *Almanac*'s data. In observing the Italian data, we focus on three types of relationships between banks in London and their respondents in Italy. Firstly, we identify the number of Italian banks that are reported as maintaining a connection to London. Counting them at a given point in time can show regional variation in the level of these direct institutional connections to services in London, bearing in mind that branches are not included in our data. Secondly, we can examine the other end of the relationship, observing how many banks in London offer direct payment services to a specific Italian bank, or a particular province, town, or city. This can provide insight into the level of outreach across the peninsula for a given London bank, as well as specific partnerships and regional patterns of importance from a business history perspective. Thirdly, we can examine the intensity of these connections as a measure of network activity: Italian banks typically report links to more than one London bank, and conversely, banks in London report multiple respondents in cities and regions across Italy. This pattern can signal the intensity of connectivity of a specific portion of the peninsula to the payment system in London. These connections were not costless; they required the operation and monitoring of distinct accounts on both sides. For most of the period, these deposits did not earn interest at market rates, so there was an opportunity cost associated with maintaining the accounts. These fixed costs were in addition to the specific fees due when the payment instructions were activated.

Our analysis proceeds in three complementary steps: first, we examine the evolution of Italian banks' connections and their geographic distribution; second, we analyse the strategies and market concentration of London banks; and finally, we relate these financial networks to regional economic development patterns. Together, these perspectives reveal how Italy's integration into the global payments system evolved across the tumultuous 20th century. The empirical analysis reveals three fundamental transforma-

tions in Italy's financial integration: an initial widespread connectivity that contracted during the interwar crisis, followed by post-war expansion concentrated in the industrial North, and finally a period of intensification that deepened existing regional disparities. These patterns reflect not just the evolution of banking technology and regulation, but also the underlying shifts in Italy's economic geography and its position in the global economy.

4.1. *Italian banks and their connection intensity*

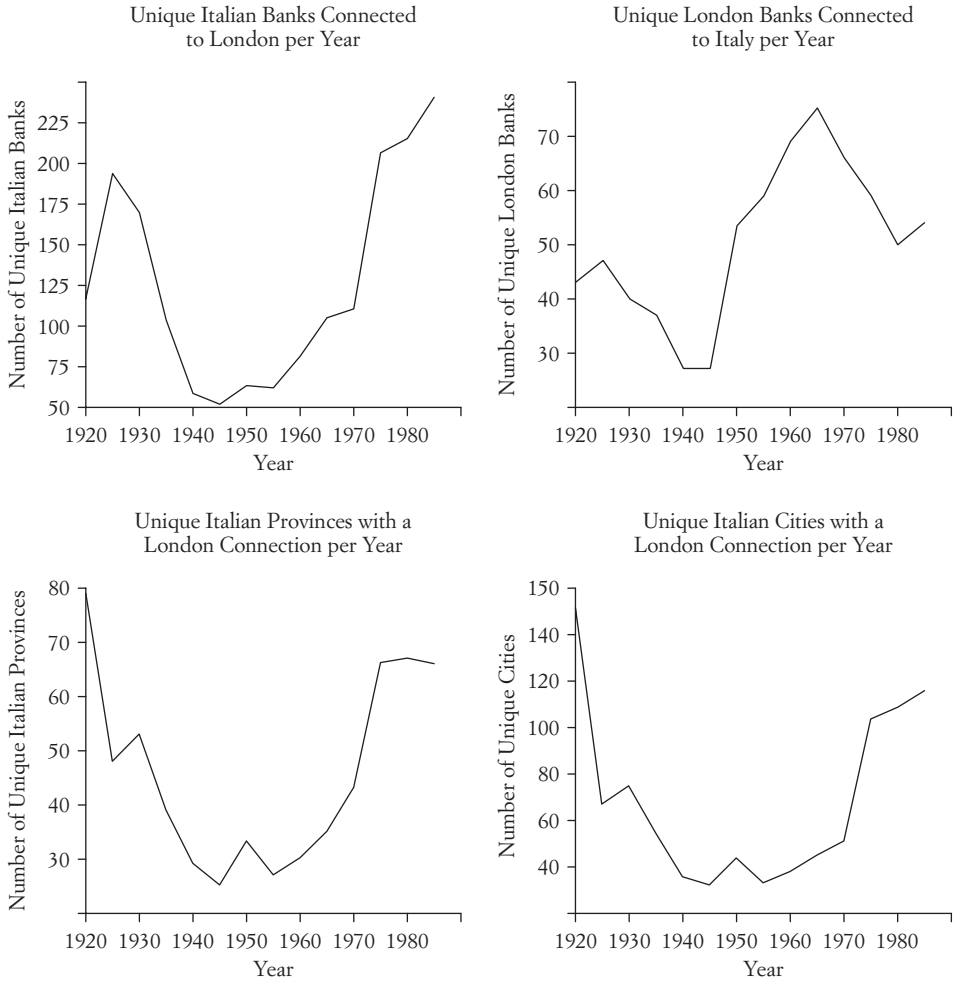
Figure 3 presents the general trends in terms of the aggregate number of banks in Italy with at least one correspondent link to London, reporting also the cities and provinces of Italy with at least one connection in our dataset. We can observe a general contraction beginning with the interwar period, which is particularly severe in the early 1920s. The striking drop between 1920 and 1985 in the number of provinces connected with London deserves particular mention, as it was the result of the failure of Banca Italiana di Sconto (BIS) in 1921. In 1920, Barclays Bank listed many (52) BIS branches among its respondents, but in 1925 it listed only 4 branches of Banca Nazionale di Credito, the credit institutions that succeeded to BIS and inherited most of its branch network.[9] The interwar contraction is then followed by a slow, intensive growth in territorial penetration until the 1975-1985 period, when only a few cities were connected to London, but there was no extensive provincial expansion.[10] This is reflected in the mean number of linked cities per province, which rose from approximately 1.2 (std 0.4) to 1.5 (std 0.8) cities. This regional trend is not fully matched by the number of London banks reporting at least one link to Italy, which grew during the period 1950-1965, only to contract subsequently, from 1965 to 1980. Given the growth in the number of Italian banks reporting direct links to London, this is a phase of concentration of the connections on the London side, starting from a mean of 6-8 (std 10-12) banks in Italy per London bank until 1960, and then more than a doubling in both variance and mean values after. The period from the late 1960s was also a time of consolidation in London, marked by the merger of Martins Bank and Barclays, as well as the creation of National Westminster Bank from its three constituent banks. These effects are discussed in more detail below.

This varying pattern of integration is evident geographically, as shown in Figure 4 for the year 1920 and in Figure 5 for the year 1985. These represent the total number of connections per province, where a connection denotes a relationship between an Italian bank and a London bank in a specific city.

[9] This change, alone, explains why the number of connected cities and provinces dropped dramatically in 1920-1925, while number of unique Italian banks with a London connection increased. It is difficult to assess, however, whether these connections were truly active or not, since most of BIS branches had been hastily opened during WWI and did not necessarily reflect an established and consolidated connection.

[10] The sharp rise in London connections in 1970-1975 was not unique to Italy and can be attributed to the development of the City of London as a centre for Eurodollar market, which increased in importance following the collapse of Bretton Woods system and the progressive relaxation of capital controls.

Figure 3. Italian Banks' Connections to London: Number of banks, number of locations.

