The Chinese Banks: From the First Straits Chinese Banks to OCBC: summary

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

The Chinese merchants of Singapore founded their first deposit banks in the early twentieth century, starting with the Cantonese Kwong Yik Bank in 1903, whose collapse in 1913 through insider lending led to the Companies (Amendment) Ordinance of 1914. The banks that followed were organised along dialect lines, with Sze Hai Tong serving the Teochew community, Lee Wah the Cantonese and the Chinese Commercial Bank, the Ho Hong Bank and the Oversea-Chinese Bank the Hokkien merchants of rubber, shipping and trade. Under a currency board that offered neither a lender of last resort nor supervision, these banks kept large liquid reserves, yet the Depression, the fall of sterling from gold in September 1931 and heavy lending to Tan Kah Kee left two of the Hokkien banks in serious distress. The community's answer was the merger of 1932 into the Oversea-Chinese Banking Corporation, led by Lee Kong Chian, while Geneva met the same crisis with the federal Banking Act of 1934. The Chinese banks were community institutions whose

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founders lent them their personal standing, while their history of insider lending, concentration and currency mismatch still offers practical lessons for bankers, advisers and regulators in Singapore today.

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Author contact: Dr Alexander Ressos, TEP · contact@ressos.com