The Founding of the Monetary Authority of Singapore: the comparison with Geneva and Hong Kong

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Geneva: a national bank and a separate supervisor

Switzerland followed a sequence that reverses Singapore's. Its national bank was created by the federal law of 6 October 1905 and opened for business on 20 June 1907, with branches in Basel, Bern, Geneva, St Gallen and Zurich, while the note monopoly passed from the issuing banks to the new central bank.[1] In Switzerland the note issue therefore came first, with supervision following a generation later. The banking law of 1934 created a Federal Banking Commission that relied largely on external auditors, a system of indirect supervision that still marks Swiss regulation.[2]

The supervision of individual banks lay with the Federal Banking Commission and lies today with FINMA. The Swiss National Bank, a company with listed shares that are mostly held by public bodies, pursues a mandate of price stability that takes

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economic developments into account.[3] Integrated financial supervision arrived only with FINMA in 2009, so that Geneva's private banks grew up under a central bank with no supervisory role and a supervisor that relied on auditors. Singapore's banks grew up under a single authority that combined money, reserves and supervision from the start.

The two countries do share one experience. Both run small, open economies with strong currencies, which have led each of them at times to use the exchange rate as an instrument of monetary policy. Switzerland imposed a minimum rate of 1.20 francs per euro on 6 September 2011 and abandoned it on 15 January 2015.[4] For the Swiss National Bank the exchange rate was an emergency measure. For the Monetary Authority of Singapore it has been the normal instrument since 1981.

Hong Kong: a currency board that endured

Hong Kong chose the opposite of Singapore's path on the currency. On 17 October 1983, a decade after Singapore had left fixed parities behind, it returned to a currency board and pegged its dollar to the US dollar at HK$7.80. Since May 2005 the Hong Kong dollar has traded within a band of HK$7.75 to 7.85.[5] The Hong Kong Monetary Authority was founded on 1 April 1993 by merging the Office of the Exchange Fund with the Office of the Commissioner of Banking. Three commercial banks still issue most of Hong Kong's banknotes under the currency board arrangements.[6]

The structure of supervision differs as well, because the Hong Kong Monetary Authority supervises banks, while the Securities and Futures Commission and the Insurance Authority supervise securities and insurance.[7] Hong Kong thus combines a strict currency board with a sectoral model of supervision. Singapore, which had kept a currency board for its note issue until 2002, turned its monetary authority into an integrated central bank and supervisor. Chapter III of Part K compares the two centres in their present competition.

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What the comparison shows

The three cases show that there is no single route to a credible financial centre. Geneva relied on an independent national bank, a strong franc and a supervisory system that delegated much of its work to auditors. Hong Kong relied on a rule, the currency board, whose automatic character made discretion unnecessary. Singapore combined a rule for the note issue with a discretionary authority for everything else. It then abandoned the rule once the authority had earned the trust that the rule had been meant to secure.

The Singapore model concentrates power to an unusual degree. A single authority sets monetary policy, manages reserves, licenses and supervises every financial institution and promotes the financial centre. That concentration has served Singapore well, as long as the authority has maintained its reputation for competence and integrity. It also places a heavy burden on that reputation, which is why the Act now subordinates promotion to soundness.

In figures

Sterling devaluation of November 1967: 14.3 per cent, with losses to Singapore of about $157 million on external reserves of $1,251.6 million. First Singapore notes: 12 June 1967. Minimum Sterling Proportion: 40 per cent from 1968, later reduced to 36 per cent. Monetary Authority of Singapore: operational from 1 January 1971, with a board of seven members at its creation. Insurance supervision: from April 1977. Securities supervision: from September 1984. Last exchange control removed: 1978. Exchange rate as principal instrument: from 1981. Trade-weighted appreciation of the Singapore dollar 1981–2001: more than 70 per cent. Average inflation 1981–2001: 2.0 per cent a year, against 6.5 per cent in the OECD. Interchangeability with the ringgit: until 8 May 1973. Merger with the Board of Commissioners of Currency: 1 October 2002. Monetary policy statements: four a year since 2024. Official reserve assets at the end of September 2026: US$433.4 billion.[8]

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Notes

1. Ressos, *Genève, place financière internationale*, partie D, chap. II, with the sources cited there: federal law on the Swiss National Bank of 6 October 1905; opening on 20 June 1907 in Basel, Bern, Geneva, St Gallen and Zurich; the right of issue transferred from the 36 issuing banks to the SNB; Wikipedia, "Swiss National Bank" (accessed November 2026): National Bank Act of 6 October 1905, business commenced on 20 June 1907. ↩
2. Ressos, *Genève, place financière internationale*, partie D, chap. IV, with the sources cited there: the banking law of 1934 created the Commission fédérale des banques, which relied largely on external auditors; the system of indirect supervision through auditors remained a characteristic of Swiss banking regulation. ↩
3. Ressos, *Genève, place financière internationale*, partie D, chap. IV: the Commission fédérale des banques as the first federal authority for banking supervision, succeeded by FINMA from 1 January 2009; Wikipedia, "Swiss National Bank" (accessed November 2026): the primary goal of its mandate "is to ensure price stability, while taking economic developments into consideration"; organised as an "Aktiengesellschaft" under special regulations, with shares listed since 1907 and public entities holding 78.17 per cent of voting shares at 31 December 2021. ↩
4. Wikipedia, "Swiss National Bank" (accessed November 2026): minimum exchange rate of CHF 1.20 per euro set on 6 September 2011; its end announced on 15 January 2015. ↩
5. Hong Kong Monetary Authority, "Linked Exchange Rate System" (hkma.gov.hk, accessed November 2026): the system "has been implemented in Hong Kong since 17 October 1983", with the exchange rate stable "within a band of HK$7.75-7.85 to one US dollar"; Wikipedia, "Hong Kong dollar" (accessed November 2026): pegged on 17 October 1983 "at a rate of HK$7.80 = US$1", "officially switching back to the currency board system", trading since

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May 2005 in the range 7.75–7.85. GIC, *Bold Vision*, chapter 3, dates the peg to 1982 at HK$7.2, which the HKMA's own account contradicts. ↩

6. Wikipedia, "Hong Kong Monetary Authority" (accessed November 2026): apart from the HKMA's own $10 notes, banknotes are issued by the note-issuing banks, The Hongkong and Shanghai Banking Corporation, Standard Chartered Bank and Bank of China. See also Wikipedia, "Hong Kong Monetary Authority" (accessed November 2026): the HKMA was "founded on 1 April 1993 when the Office of the Exchange Fund and the Office of the Commissioner of Banking merged". ↩

7. Securities and Futures Commission, "Our role" (sfc.hk, accessed November 2026): "an independent statutory body set up in 1989" that regulates "Hong Kong's securities and futures markets"; Wikipedia, "Insurance Authority" (accessed November 2026): the Insurance Authority, established on 7 December 2015, regulates the insurance industry and took over from the Office of the Commissioner of Insurance on 26 June 2017. ↩

8. Monetary Authority of Singapore, "International Reserves and Foreign Currency Liquidity" (last updated 30 October 2026), as at September 2026 (preliminary); for the other figures, see the footnotes to this chapter. ↩

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