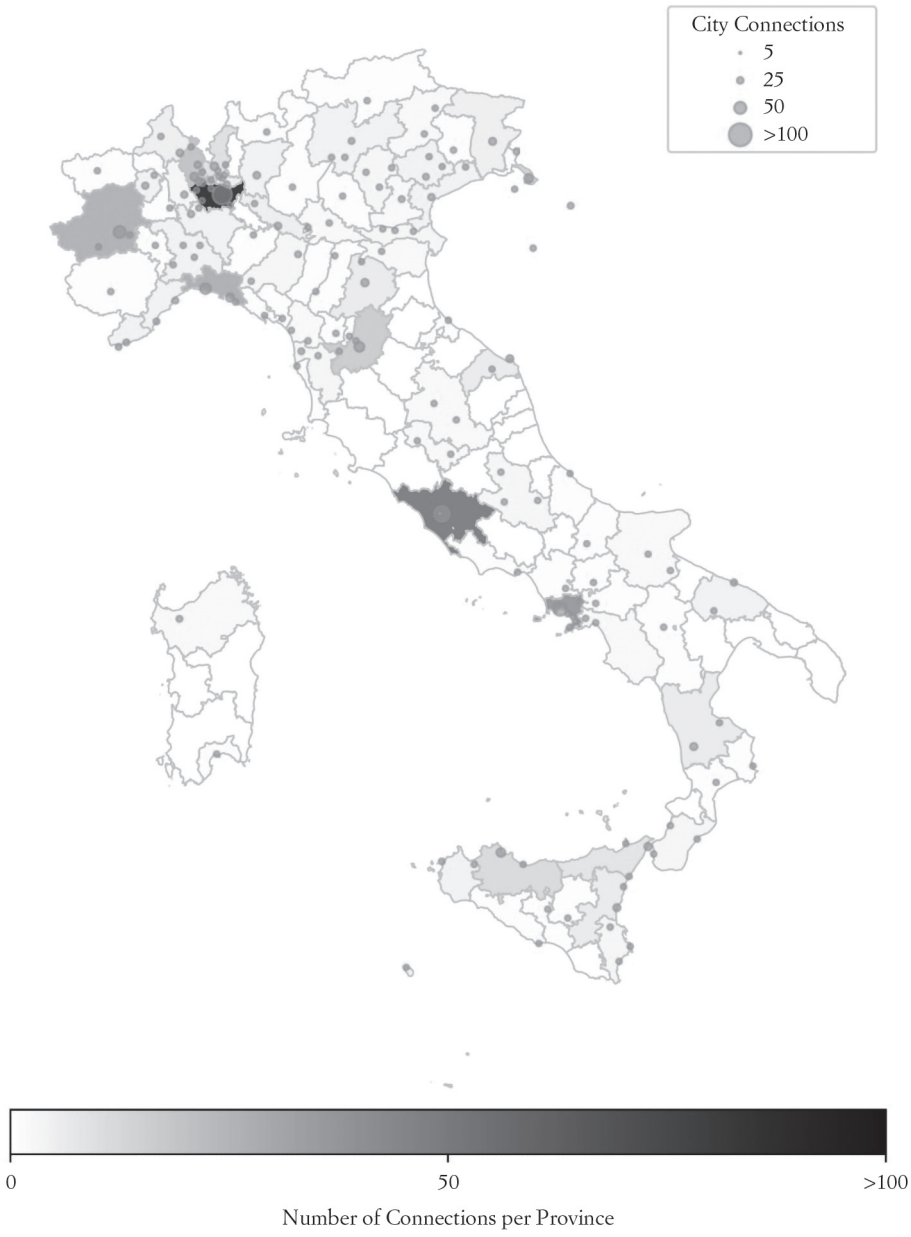


Note: This figure shows summary data for various elements in the dataset for each quinquennial year. The top left panel shows the number of banks in Italy with connections to London. The top right panel shows the number of London banks with at least one Italian connection. The bottom left panel shows the number of Italian provinces (in 2024 borders) that have at least one connection with London. The bottom right panel shows the number of Italian cities with at least one connection to London. «Respondent Banks» refers to banks in Italy, «Correspondent Banks» refers to banks in London.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.

In aggregate, the Italy of 1920 and that of 1985 are very similar in terms of the number of Italian banks with London correspondents (191 and 200, respectively). However, the intensity of the connections was much greater, with approximately 450 connections in 1920 and almost double that, at 800, in 1985. Important structural differences emerge once we observe

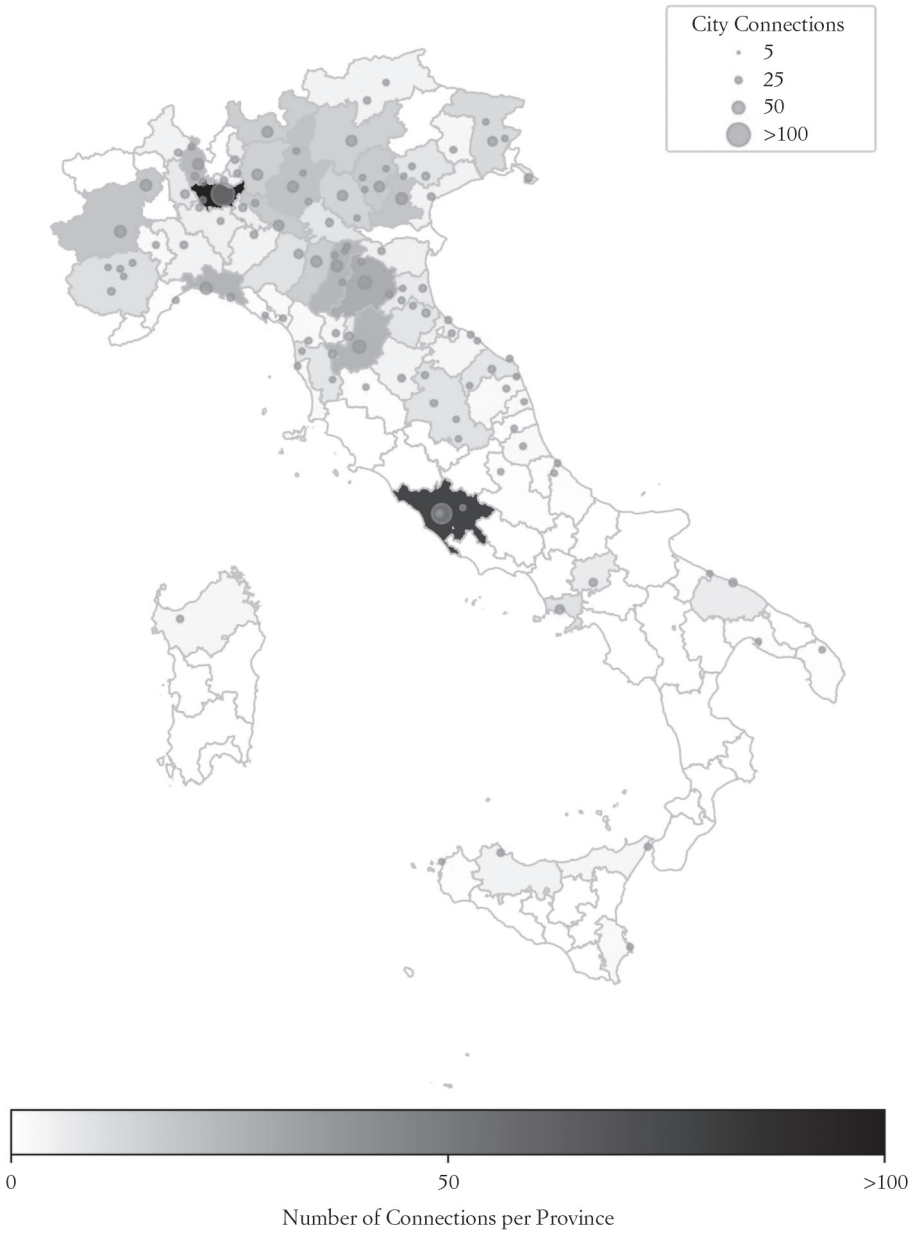
Figure 4. Number of connections per province (1920).



