The Asian Dollar Market of 1968: summary

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The Asian Dollar Market began in October 1968, when Bank of America opened the first Asian Currency Unit in Singapore to take dollar deposits from non-residents during the hours when London and New York were closed. Singapore made the market possible by exempting non-resident deposit interest from its 40 per cent withholding tax in 1968, by cutting the tax on offshore profits to 10 per cent in 1973 and by removing stamp duties, estate duties and liquidity requirements step by step. The separate accounting of ACUs allowed the state to grant these privileges to offshore business while protecting the domestic economy and the Singapore dollar, although the speculative inflows of 1972 and 1973 showed that the barrier could be crossed. The market grew from 30.5 million US dollars to 85.9 billion dollars by 1981, changed from a conduit for Asian funds to London into an intermediary for Asian borrowers and established Singapore as a funding centre alongside Hong Kong as a booking centre. Its method of identifying a gap, removing a specific obstacle and ring-fencing the new activity became a template for later strategies, while the divide between ACUs and Domestic Banking Units itself was removed on 1 July 2021.

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