# Company law, insolvency and currency

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## From partnerships to limited companies

During the first half-century of the settlement, commerce in Singapore was conducted by individuals and partnerships. The agency houses were partnerships whose partners bore unlimited liability for the debts of the firm. Chinese firms were family businesses or partnerships among relatives and members of the same community. Limited liability was available only through incorporation by charter or special act, which was impractical for most businesses.

English company law changed fundamentally in the mid-nineteenth century, when legislation allowed companies to be incorporated by registration with limited liability. The Straits Settlements followed. A Companies Ordinance of 1889, modelled on the English Companies Act 1862, provided for the registration of companies in the colony.[1] Limited companies became the vehicle for the larger enterprises of the colony, from the dock companies and tin-mining firms to the Chinese banks founded in the early twentieth century, which Chapter III of this part examines.

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The modern Singapore Companies Act descends from a different line. It traces its ancestry through the Malaysian Companies Act 1965 to the Companies Act 1961 of the Australian state of Victoria, which drew extensively on the UK Companies Act 1948. The Act came into force in Singapore on 29 December 1967.[2] The Australian connection, like the adoption of the Torrens system examined in Part A, shows how the law of Singapore borrowed from across the British Commonwealth.

## Insolvency and security

Commercial credit depends on rules for what happens when debtors fail. The colonial legislature revised the law of bankruptcy and of bills of sale in the 1880s. Bills of sale allowed a borrower to give security over movable goods while keeping them in his possession, an instrument that suited traders who needed their stock to do business. The bankruptcy law provided for the orderly distribution of a failed debtor's assets among his creditors and for the discharge of honest debtors.

The effectiveness of these rules depended on the courts and on the ability of creditors to trace a debtor's assets. In a port where debtors could abscond to neighbouring territories and where much property was held informally within families, recovery was often difficult. The combination of formal rules and informal practice described in Chapters IV and V of Part A therefore continued, with merchants relying on reputation and guarantees alongside the protection of the law.

## Currency: from the Spanish dollar to the currency board

The currency of the colony remained a silver dollar after 1867. Spanish dollars were followed by Mexican dollars and later by trade dollars of various origins, while banks of issue circulated their own notes. In 1897 the government established a Board of Commissioners of Currency, which began issuing government notes in 1899 and thereby ended the circulation of notes issued by private banks.[3]

In 1906 the Straits dollar was pegged to sterling at two shillings and four pence, which placed it on a gold exchange standard. When Britain abandoned the gold standard in 1931, the dollar remained linked to sterling. In 1939, following the

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recommendations of the Blackett Commission, the Straits dollar was replaced at par by the Malayan dollar.[4] The currency board system, in which the note issue was fully backed by reserves held in London, gave the colony a stable currency and the confidence of merchants and investors. It also became the institutional ancestor of the Board of Commissioners of Currency of independent Singapore, examined in Part C.

The monetary history of the Crown colony illustrates the principle that Part A identified: the currency of a trading centre must be the currency its merchants use and trust. The merchants who had resisted the rupee in the 1850s obtained a dollar currency in 1867 and a stable, sterling-backed dollar from 1906. Chapter IV of this part examines the relationship between this currency and the commodity economy of tin and rubber.

## Common misconception

The colonial legal system of Singapore is sometimes described simply as English law. In fact it combined English common law in contract, trust and commerce with codes adapted from British India in criminal law, criminal procedure and evidence, and with Australian models in land registration and, later, company law. Local ordinances, Chinese and Malay custom in family matters and the decisions of the Straits Settlements courts added further layers. The result was a composite system, which explains why Singapore law today has distinctive features of its own.

# Notes

1. The Companies Ordinance 1889 of the Straits Settlements, modelled on the English Companies Act 1862, is the usual reference for the introduction of incorporation by registration in the colony. ↩
2. Walter Woon, “Reforming Company Law in Singapore”, (2011) 23 SAcLJ 795: the Companies Act “traces its ancestry through the Malaysian Companies Act 1965 to the Companies Act 1961 of the Australian state of Victoria, which in

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turn drew extensively upon the UK Companies Act 1948"; Act 42 of 1967, in force from 29 December 1967. ↩

3. Wikipedia, "Straits dollar" (accessed October 2026): the Board of Commissioners of Currency was established in 1897 and began issuing notes in 1899, ending private bank note circulation. ↩
4. Wikipedia, "Straits dollar" (accessed October 2026): pegged to sterling at two shillings and fourpence in 1906; linked to sterling after 1931; replaced at par by the Malayan dollar in 1939 following the Blackett Commission. ↩

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