Note: This figure shows, for 1920, the number of connections of Italian banks to London by province (using 2024 borders, with a shaded scale) and by city (represented by salmon points, with a pie-size scale). We adopt the 2024 provincial borders for consistency with Figures 6 and 7.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.

Figure 5. Number of connections per province (1985).



Note: This figure shows, for 1985, the number of connections of Italian banks to London by province (using 2024 borders, with a shaded scale) and by city (represented by salmon points, with a pie-size scale). We adopt the 2024 provincial borders for consistency with Figures 6 and 7.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.

the city and provincial distributions and intensities. In 1920, Italian banks' links to London were characterised by regional diffusion, with dominant provinces in Milan, Turin, Genoa, and Florence in the centre-north, and Naples and Rome in the centre and south. Notably, the northeast was relatively inactive during this period. The same region half a century later is, in many ways, a different reality. Rome and Milan dominate the space of correspondent links, and a clear series of geographic networks emanate from Milan along main roads, reaching out to the northern cities that prospered during this period. The geography reveals how banks were situated along the main arteries of commerce and industrial exchange during the post-war period. The south, in contrast, has fewer direct connections, with a much-diminished presence in Naples compared to the period before the Second World War.

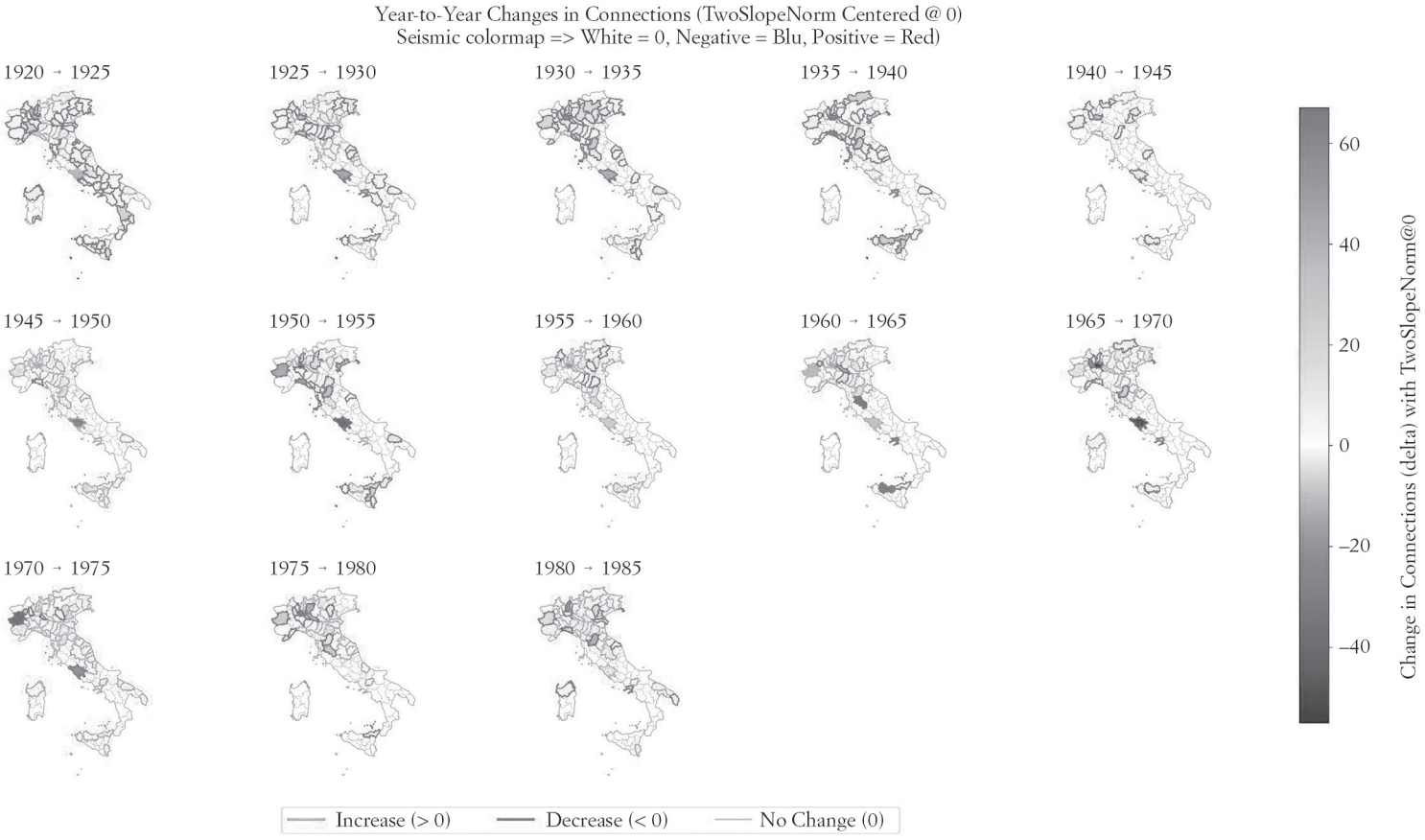
This does not imply that the southern provinces and cities have no correspondent connection to London (or other international centres). The branching of banks headquartered in Naples, Palermo, or Messina may maintain greater regional coverage than is shown here, as our source does not fully capture branches that accessed the correspondent links of their head offices on behalf of local customers.[11] However, it provides an indication of the number of direct links between banks in these territories and London. As noted above, indirect links to correspondent banks for payment settlement could prolong and complicate the settlement process for customers. Nonetheless, by 1985, there was a much denser pattern of individual connected banks headquartered in the North than in 1920, and this is reflected in the architecture of cross-border payments.

Figure 6 allows us to appreciate the regional trends in the intensity of connections between each province and London. The shrinking of southern connections is a phenomenon that began in the interwar period, except for Palermo, which experienced a growth in intensity until 1935 but later faded. Increasing waves of concentration and growth in the North complete the picture, with an interesting trajectory for the province of Turin, which grew until 1970, then reduced its reported connections. An interesting oscillation in reporting is evident for some provinces throughout the period. For example, stark differences in the province of Rome are evident cyclically, with increases and decreases in the number of reported connections alternating every decade or so.

To further understand the behaviour of Italian and London banks, we can focus on two complementary aspects to those touched upon in Figure 6. Figure 7 shows the average number of connections of Italian banks to London in any given province. Here, we can distinguish a pre-war light concentration of banks and connections, which intensified from 1950, especially in a few regions where some Italian banks appear to maintain relationships with a plurality of banks in London. Between 1950 and 1960, for example, the province of Siena exhibits an above-average number of connections. In-

[11] As discussed in the conclusion, however, the bias is unlikely to change the overall picture presented.

