The Chartered Bank, the Hongkong and Shanghai Bank and the exchange banks

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The first banks: Calcutta and Bombay

Singapore had no bank during its first two decades. The first branch was opened in 1840 by the Union Bank of Calcutta. It lent to merchants against goods to be imported, up to three-quarters of their value at an interest rate of 9 per cent, and against bullion, up to 90 per cent of its value at 7 per cent.[1] The branch did not last. Collectors' records date its opening to December 1840 and state that it is believed to have closed a few years later.[2]

The Oriental Bank followed in 1846. Founded in Bombay in 1842 as the Bank of Western India, it opened branches in Singapore and Hong Kong in 1846 and obtained a royal charter as the Oriental Bank Corporation in 1851.[3] In the 1860s it was regarded as the most powerful and prestigious of the Eastern exchange banks. Weakened by bad loans to coffee planters in Ceylon and sugar planters in Mauritius, it suspended payment on 2 May 1884. Its successor, the New Oriental Bank Corporation, failed in 1892.[4]

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The Chartered Bank

The institution that has remained in Singapore longest is the Chartered Bank of India, Australia and China. Queen Victoria granted a royal charter to the Scotsman James Wilson in 1853. The bank opened its first branches in Bombay, Calcutta and Shanghai in 1858. Branches in Hong Kong and Singapore followed in the next year.[5] In Singapore the bank began in early 1859 as an agency in a three-storey building between Flint Street and Battery Road, with staff quarters on the top floor, and was upgraded to a branch in 1861.[6]

The Chartered Bank was a creature of the trade between India, the Straits and China. Its charter allowed it to deal in exchange, discount bills, accept deposits and, in several colonies, issue notes. Its head office in London gave it access to sterling, while its branches gave it knowledge of local merchants and markets. In 1969 it merged with the Standard Bank of British South Africa to form Standard Chartered. The bank's corporate office remained in Raffles Place from 1859 until 2011, a continuity of 152 years in a single district of the city.

The Mercantile Bank and the problem of dates

The Mercantile Bank illustrates how uncertain the chronology of the early banks remains. The bank was founded in Bombay in October 1853 as the Mercantile Bank of Bombay, received a royal charter in 1857 and later traded as the Mercantile Bank of India, London and China. The date of its arrival in Singapore is given variously. A BiblioAsia article gives 1855, while collectors' records give 12 September 1855. HSBC dates its own Singapore roots to 1856 through the Mercantile Bank, while a Japanese study of Chinese banking gives 1858.[7] The gap probably reflects the difference between the appointment of an agent, the opening of an agency and the opening of a full branch. Similar distinctions explain the varying dates for other banks.

The Mercantile Bank lost its charter after difficulties in 1893 and continued as a limited company. In August 1959 the Hongkong and Shanghai Bank acquired it, at a time when it operated thirty-five branches.[8] Two of the three great British exchange banks of colonial Singapore thereby became one group.

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The Hongkong and Shanghai Bank

The Hongkong and Shanghai Banking Corporation was founded by Thomas Sutherland, who wanted a bank run on Scottish banking principles to finance the trade of the China coast. It opened in Hong Kong on 3 March 1865 and in Shanghai in April of the same year.[9] Unlike the Chartered and Mercantile banks, which were managed from London, it was managed from Hong Kong by merchants who knew the China trade at first hand.

In Singapore the bank first worked through an agent. HSBC states that it conducted business there through an agency from 1865 and opened its first own office in 1877.[10] Other sources date the arrival of the bank to 1866, probably referring to the agency. The bank issued notes in the Straits Settlements from 1881, bought a site on Collyer Quay in 1890 and built its first premises there in 1892. Its growth followed the commodity economy. By 1918 rubber accounted for 35 per cent of Singapore's total export trade. By 1948 the bank handled 35 per cent of Singapore's foreign exchange and trade business.[11]

Crises, newcomers and the note issue

The expansion of the exchange banks in Singapore was interrupted by repeated failures. The Asiatic Banking Corporation opened a branch in Singapore in 1862, issued notes from 1864 and closed during the crash of 1866.[12] That crash began in London with the closure of the discount house Overend, Gurney & Co. on 10 May 1866. Within a month the Agra and Masterman's Bank, another bank with Indian branches, had suspended payment.[13] The episode showed how closely the banks of the Straits were tied to the London money market. A panic in Lombard Street could close a branch in Singapore within weeks.

