The Chinese Banks: From the First Straits Chinese Banks to OCBC: Comparison with Geneva

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The crisis of 1931 struck Geneva and Singapore at the same time and through the same channel, the collapse of the international gold standard. In Geneva the board of the Banque de Genève declared in July 1931 that its realisable assets no longer covered its liabilities. The Banque d'Escompte Suisse, another Geneva institution, collapsed in 1934. The Swiss response was legislation. The federal Banking Act, adopted on 8 November 1934, introduced supervision through approved auditors and a Federal Banking Commission.[1]

Singapore's response was a merger without a statute. The colonial government had examined the books of a single bank in 1914, but in the 1930s it created no supervisory authority, no deposit protection and no central bank. The Hokkien community resolved its banking crisis by itself, through the leaders of its banks. Effective bank regulation came only in the 1950s, two decades after Switzerland had acquired its banking law.

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The difference reflects the two places' political structures. Geneva was a canton in a federal democracy, where depositors were voters and a bank failure became a political scandal. Singapore was a colony governed through community leaders, where depositors had no vote and the government left the affairs of the Chinese community largely to that community. The outcomes nevertheless converged. Both crises produced larger, more cautious institutions. In both places the experience of the 1930s also left a preference for capital strength and liquidity that still characterises their banks.

The comparison also bears on the type of institution. The Geneva private banks examined in the Geneva volume were family partnerships with unlimited liability, whose owners staked their own fortunes on each client relationship. The Chinese banks of Singapore were limited companies that borrowed the confidence of the family partnership from their founders. When they failed, the founders often stepped in with their personal fortunes, as Wong Ah Fook did in 1913. The moral liability of the Chinese banker thus resembled the legal liability of the Geneva private banker, even though the legal form was different.

In figures

Kwong Yik Bank: founded 16 December 1903, paid-up capital $850,000, stopped payment 20 November 1913. Sze Hai Tong: February 1906. Chinese Commercial Bank: opened 2 December 1912, nominal capital $4 million, run of $260,000 on 4 August 1914. Ho Hong Bank: began business 2 April 1917, authorised capital $8 million, raised to $20 million in 1920. Oversea-Chinese Bank: 1919, paid-up capital $5.25 million. Lee Wah Bank: incorporated 20 March 1920. Chinese banks founded in Malaya by the Second World War: 13, of which 11 in the Straits Settlements. Deposits of Straits Settlements Chinese banks in 1929: Straits $37.0 million, falling by almost a fifth by 1932. Fall in deposits, end 1931 to mid-1932: Ho Hong by half, Oversea-Chinese Bank by 30 per cent. OCBC: formed 31 October 1932, paid-up capital $10 million. United Chinese Bank: 6 August 1935, paid-up capital $1 million. OCBC total assets at the end of 2025: S$675.69 billion.

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Notes

1. Ressos, *Genève, place financière internationale*, partie D, chapitre « Guerre, crises et loi sur les banques (1914-1934) », citing *Feuille d'avis de Neuchâtel*, 15 July 1931 (the Banque de Genève "se trouve en fait en état de cessation de paiement") and the *Dictionnaire historique de la Suisse*, art. « Banques » ("la Banque d'escompte suisse, de Genève, s'effondra en 1934"); Ressos, *Genève, place financière internationale*, partie D, chapitre « Guerre, crises et loi sur les banques (1914-1934) »: the law was adopted on 8 November 1934 and established supervision based on approved auditors and the Commission fédérale des banques. ↩

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