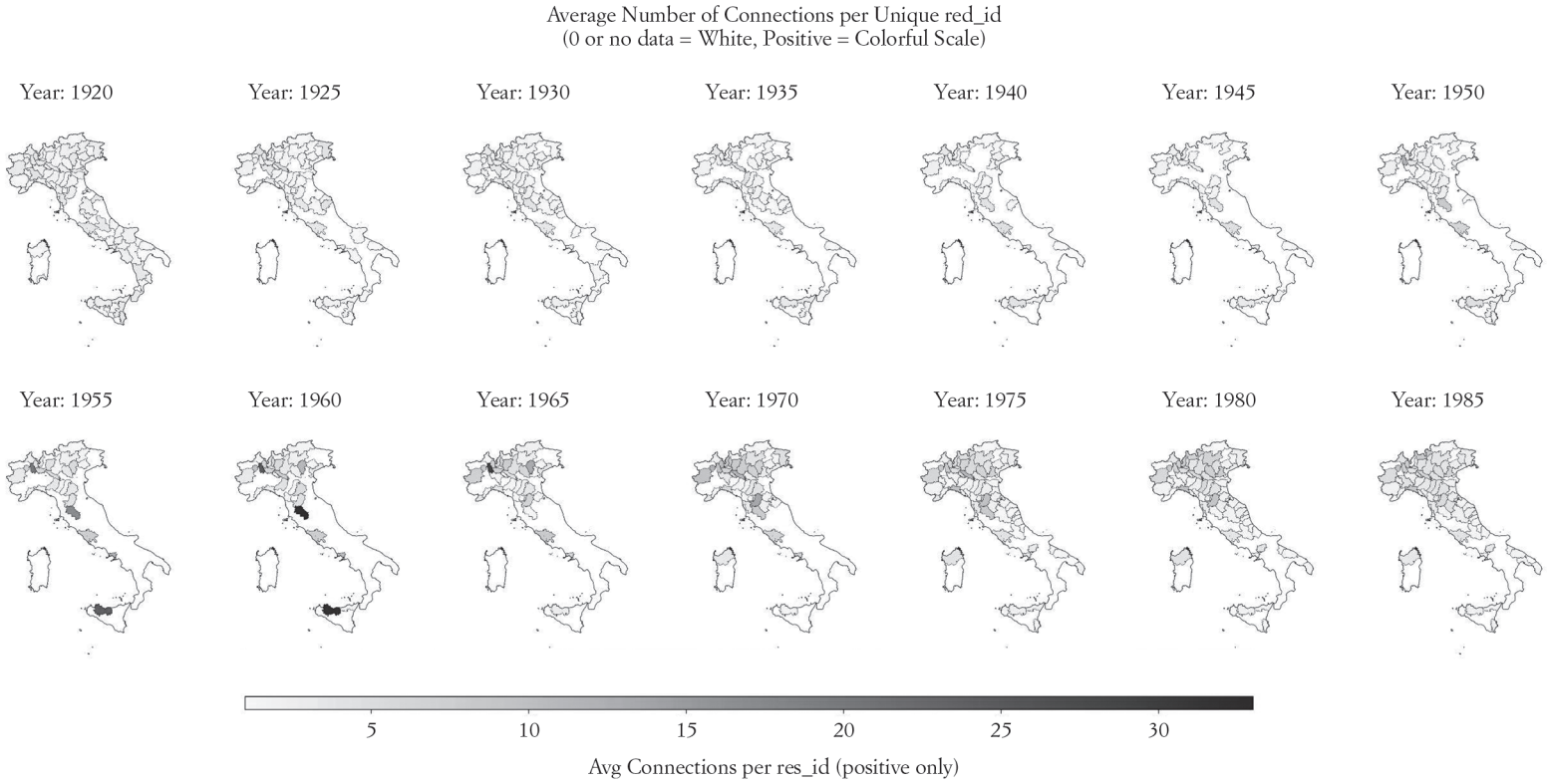
Figure 6. Changes in connections between reference years by province, 1920-1985.



Note: This figure shows the change in the number of connections between Italian banks and London banks at the provincial level (2024 borders); red signals a growth in connections, and blue a contraction. No change or no data is shown in white. With city-level data, we geolocate banks using the 2024 borders to address the issue of provinces changing their borders.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.

Figure 7. Average number of London Connections per Italian bank (province level), quinquennial, 1920-1985.



Note: This figure displays the average number of connections between Italian banks and London banks at the provincial level (2024 borders), with a shaded scale for the values. With city-level data, we geolocate banks using the 2024 borders to address the issue of provinces changing their borders.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.

dividual banks are often responsible for these idiosyncrasies and warrant further study from a business history perspective. [12]

These patterns of regional variation and temporal change in Italian banks' connectivity raise important questions about the strategies of their London counterparts and the degree of market concentration in correspondent banking services.

4.2. *The London correspondent banks*

The number of London banks directly involved with Italy during this period, through a reported correspondence relationship, oscillated between the lows of the 1940s (around 30 banks) and doubled or more in the period 1955-1965. The intensity of connections and territorial penetration was, however, uneven, and the top 10 largest banks account for between 50% and 80% of the total connections reported in the Bankers Almanac. Table 2 below shows the top 10 London correspondent banks across all years, with the number of their Italian partners, city reach, and total number of connections. Table 3 presents the country-level values for these dimensions, enabling comparison with the aggregate levels.

The table shows the growth of major London correspondents (top 10), driven by increased respondents joining their network and the consolidation of major institutions since 1970. The London branch of BCI accounted for 5% to 7% of the correspondent links between Italy and London, although it dealt with a diminishing number of respondents over time. This emphasises that the dataset includes all banks in London, not just British-registered banks. For example, in the interwar period, Italian banks also used the services of Credito Italiano, Swiss Bank Corporation, Credit Lyonnais, Comptoir National d'Escompte, and Banque Belge Pour l'Etranger. Although BCI had a branch in London, its offices in Italy also utilised the correspondent banking services of Barclays Bank. Lloyds Bank, Martins Bank, Midland Bank, National Provincial Bank, Samuel Montagu and Westminster Bank. Branches were clearly not a substitute for correspondent banking relationships to make payments on behalf of a bank's customers. The London office of BCI had to close in 1940 due to Italy's war against the United Kingdom. However, the number of banks using BCI as their London correspondent had fallen by about half between 1930 and 1935, compared with smaller declines for other London banks. BCI's London branch was reopened in 1971, but it did not regain its role as a reported London correspondent for Italian banks.

[12] Not surprisingly, the dynamics in the province of Siena are due to the increased connectivity of Monte dei Paschi di Siena, which increased its connection from 8 in 1950, to 17 in 1955, and then to 33 in 1960.

Table 2. *Leading London correspondent banks, 1920-1985 (with number of Italian cities reached, Italian bank partners, and total connections)*

London Correspondent Bank	1920	1925	1930	1935	1940	1945	1950	1955	1960	1965	1970	1975	1980	1985
	Number of Italian cities where a connection exists													
Banca Commerciale Italiana	21	18	15	11	7	London Office Closed in 1940						1	1	1
Barclays Bank	145	21	30	19	15	15	31	18	19	25	35	59	67	90
Midland Bank	23	37	41	32	21	21	24	26	27	35	39	91	94	106
Martins Bank		11	15	11	11	6	9	10	12		Acquired by Barclays			
Swiss Bank	9	8	11	4	6	6	6	15	18	19	17	16	13	7
National Provincial Bank	3	7	14	8	6	5	12	14	16	12	Merged with Westminster			
National Westminster Bank	Pre-merger: National Provincial and Westminster Banks										34	45	50	71
Hambros Bank	5	21	11	9	8	8	11	11	22	28	35	40	37	38
Westminster Bank	19	21	26	16	12	12	18	17	20	25	Merged with Nat. Prov.			
Lloyds Bank	5	27	30	26	9	9	17	10	13	16	20	24	23	26
	Number of distinct Italian banks with a correspondent connection													
Banca Commerciale Italiana	34	36	28	16	13	London Office Closed in 1940						1	1	1
Barclays Bank	8	34	26	19	15	15	26	35	38	51	65	99	117	145
Midland Bank	50	73	63	41	28	27	43	43	47	63	73	156	162	191
Martins Bank		15	16	15	15	13	19	22	28		Acquired by Barclays			
Swiss Bank	14	14	13	6	8	8	12	25	31	34	31	25	19	10
National Provincial Bank	5	7	14	8	5	5	15	20	23	24	Merged with Westminster			
National Westminster Bank	Pre-merger: National Provincial and Westminster Banks										55	72	88	113
Hambros Bank	5	29	17	10	10	10	15	22	38	52	60	64	61	62
Westminster Bank	17	22	24	22	12	12	21	29	38	46	Merged with Nat. Prov.			
Lloyds Bank	7	35	30	21	11	11	16	22	28	30	33	38	39	48
	Number of total connections between London and Italian banks by year													
Banca Commerciale Italiana	36	36	28	16	13	London Office Closed in 1940						1	1	1
Barclays Bank	151	56	56	40	35	35	109	38	43	55	68	103	120	147
Midland Bank	61	89	88	90	55	54	49	48	53	67	78	163	168	196
Martins Bank		33	41	36	36	14	24	26	30		Acquired by Barclays			
Swiss Bank	15	14	13	6	8	8	12	25	31	34	31	25	19	10
National Provincial Bank	5	13	16	10	6	6	21	24	28	25	Merged with Westminster			
National Westminster Bank	Pre-merger: National Provincial and Westminster Banks										58	76	91	116
Hambros Bank	5	63	17	10	10	10	15	22	38	52	60	64	61	62
Westminster Bank	33	48	60	50	27	27	51	36	48	49	Merged with Nat. Prov.			
Lloyds Bank	7	70	74	55	21	21	53	25	32	31	35	41	41	49

Note: This table shows the number of cities, Italian banks, and total city-bank connections by year for the top 10 London banks in the dataset.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.