New banks continued to arrive. Dutch banks, among them the Nederlandsche Handel-Maatschappij and the Nederlandsch-Indische Handelsbank, opened branches in the 1880s.[14] On 1 July 1902 the International Banking Corporation, the forerunner of Citibank in Singapore, opened at 1 Prince Street as the first United States bank in

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Singapore and financed above all the exports of tin and rubber from the Malayan hinterland.[15] Chinese banks, which Chapter III of this part examines, followed from 1903.

Several exchange banks issued their own notes until the government took over the note issue. The Chartered Mercantile Bank issued notes in Singapore from 1861 to 1892 and the Chartered Bank from its branch opening in 1861.[16] The Board of Commissioners of Currency, established in 1897, began issuing government notes in 1899, as Chapter I of this part showed.[17] Chapter IV of this part examines the currency board system in detail.

What made an exchange bank

Contemporaries called these institutions exchange banks because their core business was the purchase and sale of bills of exchange drawn between different currency areas. Their balance sheets reflected this specialisation. Their London offices raised sterling through fixed deposits, through the collection of bills for their Asian branches and through the sale of bills to discount houses. They invested those funds in bills, in Indian Council Bills, in bullion and in call money, while avoiding exchange and credit risk as far as possible.[18] Their branches in Asia bought export bills from merchants, collected import bills from customers and dealt in silver, sterling and the local currencies.

Three features distinguished the exchange banks from the domestic banks of Britain. First, they operated across several jurisdictions and currencies, which exposed them to the fall of silver against gold after the 1870s. Second, their lending was short-term and self-liquidating, tied to cargoes that would be sold within months. Third, they depended on intermediaries, the agency houses on the European side and the compradors on the Asian side, for knowledge of their customers. The first feature made exchange management the core skill of the business. The other two kept the banks out of long-term lending to Asian enterprise, a gap that the Chinese banks would later fill.

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Common misconception

The exchange banks are sometimes imagined as lenders to the whole commercial community of colonial Singapore. In fact they lent mainly to European houses and to a limited circle of Asian merchants introduced and guaranteed by compradors or brokers. Most Chinese traders settled their accounts within their own networks and used the foreign banks chiefly for remittances to China and for short-term advances. The banks financed the flow of goods between Asia and Europe, while the credit that sustained the port's Asian trade largely came from elsewhere.

Notes

1. Ong Eng Chuan, "Money Lending: A Short History", *BiblioAsia*, vol. 3, issue 1, April 2007 (accessed November 2026): "it was not until 1840 that a branch of the Union Bank of Calcutta was opened here"; advances on goods to be imported "up to three-fourths of their value at an interest rate of 9 percent"; loans against bullion up to 90 per cent of value at 7 per cent. ↩
2. "A Brief History of Banks in the Straits Settlements and Malaysia 1840–1986 (Part I)", dniewcollectors.blogspot.com, September 2011 (accessed November 2026): Singapore branch of the Union Bank of Calcutta opened in December 1840, "believed to have closed a few years later". ↩
3. Wikipedia, "Oriental Bank Corporation" (accessed November 2026): established in 1842 in Bombay as the Bank of Western India; branches in Singapore and Hong Kong opened in 1846; royal charter as the Oriental Bank Corporation in 1851. ↩
4. Wikipedia, "Oriental Bank Corporation" (accessed November 2026): described in the 1860s as the "most powerful, oldest, and most prestigious Eastern exchange bank"; bad loans to coffee plantations in Ceylon and sugar plantations in Mauritius from the 1870s; suspension of payment on 2 May 1884; branches sold to the New Oriental Bank Corporation. "A Brief History of Banks in the Straits Settlements and Malaysia 1840–1986 (Part I)", dniewcollectors.blogspot.com (accessed November 2026): the Singapore

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branch of the Oriental Bank commenced business on 1 May 1846; New Oriental Bank Corporation 1884–1892 (failed). ↩

5. Wikipedia, "Standard Chartered" (accessed November 2026): royal charter granted to James Wilson in 1853 (29 December 1853); first branches in Bombay, Calcutta and Shanghai in 1858; Hong Kong and Singapore the following year; merger with the Standard Bank of British South Africa in 1969. ↩

6. Wikipedia, "Standard Chartered Singapore" (accessed November 2026): opened in early 1859 as an agency in a three-storey building between Flint Street and Battery Road; upgraded to a branch in 1861; corporate office in Raffles Place from 1859 until the move to Marina Bay Financial Centre in 2011. ↩

