The Eurodollar market and the Asian time zone

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The Eurodollar market in London

The Asian Dollar Market was the regional counterpart of a market that had developed in Europe during the previous decade. A Eurodollar is a dollar deposit held with a bank outside the United States. Several accounts of its origin exist. One of the best known concerns the Moscow Narodny Bank, a bank registered in London in 1919 whose shares were owned by the Soviet Union. On 28 February 1957 a sum of 800,000 dollars was transferred to it, creating what is often described as the first Eurodollars. The name itself is said to derive from the telex address "Eurobank" of a Soviet-owned bank in Paris, the Banque Commerciale pour l'Europe du Nord.[1]

The Cold War anecdote explains the first deposits. The size the market reached had other causes. Eurodollar deposits were attractive because they were free of the reserve requirements and deposit insurance assessments that applied to banks in the United States, while the Federal Reserve's Regulation Q capped the interest that

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American banks could pay on domestic deposits. A bank in London could therefore pay more on a dollar deposit and still lend at a competitive rate. By the end of the 1960s the market had reached about 70 billion dollars.[2]

American capital controls and the growth of offshore dollars

Washington contributed to the growth of the offshore market through its own measures against capital outflows. In July 1963 President Kennedy introduced the Interest Equalization Tax, which applied to purchases of foreign securities by Americans made after 18 July 1963. The tax was meant to make investment abroad less profitable and to reduce the deficit in the balance of payments. Intended as a temporary measure, it lasted until 1974. Its effect was the opposite of its purpose in one respect. Financial markets responded with large-scale avoidance and with the development of the Eurodollar market, which provided dollar finance outside the reach of American rules.[3]

The lesson was not lost on the governments of smaller jurisdictions. Each restriction in a large financial system created a demand for a place where the same business could be done under lighter rules. The offshore market was the product of regulatory difference. Whoever offered a credible legal environment, competent banks and a convenient location could capture part of that demand. London had all three, together with its long history as a world banking centre. The question in the second half of the 1960s was whether a second centre could do for Asia what London did for Europe.

The Asian time zone

The case for an Asian centre rested in the first place on the clock. Asian banks and companies used the dollar extensively in trade and investment, but before 1968 they relied on the facilities of New York and London. Because of the time difference, a bank in East Asia could rarely complete a transaction with a London bank within a single business day, since the London market was closed during most of the Asian working day. As one analysis of 1983 put it, Singapore had an advantage over Hong

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Kong and Tokyo because 3.30 p.m. in Singapore corresponded to 9.00 a.m. in London.[4] A Singapore dealer could therefore close the Asian day by handing positions to London as the European market opened.

The same argument stands at the centre of the founding story that Singapore tells about its financial sector. According to the account given by Prime Minister Lee Hsien Loong in 2021, Albert Winsemius, the Dutch economist who advised the Singapore government, met his friend J. D. van Oenen, vice-president of the Bank of America branch in Singapore, in 1968. Van Oenen showed him a globe and explained how Singapore occupied the gap in global trading hours between America and Europe. Van Oenen set out the idea in a paper, which reached Hon Sui Sen and was discussed with Prime Minister Lee Kuan Yew. In the words of the speech, "Thus was born the Asian Dollar Market, to bridge the gap in global markets as well as to finance the growth of the region."[5]

The speech describes Hon as "then Finance Minister". The office was in fact held by Goh Keng Swee from August 1967 to August 1970, while Hon chaired the Economic Development Board until 1968 and then the newly founded Development Bank of Singapore, before succeeding Goh as Minister for Finance on 11 August 1970.[6] The discrepancy matters little for the substance. It shows how quickly the founding of the market became part of an official narrative in which a small number of officials, foreign advisers and bankers recognise an opportunity and act on it without delay. Van Oenen himself published an article on "The Asian dollar" in *The Banker* in October 1970, two years after the launch.[7]

Why Singapore?

The time zone alone does not explain the choice. Hong Kong lay in a similar time zone, had an older and larger banking community and was the natural gateway to China. The economic historian Catherine Schenk concludes that Singapore was not the most likely venue for an Asian offshore financial centre. The decisive factor was a difference in policy. The Hong Kong authorities made a deliberate choice not to host an offshore market, a choice that the state and the incumbent banks initially supported. The banks changed their view later, as the Singapore market grew.[8] In

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May 1965, after two waves of banking crisis in February and April of that year, Hong Kong had also imposed a moratorium on new bank licences, which kept new entrants out of its banking sector until 1978.[9]

The initiative came from a bank. Because the American presence in Vietnam had increased the use of dollars in the region, Bank of America expected the Asia-Pacific area to become a prime source of dollar funds from the mid-1960s. Its plan was to offer smaller investors deposits at market rates with a minimum of 25,000 dollars, against the 100,000 dollars required in London. It needed a government willing to provide the necessary tax incentives. Singapore, which lacked a natural resource base, was receptive because it hoped that income from financial services would strengthen its balance of payments and diversify its economy.[10]

The timing was also political. In 1968 Singapore was preparing for the withdrawal of British forces, which Chapter C.III examines, while it searched for new sources of employment and foreign exchange. The offshore market did not require land, natural resources or a large labour force. It required legislation, administrative competence and the confidence of foreign banks, all of which a small and determined government could supply. The decision to proceed in 1968 thus belongs to the same strategy of survival that produced the Economic Development Board and the industrial estates.