Table 3. *Country-level aggregate values for key dimensions: Number of connections, unique Italian and London banks, and city coverage*

Year	Absolute number of connections	Number of Italian banks with at least one London correspondent	Number of London banks with at least one Italian correspondent	Number of cities with a correspondent link to London
1920	452	116	43	131
1925	529	191	47	63
1930	514	168	40	69
1935	405	103	37	52
1940	258	59	27	34
1945	236	52	27	31
1950	455	63	53	43
1955	465	62	59	30
1960	646	81	69	35
1965	738	105	75	40
1970	692	110	66	47
1975	782	204	59	91
1980	763	212	50	96
1985	803	237	54	101

Note: This table shows for 1920-1985 aggregate values for the total number of bank and city connections between London and Italy.

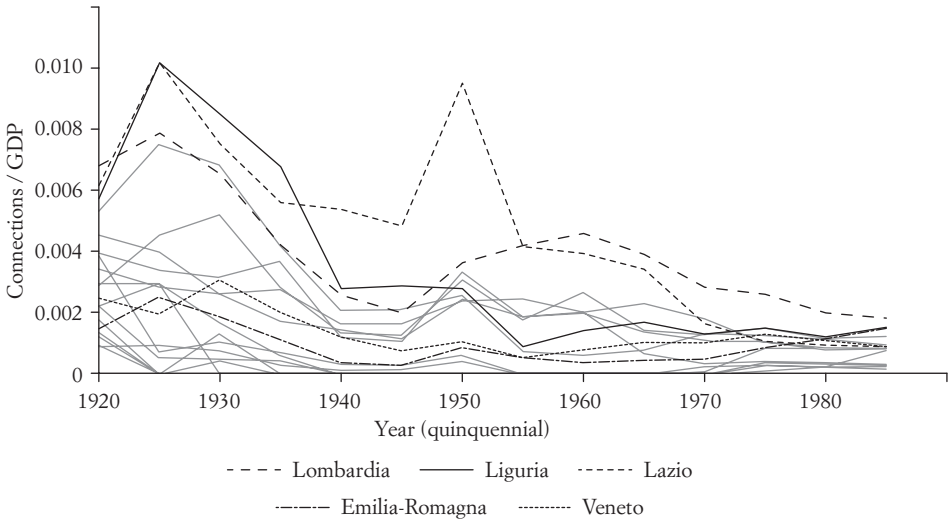
Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.

4.3. *Economic activity and the intensity of connection*

Although an analysis of unweighted counts of correspondents by province is interesting in itself, it is also important to assess whether the overall picture changes when these figures are weighted by economic activity. Indeed, the relative importance of Italian regions in international trade and commerce varied over time. We would expect correspondent links to expand in line with cross-border economic activity, such as trade, remittances, and capital flows. Unfortunately, reliable estimates of regional trade are not available, and the best disaggregation beyond the national level is the estimates of GDP at the regional level by Rosés and Wolf (2018).[13] We therefore calculate the number of connections by region and then weight them by regional GDP, displayed in Figure 8. Three remarkable trends emerge. First, this exercise reveals a process of consolidation; while the number of correspondent banking links increased from the 1960s onwards, this increase was slower than the rate of economic growth. The only exception to this long-term trend is Lombardy in the post-World War II period (specifically, the province of Milan), where the number of connections surged ahead of growth between 1945 and 1960. The post-World War II expansion was not a Lombardy-only phenomenon; most regions experienced a spike

[13] Roses and Wolf (2018)'s GDP estimates are not available for all years, we therefore interpolate linearly their data when data is missing. Despite the shortcoming of this approach, as GDP did not grow linearly in the period in question, this rough measure represent the best possible approach. This is especially true since we are simply using these figures in a descriptive way, not in regression analysis.

Figure 8. GDP weighted bank connections by region, quinquennial, 1920-1985.



Note: The figure illustrates the evolution of weighted bank connections (connection count / regional GDP) for Italian regions over time, highlighting shifts in regional connectivity relative to economic output.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London; Roses and Wolf (2015); and ISTAT (https://www.istat.it/tavole-di-dati/conti-economici-regionali-anni-1980-2004/) accessed January 12, 2026. GDP data in Roses and Wolf is available only until 1980, we extrapolate using ISTAT 1980-1985 growth rate.

in 1950, right after the war, but subsequently the trend reversed, while for Lombardy, it was sustained for the following decade. This leads to the second important trend emerging. While Lombardy has always been among the most connected regions according to this indicator, in the interwar period it was overtaken by Liguria and Lazio. Even in the 1950s, Lazio (specifically, the province of Rome) appeared as the region with the highest number of connections relative to its economic activity. It is only from the 1960s that Lombardy firmly assumes the top spot in this ranking.

Table 4 presents the top 5 regions in the benchmark years 1925, 1935, 1955, 1970, and 1985.[14] The above-mentioned trend is even more evident. In relative terms, Lazio, Liguria, and Friuli Venezia Giulia are among the most connected regions during the interwar period, with Lombardy ranking third or fourth. This is despite Lombardy's persistent lead in economic activity. In 1955, Lazio still retained the top spot, followed by Lombardy, but they were joined by Campania and Sicily – the latter already in fifth place in 1935. However, by 1970 Lombardy firmly takes the top spot while Lazio is overtaken by Piedmont (which was already in the fifth spot by 1955). Friuli Venezia Giulia and Liguria re-enter the top ranking, which they maintained,

[14] 1925 and 1935 are taken as pre and post Great Depression year. 1955 is chosen as post World War II year. 1970 is chosen as it represents the last year Bretton Woods year. 1985 is the last point available.