7. Ong Eng Chuan, "Money Lending: A Short History", *BiblioAsia*, April 2007: Mercantile Bank of India (1855); dniewcollectors.blogspot.com (September 2011): Chartered Mercantile Bank, Singapore 12 September 1855; HSBC Singapore, "HSBC in Singapore", about.hsbc.com.sg (accessed November 2026): "HSBC's earliest roots in Singapore can be traced back to 1856, through the Mercantile Bank of India"; Ryoichi Hisasue, "Chinese Banking Business in Singapore: Background and Development in the First Half of the Twentieth Century", in *Regional Routes, Regional Roots? Cross-Border Patterns of Human Mobility in Eurasia*, Sapporo, Slavic-Eurasian Research Center, Hokkaido University, 2017, pp. 13–21, at p. 13, n. 1: Mercantile Bank (1858). ↩

8. Wikipedia, "Mercantile Bank of India, London and China" (accessed November 2026): founded in October 1853 as the Mercantile Bank of Bombay; royal charter in 1857; "Trouble in 1893 meant it lost its charter"; Wikipedia, "HSBC" (accessed November 2026): in August 1959 HSBC acquired the Mercantile Bank and The British Bank of the Middle East; HSBC Singapore, "HSBC in Singapore" (accessed November 2026): the Mercantile Bank was acquired in 1959, then "operating 35 branches". ↩

9. Wikipedia, "HSBC" (accessed November 2026): founded by Thomas Sutherland; operations began on 3 March 1865 in Hong Kong; Shanghai

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branch opened in April 1865; merchants needed a bank "to finance the growing trade" between China, India, the Empire and Europe. ↩

10. HSBC Singapore, "HSBC in Singapore", about.hsbc.com.sg (accessed November 2026): HSBC "had conducted business in Singapore from 1865 through an agency"; "HSBC opened its first office in Singapore in 1877"; banknote issuance from 1881 to 1909; site bought in 1890 and first premises at Collyer Quay built in 1892. For the date 1866: Ong Eng Chuan, "Money Lending: A Short History", *BiblioAsia*, April 2007 ("the Hong Kong and Shanghai Bank in 1866"); Ryoichi Hisasue, "Chinese Banking Business in Singapore", p. 13, n. 1. ↩
11. HSBC Singapore, "HSBC in Singapore" (accessed November 2026): rubber made up "35 per cent of Singapore's total export trade" by 1918; by 1948 HSBC "handled 35 per cent of Singapore's foreign and trade exchange business". ↩
12. "A Brief History of Banks in the Straits Settlements and Malaysia 1840–1986 (Part I)", dniewcollectors.blogspot.com (accessed November 2026): Asiatic Banking Corporation, Singapore branch 1862, first notes 1864, closed during the crash of 1866; Hisasue, "Chinese Banking Business in Singapore", p. 13, n. 1, gives 1851 for an "Asiatic Bank". ↩
13. Wikipedia, "Agra Bank" (accessed November 2026): Agra and Masterman's Bank suspended payment on 6 June 1866 following the panic that began with the closure of Overend Gurney on 10 May 1866. ↩
14. Ryoichi Hisasue, "Chinese Banking Business in Singapore", p. 13, n. 1: "Dutch banks, such as N.H.M. and N. I. Handels, opened branches in the 1880s." ↩
15. Wikipedia, "Citibank Singapore" (accessed November 2026): began operating on 1 July 1902 as the International Banking Corporation, "the first United States bank to set up a branch in Singapore", at 1 Prince Street, funding Malayan rubber and tin exports. ↩
16. "A Brief History of Banks in the Straits Settlements and Malaysia 1840–1986 (Part I)", dniewcollectors.blogspot.com (accessed November 2026): Chartered Mercantile Bank note issue in Singapore from 1861 to 1892; Chartered Bank

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note-issuing branch from 20 July 1861; HSBC first notes on 1 December 1881. ↩

17. Wikipedia, "Straits dollar" (accessed November 2026): the Board of Commissioners of Currency "was created in 1897" and issued its first currency notes in 1899. ↩

18. Toshio Suzuki, "British Overseas Banks' Activities in the London Financial Market Before the First World War from a View Point of Bill Transactions", in *The Development of International Banking in Asia*, Springer, 2020. ↩

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