The Board of Commissioners of Currency

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Mandate and the backing rule

The Board of Commissioners of Currency, Singapore operated under the Currency Act 1967. According to the Second Minister for Finance, Lim Hng Kiang, speaking in Parliament in 2002, the currency board had three features when it was established: a fixed exchange rate, full convertibility of notes and coins at that rate and full backing of the currency by gold or foreign assets.[1] The backing rule meant that the board could not finance the government or lend to banks. Every dollar in circulation was matched by external assets, a fact that traders and investors could check against the published accounts.

The two bodies were linked at the top, since in the 1970s Hon Sui Sen chaired both the board and the Authority.[2] This personal union of the two chairmanships ensured coordination between them, while their legal separation preserved the backing rule.

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Interchangeability with Malaysia and Brunei

The new currencies of 1967 did not end the monetary links within the former currency area. Singapore, Malaysia and Brunei agreed that their currencies would be exchangeable at par. The Singapore dollar remained interchangeable with the Malaysian ringgit until 8 May 1973, when Malaysia withdrew from the arrangement.[3] The arrangement with Brunei has survived.

The Authority describes the Currency Interchangeability Agreement with Brunei as established in 1967 to promote monetary cooperation between the two countries. Its fortieth anniversary was marked on 27 June 2007 with commemorative $20 notes launched in Bandar Seri Begawan. On 5 July 2017 the Sultan of Brunei and the Prime Minister of Singapore launched commemorative $50 notes for its fiftieth anniversary at the Istana in Singapore.[4] The agreement is one of the oldest functioning monetary arrangements in Asia. It shows that the currency board model left room for regional cooperation built on the same principle of full backing.

The long debate on merger

The coexistence of the Authority and the board soon came under review. Internal documents of the Authority show that the government gave approval in principle to a merger in 1974. In May 1979 the *Straits Times* reported on its front page that a central bank would be announced in July or August of that year. In October 1980 the same newspaper reported that the plan had been put off "pending a new appraisal".[5]

The reason for the delay lay with Goh Keng Swee. When he succeeded Hon Sui Sen as chairman of the Authority in August 1980, he opposed the merger and preferred to keep the currency issue with the board.[6] The same man who had insisted on the name of the Authority in 1970 defended the separation a decade later. The board therefore survived the debates of the 1970s, while its practical significance gradually declined.

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The merger of 2002

By the late 1990s the arguments for separation had weakened. The fixed exchange rate had been abandoned when the currency was floated in 1973, while convertibility at a fixed rate had been repealed in 1982. Only the requirement of full external backing remained in the Currency Act. In correspondence with the board in 1997, the Authority questioned whether currency board discipline was still relevant, since notes and coins then made up less than 10 per cent of the money supply.[7]

In July 2002 Lim Hng Kiang presented the amendment of the Currency Act to Parliament. Confidence, he explained, was now "derived from the consistency and soundness of our monetary and fiscal policies, as well as our foreign reserves". He concluded: "MAS will become a full-fledged central bank."[8] The merger took effect on 1 October 2002, when the Authority took on the issue of currency.[9]

J. Y. Pillay, a former managing director of the Authority, remarked that the merger drew "not a squeak from anywhere and not even remarked upon in the international media".[10] The silence was the best evidence that the founders' purpose had been achieved. Thirty-five years after the first notes, the credibility of the Singapore dollar no longer depended on a mechanical rule. It rested on the record of the institutions that managed it.

Notes

1. Barbara Quek, "The Making of the Monetary Authority of Singapore", *BiblioAsia*, October–December 2022, summarising Lim Hng Kiang in Parliament, July 2002: the 1967 currency board had three features, a fixed exchange rate, full convertibility at that rate and full backing by gold or foreign assets. ↩
2. Barbara Quek, "The Making of the Monetary Authority of Singapore", *BiblioAsia*, October–December 2022: Hon Sui Sen chaired both MAS and the BCCS at the time of the in-principle merger decision of 1974. ↩

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3. Wikipedia, “Singapore dollar” (accessed November 2026): the Singapore dollar was exchangeable at par with the Malaysian ringgit “until 8 May 1973” under the Interchangeability Agreement; interchangeability with the Brunei dollar “is still maintained”. ↩

4. Monetary Authority of Singapore, “Brunei-Singapore Currency Interchangeability Agreement” (mas.gov.sg, accessed November 2026): the Agreement “was established in 1967 to promote monetary cooperation between Brunei Darussalam and Singapore”; 40th anniversary $20 notes launched on 27 June 2007 at a ceremony in Bandar Seri Begawan; 50th anniversary $50 notes launched at the Singapore Istana on 5 July 2017; one million Brunei and two million Singapore $50 notes made available. ↩

5. Barbara Quek, “The Making of the Monetary Authority of Singapore”, *BiblioAsia*, October–December 2022: in-principle approval for a merger in 1974; *Straits Times* report of 23 May 1979 (“Central Bank ‘in July or August’”); report of 25 October 1980 that the plan was put off “pending a new appraisal”. ↩

6. Barbara Quek, “The Making of the Monetary Authority of Singapore”, *BiblioAsia*, October–December 2022: Goh Keng Swee succeeded Hon as chairman on 1 August 1980 and opposed merging the two bodies; Monetary Authority of Singapore, “Our History” (accessed November 2026): Goh Keng Swee chairman from August 1980 to January 1985. ↩

7. Barbara Quek, “The Making of the Monetary Authority of Singapore”, *BiblioAsia*, October–December 2022: Singapore floated the currency in 1973; convertibility was repealed in 1982; the external asset backing requirement remained in the Currency Act; in 1997 MAS questioned the relevance of currency board discipline, notes and coins making up under 10 per cent of the money supply. ↩

8. Barbara Quek, “The Making of the Monetary Authority of Singapore”, *BiblioAsia*, October–December 2022, quoting Lim Hng Kiang in Parliament, July 2002: confidence was “derived from the consistency and soundness of our

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monetary and fiscal policies, as well as our foreign reserves"; "MAS will become a full-fledged central bank." ↩

9. Monetary Authority of Singapore, "Our History" (accessed November 2026): on 1 October 2002, after merging with the Board of Commissioners of Currency, MAS took on currency issuance. ↩
10. Barbara Quek, "The Making of the Monetary Authority of Singapore", *BiblioAsia*, October–December 2022, quoting J. Y. Pillay: the merger drew "not a squeak from anywhere and not even remarked upon in the international media". ↩

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