Table 4. *Top-5 regions by GDP-weighted connections for selected benchmark years*

Region	Rank	Year	Number of connections	GDP	Weighted connections
Lazio	1	1925	83	8,178.24153	0.010148881
Liguria	2	1925	57	5,660.36356	0.010070025
Lombardia	3	1925	150	19,033.37286	0.007880894
Friuli-Venezia Giulia	4	1925	24	3,196.25218	0.007508794
Toscana	5	1925	39	8,591.2147	0.004539521
Liguria	1	1935	53	7,806.426122	0.006789278
Lazio	2	1935	57	10,181.69965	0.005598279
Friuli-Venezia Giulia	3	1935	19	4,415.757434	0.004302773
Lombardia	4	1935	107	25,417.973	0.00420962
Sicilia	5	1935	35	9,481.677285	0.00369133
Lazio	1	1955	83	19,629.19288	0.004228396
Lombardia	2	1955	207	49,402.00029	0.004190114
Campania	3	1955	37	15,046.0129	0.002459123
Sicilia	4	1955	24	12,759.56549	0.001880942
Piemonte	5	1955	46	24,662.47479	0.001865182
Lombardia	1	1970	323	113,198.0924	0.002853405
Piemonte	2	1970	100	55,159.68962	0.001812918
Lazio	3	1970	87	50,466.13562	0.001723928
Friuli-Venezia Giulia	4	1970	16	11,765.17536	0.001359946
Liguria	5	1970	26	19,337.44248	0.001344542
Lombardia	1	1985	306	168,025.06367	0.001821157
Emilia-Romagna	2	1985	106	69,438.48886	0.001526531
Friuli-Venezia Giulia	3	1985	21	16,975.01346	0.001237112
Liguria	4	1985	27	25,936.75895	0.001040994
Toscana	5	1985	54	56,279.07838	0.000959504

Note: The table identifies the top 5 Italian regions each year based on their weighted connections, calculated as the number of connections divided by regional GDP. For the benchmark years, it shows the raw connection count, GDP, and the resulting weighted connection value, offering a snapshot of regions with the most significant connectivity relative to their economic size across different periods.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London; Rosés and Wolf (2018); and ISTAT (https://www.istat.it/tavole-di-dati/conti-economici-regionali-anni-1980-2004/) accessed January 12, 2026. GDP data in Rosés and Wolf is available only until 1980, we extrapolate using ISTAT 1980-1985 growth rate.

at least until 1985. In our last observable point, Emilia-Romagna takes second place, while Lazio, for the first time, is not in the top ranking. This variation suggests avenues for further research on the cross-border commercial activities of these provinces, including remittance traffic, which would attract correspondent banking business. Whether the creation of a correspondent banking link promotes international business, either through the salesmanship of the London bank or by lowering the barriers to foreign payment services for local businesses, requires more firm-level and location-specific data.

Analysis of unweighted connection counts and their share of total connections (Figure A1 and Table A1) complements the weighted results by highlighting the raw distribution of connectivity. Lombardy consistently leads in unweighted counts, reflecting its core banking role, followed by Lazio, likely due to its political significance as the host of the capital. Liguria's interwar prominence as a trade hub diminishes post-war, possibly due to the relative decline of the Northwestern industrial triangle. The post-World War II rise

of Veneto and Emilia-Romagna, now among Italy's richest regions, aligns with this. While Lombardy's dominance is more pronounced in weighted metrics, its unweighted share also increases, particularly after World War II. Unweighted results indicate greater regional diversity in earlier periods, with southern regions, such as Campania and Sicily, ranking highly in the 1950s. This diversity declines as Lombardy's position consolidates after World War II, mirroring economic centralisation trends seen in weighted metrics. Traditional financial centres like Piedmont and Lazio decline in influence later in the period.

Overall, these metrics indicate a shift from broader regional participation to the dominance of economically stronger regions, such as Lombardy. This is particularly interesting, as it suggests that though Lombardy was already the Italian capital of international finance at the beginning of our period, its position for cross-border payments infrastructure was not as dominant as it became after World War II, and in particular from the 1960s onwards.

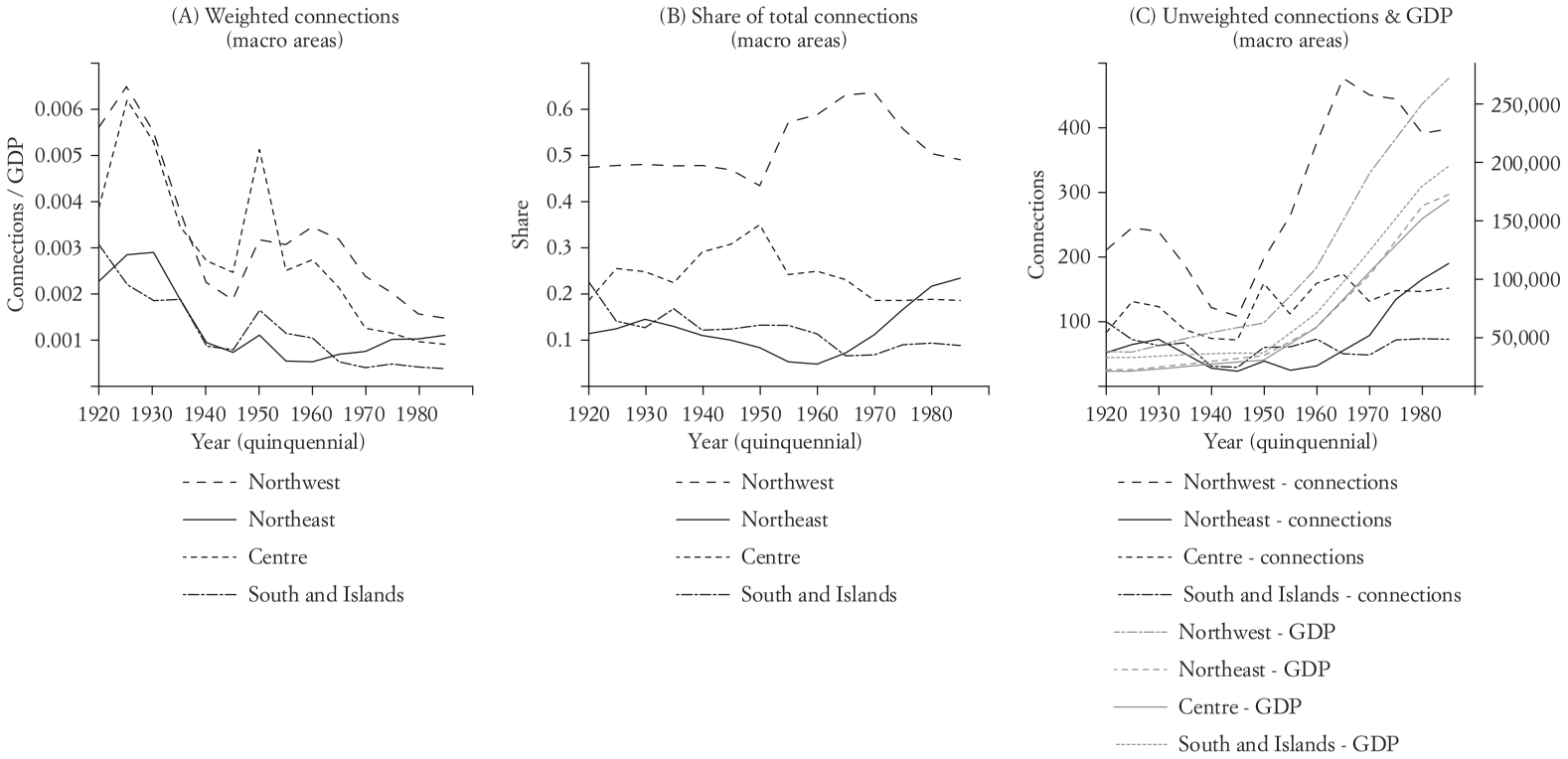
Finally, the new data allows us to shed light on the issue of macro-area divergence from an international finance perspective. Dividing Italy into four macro-areas – Northwest, Northeast, Centre, and South and Islands – reveals significant trends in financial integration over time. The Northwest, driven by Lombardy, leads in both weighted and unweighted measures, reflecting its dominance in global financial connectivity. The Northeast steadily improves its unweighted counts and share, consistent with the rise of Veneto and Emilia-Romagna as industrial and economic centres in the post-World War II period. The Centre, led by Lazio, maintains relevance in the interwar period but experiences a relative decline in financial connectivity after the 1950s.

A striking result is the persistent lag of the South and Islands across all metrics. Despite substantial increases in GDP during the latter part of the period, the South fails to show growth in direct financial connectivity. Both unweighted and weighted measures reveal a flat or declining trend for the South, with its share of total connections steadily decreasing. This divergence is puzzling – while the South's economic output grew significantly after the 1960s, it did not translate into greater integration into the cross-border payments architecture, as the number of connections remained stagnant throughout the period. Remittances and other payments through London relied on a relatively narrow range of correspondent connections in the South.

