The Asian Dollar Market of 1968: practical consequences

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The Asian Dollar Market belongs to history, but its legacy shapes the work of practitioners today. Banking, tax and insolvency rules in Singapore still distinguish between Singapore dollar and foreign currency business. Many incentives continue to depend on approval, separate accounting and the residence of counterparties. Advisers who structure the financing of a trading company, the deposits of a family office or the booking model of a bank meet these distinctions daily. The following checklist summarises the questions that follow from the history traced in this chapter.

- Determine the currency of each deposit and loan, since the ranking of uninsured non-bank deposits in insolvency now depends on the currency of denomination.
- Check whether the counterparty is resident or non-resident in Singapore for tax purposes, because exemptions on interest and concessionary rates still turn on residence and on the absence of a permanent establishment.

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- Identify the incentive under which the bank or financial company books the relevant income, such as the Financial Sector Incentive, and the conditions attached to it.
- Review the booking model of cross-border loans. The historical division between Singapore as a funding centre and Hong Kong as a booking centre shows that tax rates influence where transactions are recorded, and tax authorities now examine whether booking follows substance.
- Assess the documentation for stamp duty and place of execution, since earlier practice of executing documents outside Singapore illustrates how formal requirements affect structuring.
- Bear in mind the remaining limits on the use of the Singapore dollar by non-residents, which MAS has relaxed in stages without removing them entirely.
- Keep a record of the commercial reasons for each structure, because routing transactions through offshore vehicles solely to obtain a lower rate is exposed to anti-avoidance rules and reputational risk.

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