Notes

1. Wikipedia, "Eurodollar" (accessed November 2026): the Moscow Narodny Bank was "an English limited liability company registered in London in 1919, whose shares were owned by the Soviet Union", and on 28 February 1957 "the sum of $800,000 was duly transferred, creating the first eurodollars". Wikipedia, "Eurodollar" (accessed November 2026): "The 'eurodollar' name comes from BCEN's telex address, 'Eurobank'.". ↩
2. Wikipedia, "Eurodollar" (accessed November 2026), on Regulation Q as "the U.S. Federal Reserve's ceiling on interest payable on domestic deposits" and on eurodollar deposits being "free of reserve requirements and deposit

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insurance assessments". Wikipedia, "Eurodollar" (accessed November 2026): by the end of the 1960s the market stood at "$70 billion". ↩

3. Wikipedia, "Interest Equalization Tax" (accessed November 2026): implemented in July 1963, applying to purchases "made after July 18, 1963", with the aim of making it "less profitable for U.S. investors to invest abroad"; "Originally intended to be a temporary tax, it lasted until 1974.". Wikipedia, "Interest Equalization Tax" (accessed November 2026): "financial markets responded over time with massive evasion of the tax, along with the development of the eurodollar market". ↩

4. Bernauer, "The Asian Dollar Market", p. 48: "Far Eastern bankers generally could not consummate transactions with London banks within a single day"; "Singapore had the advantage over Hong Kong and Tokyo – 3:30 p.m. there corresponds to 9:00 a.m. in London." ↩

5. Lee Hsien Loong, speech at the MAS50 Partners Appreciation Evening, 7 October 2021 (pmo.gov.sg, accessed November 2026): "In 1968, Dr Albert Winsemius, who was then the chief economic advisor to the Singapore government" spoke with J. D. van Oenen; "Mr Van Oenen was the vice-president of the Bank of America branch in Singapore"; "Showing Winsemius a globe, he explained how Singapore occupied the gap in global trading hours between America and Europe". Lee Hsien Loong, speech of 7 October 2021, on the paper sent to Hon Sui Sen, described as "then Finance Minister", its discussion with Prime Minister Lee Kuan Yew and the sentence "Thus was born the Asian Dollar Market, to bridge the gap in global markets as well as to finance the growth of the region.". ↩

6. Wikipedia, "Goh Keng Swee" (accessed November 2026): Minister for Finance "17 August 1967 – 10 August 1970"; Wikipedia, "Hon Sui Sen" (accessed November 2026): first Chairman of the Economic Development Board 1961–1968, Chairman of the Development Bank of Singapore 1968–1970, Minister for Finance from 11 August 1970, described as "a supporter of the establishment of the Asian dollar market". ↩

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7. Reference list of Catherine R. Schenk, "The origins of the Asia dollar market 1968–1986: Regulatory competition and complementarity in Singapore and Hong Kong", *Financial History Review*, vol. 27, no. 1, 2020, pp. 17–44 (cambridge.org, accessed November 2026): van Oenen, J. D. (1970), "The Asian dollar", *The Banker*, October, pp. 1096–7. ↩
8. Schenk, "The origins of the Asia dollar market 1968–1986", abstract (cambridge.org, accessed November 2026): "Singapore was not the most likely venue for an Asian offshore financial centre.". Schenk, "The origins of the Asia dollar market 1968–1986", abstract: "the Hong Kong authorities made a deliberate choice not to host an offshore market in Hong Kong", a decision "initially supported both by the state and by incumbent banks", "although the banks later changed their view as the Singapore market grew". ↩
9. Catherine R. Schenk, "The Operation of the Moratorium on New Bank Licenses on the Hong Kong Banking System 1965–81", Hong Kong Institute for Monetary Research, Working Paper 12/2006, abstract (ideas.repec.org, accessed November 2026): moratorium imposed in May 1965 after "two waves of banking crisis in February and April of that year". On the lifting of the moratorium in 1978, Ngiam, "Singapore as a Financial Center", p. 359 (full citation below). ↩
10. Bernauer, "The Asian Dollar Market", p. 48, on the impetus that came "in the mid-1960s from Bank of America", whose expectation that the region would become "a prime source for dollar funds" followed the increased use of dollars due to the US presence in Vietnam, its plan to offer deposits with "minimums of only $25,000 instead of the $100,000 required in London", and Singapore's receptiveness given "its lack of a natural resource base". ↩

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