Interestingly, the weighted metrics show a convergence among the northern macro-areas (Northwest, Northeast, and Centre) as their relative economic activity and connections align more closely over time. However, the South remains an outlier, with a clear and widening gap compared to the northern regions. This suggests that despite the South's economic progress, structural barriers or institutional factors may have limited its ability to leverage this growth into increased participation in global financial networks. The findings underscore the deepening North-South divide and highlight the need for further research into the factors hindering the South's international financial integration despite its economic advances.

Figure 9 shows the convergence in the number of connections when weighted by output after 1950. This contrasts with the unweighted number of connections and emphasises the importance of assessing the «con-

Figure 9. Macro regional trends in number of connections (weighted and unweighted), 1920-1985.



Note: This figure presents three subplots analysing Italian regional connectivity by region group over time. Only selected regions are highlighted, while all remaining regions are in grey. (*a*) *Weighted Connections*: Displays the total weighted connections (connection count divided by regional GDP) for each region group. (*b*) *Share of Total Connections*: This metric illustrates the proportion of each region group's total unweighted connections. (*c*) *Unweighted Connections and GDP*: Displays unweighted connection counts (left y-axis) and total regional GDP (right y-axis) for each region group, highlighting the relationship between absolute connections and economic output.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London; Roses and Wolf (2018); and ISTAT (https://www.istat.it/tavole-di-dati/conti-economici-regionali-anni-1980-2004/) accessed January 12, 2026. GDP data in Roses and Wolf is available only until 1980, we extrapolate using ISTAT 1980-1985 growth rate.

nectedness» of a region according to its economic activity. The high level of connections from the Northeast becomes less distinctive when viewed in relation to the economic activity in this region. Of course, causation is not demonstrated in these ratios; it may be that a less intense direct link to the cross-border payments system hindered economic development, or that economic development influenced the intensity of these direct links.

5. Discussion and conclusions

Knowing how regions and sub-regions integrated into cross-border financial networks is important for understanding the nature and process of international economic relations. Over the past 5 years, the IMF and FSB have been concerned with the changing shape of correspondent banking networks and how the fall in the number of connections in some countries might affect access to financial services by customers without a direct link to cross-border payments. By drawing on a new dataset of correspondent banking connections between banks in Italy and London in the 20th century, we have shown that the regional pattern of financial connectedness of Italian provinces widely varied over time, in a way that cannot be only explained by patterns of economic growth. These connections offered direct links for local producers and consumers to cross-border payments services. The evidence shows that the local banking infrastructure in regions and provinces had important effects on this interconnectedness, both through the pattern of bank branches and also when individual banks collapsed during periods of financial stress.

The new data on bilateral correspondent links in Italy for the period 1920-1985 reveal interesting timings and directions for further exploration. Characterised by a relatively large number of banks, and viewed from the perspective of correspondent relationships, the Italian ecosystem interacted with the changing global environment in roughly three major phases. A pre-war period, characterised by an early setup and diffuse regional connections to London, which gradually disappeared from 1925 onwards. We observe a rapid decline in respondents from 1925 to the end of the Second World War, which sowed the seeds for a regional shift, creating two separate banking landscapes that are visible. By the end of the 1920s, our data indicate a relatively shrinking South and a growing North, with small and medium-sized banks supporting more direct cross-border accounts with banks in London. The initial interwar contraction could be linked to the extraordinary expansion of Italian bank branches across Italy during this period (Molteni 2024). Customers may have been able to access correspondent banking services through these expanded regional branch networks, creating connections that are not visible in our data, which is biased toward headquarters locations.[15] Although this in-

[15] The evolution of the Italian banking system was remarkably stable over time since it was «frozen» by the 1936 banking law. Only national banks could expand beyond their headquarters' region. The persistence of the Italian banking system during the period in question was so strong that Guiso, Sapienza, and Zingales (2004) utilised it as a source of exogenous variation to make causal estimates of local financial development and economic growth.

sight requires further exploration,[16] Southern Italy and the Islands had a considerably higher share of headquarters relative to total banking offices;[17] thus, the resulting bias would be over-representation in our dataset, rather than explaining the retreat of southern observations in our data.[18]

One potential bias could arise from Southern banking connections being replaced by indirect connections through branches of national banks headquartered in the North (e.g., Milan). However, to bias our result, the branch expansion of these banks should be more pronounced in the South than in the rest of the country. If we consider the expansion of the five national banks that branched nationwide (Banco di Napoli, Credito Italiano, Banca Nazionale del Lavoro, Banco di Roma, and Banca Commerciale Italiana), the picture emerging is reassuring. In fact, as Table A2 shows, between 1945 and 1985, the number of these banks' branches grew from 1,067 to 2,106, but those in the South grew less than those in the North and Centre;[19] in the centre, branches increased from 196 to 450, a 130% increase; in the North West, from 291 to 607 while in the North East, from 108 to 300, marking an increase of 109% and 178% respectively. By contrast, in the South and Islands, they grew only 59%, from 472 to 749. Therefore, once we take into account indirect connections through the bank offices of national banks, the trend observed in our data is reinforced, if anything. Furthermore, the decline we observe in the South could be attributed to bank consolidation. If, in the South, the consolidation was stronger than in the rest of the country, the reduction in connections could be due to the disappearance of merging banks. What happened is the opposite: between 1945 and 1985, the number of banks increased in the South, while it decreased in the rest of the country. Nevertheless, it is essential to acknowledge that our data only considers links with London, so it is theoretically possible that the South was better connected to other financial centres.

[16] Molteni's (2024) data on bank office distribution in 1928 and 1936 allow us to distinguish between HQs and branches in each province. In 1928, the average share of headquarters of total offices in the Islands/South was 44.5%, while in the Centre/North, it was 28.8%. This difference is statistically significant at the 1% level ($p = 0.0007$). By 1936, the gap had widened, with the HQ share decreasing to 38.6% in the Islands/South and 19.0% in the Centre/North, a statistically significant difference at the 1% level ($p < 0.00001$). A robustness check excluding cooperative banks (BCCs) confirms this pattern, with HQ shares in 1928 of 24.8% for the Islands/South and 16.4% for the Centre/North ($p = 0.0023$), and in 1936, 21.4% for the Islands/South and 9.7% for the Centre/North ($p = 0.0001$).
This evidence consistently shows that HQs were relatively more prevalent in the Islands/South compared to the Centre/North, highlighting that branching was significantly more developed in the latter region. Consequently, our data on international financial connections, which focus exclusively on HQs, are unlikely to be biased against the Islands/South; if anything, they would tend to underrepresent the Centre/North.

[17] In 1928, the Islands had the highest HQ share (63.2%), followed by the North East (38.4%), South (32.4%), Centre (31.1%), and North West (22.4%). By 1936, HQ shares declined across regions, with the Islands (43.5%) and North East (36.8%) remaining highest, followed by the South (28.8%) and Centre (17.5%), while the North West (14.9%) had the lowest. Excluding BCCs, the Islands and South consistently showed the highest HQ shares, while the North West and Centre had the lowest in both years. These differences are all statistically significant using ANOVA tests.

[18] This is true only if one assumes proportional market share, an assumption that we cannot verify empirically.

[19] The expansion in the South is primarily driven by Banco di Napoli, while other banks' share is relatively smaller.

The first interwar-to-war phase was followed by a steady expansion from 1950 to 1970; this twenty-year span saw a rapid extension of London correspondents towards various Italian centres, accompanied by a resurgence in the number of Italian banks active in cross-border payments, especially in the centre-north. While the period 1920-1950 is characterised by relatively even relationships between individual respondents and their London correspondents, the middle decades of the 20th century show a proliferation of London correspondent relationships reported by Italian banks at the city and provincial level. These changes occurred in the third phase, from 1970 to 1985, when smaller cities in the provinces began reporting direct links to London. This is a period of consolidation, and while the aggregate number of links shows similarities with the 1920s, it is a much different Italy, with widespread northern banks and a much more centralised southern system.

