The Asian Dollar Market and the comparison with Geneva, Hong Kong and London

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Geneva and Singapore both became financial centres by serving wealth and money that originated elsewhere. Their methods differed. Geneva attracted private clients with a strong currency, political neutrality and banking secrecy, which the Geneva volume examines in its account of the post-war golden age. Singapore in 1968 had neither a strong reserve currency nor a long tradition of discretion to offer. It created an institutional niche through legislation and tax policy, designed for banks more than for private clients.

The two centres nonetheless met in the Euromarket. Swiss banks developed fiduciary deposits, through which they placed client funds on the international interbank market in their own name but for the account and risk of the client. The client earned money-market rates and avoided the 35 per cent Swiss withholding tax, because the interest was paid by a foreign bank. In 1997 such deposits amounted to 339 billion Swiss francs, against total balance sheets of 1,782 billion francs for 394 Swiss banks.[1] Geneva thus used the offshore dollar market as a channel for its

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private clients, while Singapore hosted part of that market. Some of the funds deposited in Singapore ACUs by banks outside Singapore will have come, through London, from Swiss fiduciary accounts.

The responses to the pressures of the early 1970s also differed. Switzerland, faced with an inflow of foreign money into Swiss francs, imposed negative commissions and a ban on interest for foreign deposits from 1972, as the Geneva volume recounts.[2] Singapore faced comparable speculative inflows in 1972 and 1973 and responded by keeping the Singapore dollar out of the offshore market and relying on moral suasion. Both states treated their own currency as an asset to be protected from the international market that their banks served.

Hong Kong and London complete the comparison. London was the model and the counterpart, open during the European morning when Singapore's dealers were closing their books. Hong Kong was the competitor that at first chose not to host an offshore market and then, from 1978 and 1982, removed the obstacles that had given Singapore its lead. The resulting division of labour between a funding centre and a booking centre shows that regional financial centres need not be rivals in every activity. Dubai, which built its international financial centre as a legal enclave, applied a comparable ring-fencing method in a new form. The comparative chapter K.III takes up these parallels.

In figures

First ACU: Bank of America, Singapore branch, October 1968. Withholding tax on non-resident deposit interest before the exemption: 40 per cent. Tax on offshore profits of ACUs: reduced from 40 to 10 per cent in January 1973. Size of the market: 30.5 million US dollars (1968), 389.8 million (1970), 6.3 billion (1973), 38.2 billion (1979), 85.9 billion (1981). Number of ACUs: 1 (1968), 16 (1970), 46 (1973), 101 (1979), 108 (March 1980). Foreign banks in Singapore: 7 (end of 1969), 48 (February 1980). Non-bank deposits as share of ACU liabilities: 62.5 per cent (1970), 15.9 per cent (1981). Financial and business services in GNP: about 8 per cent before 1968, over 18 per cent in 1980. First Asian dollar bond: 10 million US dollars,

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Development Bank of Singapore, 1971. ACU share of financial sector assets: 66.2 per cent in 1993. Removal of the DBU–ACU divide: 1 July 2021. Average daily foreign exchange turnover in Singapore: 1.485 trillion US dollars in April 2025.

Notes

1. Luc Thévenoz and Jean-Philippe Dunand, "The Swiss Fiducie: A Subtle Conceptual Blend of Contract and Property", text accessed through libra.unine.ch (November 2026), p. 312: fiduciary deposits are "short-term lending of client funds on the interbank money market (Euromarket)", and "the client can avoid the 35 % withholding tax on all interest and dividends paid by companies located in Switzerland, because the interest is paid by a foreign debtor". Thévenoz and Dunand, "The Swiss Fiducie", pp. 312–313, in a footnote citing the Swiss National Bank: "339 billion CHF of fiduciary deposits against 1782 billion CHF of total balance sheets for 394 banks". ↩

2. On the Swiss measures of July 1972 prohibiting interest on foreign funds and imposing a commission on foreign holdings of Swiss francs (AS 1972 1521), see the Swiss National Bank chronology of monetary policy measures cited in the Geneva volume, Part E, Chapter I. ↩

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