On the one hand, our findings reassuringly mirror the regional economic development patterns of Italy across the 20th century. Increases in regional output were associated with a greater number of direct links into the cross-border payments system in London, with its associated expertise in commercial credit and settlement services. On the other hand, using this new dataset enables us to appreciate this transformation with greater geographical specificity across an average of 62 towns and cities, as well as across Italy as a whole, each year. This identifies foreign commercial links beyond the leading financial centres that historians have already recognised. An example of this phenomenon is the way Italian banks with direct contractual links to London have established a presence along the main highways and tributaries of Italy. These links provided their local customers with faster and more easily accessed facilities in the world's most important commercial centre. In sum, this paper offers a new dataset and suggests new directions for investigating the way that the Italian banking system engaged in the international payments system headquartered in London. Admittedly, this research raises more questions than answers. However, we hope to inspire future research through the lens of the changing architecture of cross-border payments, which serves as the fundamental plumbing of international commerce.

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Appendix

Table A1. *Top-5 regions by unweighted connections for selected benchmark years*

Region	Rank	Year	Unweighted counts	Share of total
Lombardia	1	1925	150	0.287907869
Lazio	2	1925	83	0.159309021
Liguria	3	1925	57	0.10940499
Toscana	4	1925	39	0.074856046
Piemonte	5	1925	36	0.069097889
Lombardia	1	1935	107	0.268170426
Lazio	2	1935	57	0.142857143
Liguria	3	1935	53	0.13283208
Sicilia	4	1935	35	0.087719298
Toscana	5	1935	28	0.070175439
Lombardia	1	1955	207	0.44516129
Lazio	2	1955	83	0.178494624
Piemonte	3	1955	46	0.098924731
Campania	4	1955	37	0.079569892
Toscana	5	1955	29	0.062365591
Lombardia	1	1970	323	0.468115942
Piemonte	2	1970	100	0.144927536
Lazio	3	1970	87	0.126086957
Toscana	4	1970	47	0.068115942
Veneto	5	1970	40	0.057971014
Lombardia	1	1985	306	0.3825
Emilia-Romagna	2	1985	106	0.1325
Lazio	3	1985	74	0.0925
Piemonte	4	1985	64	0.08
Veneto	5	1985	62	0.0775

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.

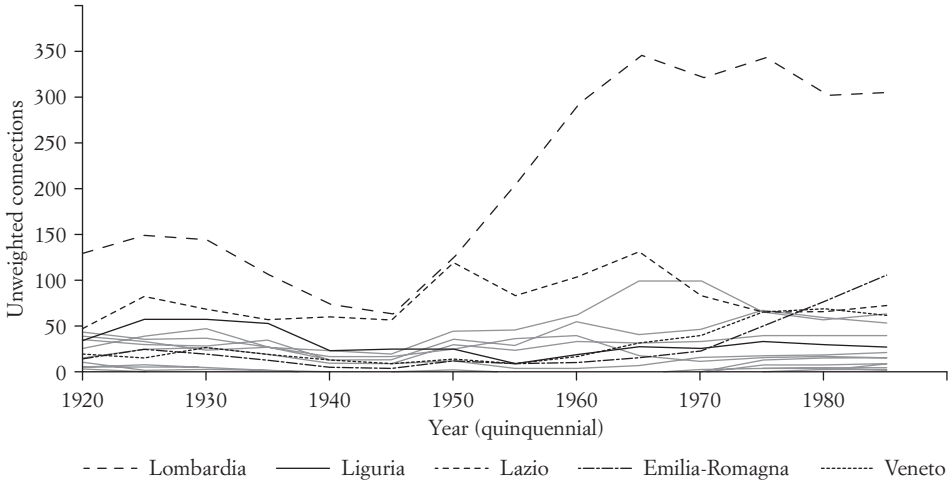
Table A2. *Evolution of branches of national banks 1945-1985 by macro region*

	Years	South and Islands	North and Centre	North West	North East	Centre	Italy
Branches	1946	1,406	5,817	2,286	1,881	1,650	7,223
	1966	2,290	7,909	3,242	2,481	2,186	10,199
	1985	3,099	9,976	4,036	3,314	2,626	13,149
Δ% 1946-1985		120%	71%	77%	76%	59%	82%
Banks	1946	298	1,052	259	549	244	1,350
	1966	299	975	261	497	217	1,274
	1985	326	861	236	422	203	1,187
Δ% 1946-1985		9%	–18%	–9%	–23%	–17%	–12%
Branches per bank	1945	4.72	5.53	8.83	3.43	6.76	5.35
	1965	7.66	8.11	12.42	4.99	10.07	8.01
	1985	9.51	11.59	17.10	7.85	12.94	11.08
Δ% 1946-1985		101%	110%	94%	129%	91%	107%
National bank branches	1945	472	595	291	108	196	1,067
	1965	638	847	412	155	280	1,485
	1985	749	1,357	607	300	450	2,106
Δ% 1946-1985		59%	128%	109%	178%	130%	97%

Notes: National banks are Banco di Napoli, Banca Commerciale Italiana, Credito Italiano, Banco di Roma, and Banca Nazionale del Lavoro.

Source: Authors' own elaborations on SVIMEZ (2011) and official Bank of Italy data taken from infostat.bancaditalia.it (accessed on June 16, 2025).

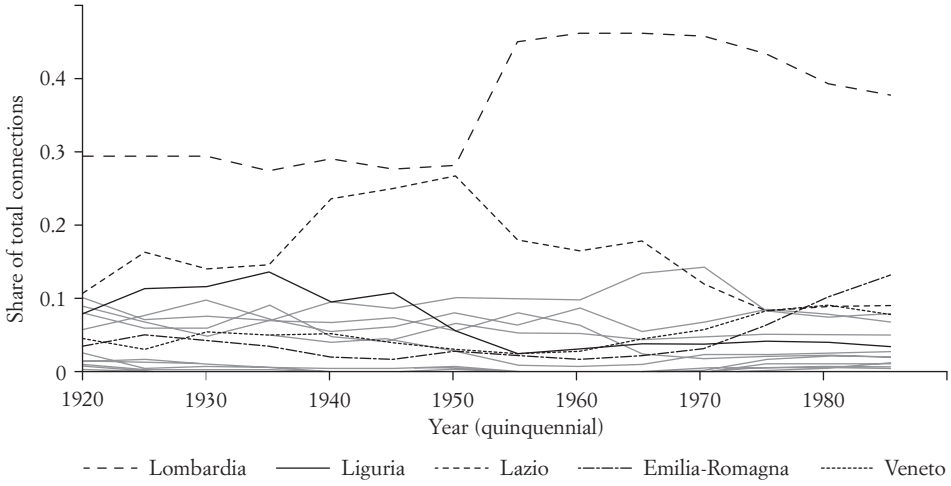
Figure A1. Unweighted connections by region over years.



Note: This figure presents Italian regional connectivity by region group over time. Only selected regions are highlighted, while all remaining regions are in grey. It displays the total unweighted connections for each region group.

Source: Authors' own elaborations based on Bankers *Almanac and Yearbook*, Thomas Skinner, London.

Figure A2. Share of total connections by region over years.



Note: This figure presents the share of total connections by region group over time. Only selected regions are highlighted, while all remaining regions are in grey. This metric illustrates the proportion of each region group's total unweighted connections.

Source: Authors' own elaborations based on *Bankers Almanac and Yearbook*, Thomas Skinner, London.