The Monetary Authority of Singapore Act 1970

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The legislative process

The legislation came before Parliament in 1970, in a session that also dealt with the reform of banking law. On 22 July 1970 Goh Keng Swee moved the second reading of a new Banking Bill, which provided for the licensing and regulation of banking business and repealed the Malaysian Banking Ordinance of 1958 together with its amending act of 1965.[1] The Monetary Authority of Singapore Bill followed in the same session. According to the National Library's account, Goh introduced it for its first reading on 22 July 1970 and Parliament passed it on 2 September 1970.[2] The *BiblioAsia* account likewise records passage in September 1970.[3]

The official history of GIC gives a different date and states that Parliament ratified the Act in December 1970.[4] The gap probably reflects the difference between passage and commencement, since the Act came into operation on 26 December 1970 and the government staff assigned to the Authority were transferred to its service on 1 January 1971.[5] For the history of the financial centre, the decisive date is the one on which the Authority began work, which the Authority itself gives as 1 January 1971.[6]

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The choice of a name

The new body was deliberately called a monetary authority. Goh Keng Swee, who had masterminded its formation and shaped the draft legislation prepared with technical advice from the International Monetary Fund, insisted on the name because the institution would not issue currency.[7] A central bank, in his view, was an institution that could create money. The Authority received every other instrument of a central bank, from the management of reserves to the supervision of banks, while the power to print remained with a body bound by a strict backing rule.

Hon Sui Sen, who succeeded Goh as Minister for Finance in August 1970, defended the separation in Parliament. He argued that the "automatic mechanism" of the currency board was "of great psychological importance in maintaining confidence in the Singapore dollar". A commemorative history published by the Authority in 2012 put the same point more bluntly: the aim was to assure the public that the central bank "would not freely print money according to its whim".[8] An IMF mission in 1971 described the combination of a monetary authority with an autonomous currency board as "an interesting innovation".[9]

Functions and governance

The Act of 1970 gave the Authority the functions that the scattered departments had performed. The Authority's own summary records that the Act gave it the authority to regulate the financial services sector in Singapore. In practice, the Authority acted as banker to the government, administered exchange control, held and managed the external reserves, issued government securities and supervised banks and finance companies.

The governance structure reflected the close link with the government. The Act created a board of seven members, chaired by the Minister for Finance.[10] Hon Sui Sen served as the first chairman from January 1971 to July 1980, while Michael Wong Pakshong, a career official, served as the first managing director from December 1970 to February 1981.[11] An amendment of 2003 allowed a minister other

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than the Minister for Finance to chair the Authority. The present Act provides for a chairperson appointed by the President on the recommendation of the Cabinet and for between four and thirteen other directors.[12]

The Authority was therefore never independent in the sense in which the Bundesbank or, later, the European Central Bank were independent. It was an instrument of government policy, staffed by officials and directed by ministers. Its credibility came from the discipline of the government that controlled it and from the rules that bound the currency board. The model fitted the political system of Singapore described in Chapter II of this part, in which a single governing party pursued long-term economic objectives with considerable continuity.

Reserves management in the first decade

The new Authority inherited the reserves together with the officials who had managed them. Its Investments and Exchange Control Department, formed by combining the Department of Exchange Control and the Department of Overseas Investment, was later renamed the International Department.[13] From the start the Authority invested the reserves for return, an approach that the official history of GIC describes as “pretty radical” for a monetary authority of the time. It continued to diversify out of sterling and the US dollar into the Deutsche mark, the Swiss franc and the Japanese yen. Until the United States closed the gold window in August 1971, it redeemed US dollars for gold whenever an opportunity arose. Through the rest of the decade it remained a net buyer of gold through the 1970s.[14]

The arrangement lasted a decade, until the government decided to separate long-term investment from monetary management. In 1980 Goh Keng Swee, at the request of Prime Minister Lee Kuan Yew, initiated a review that led to the transfer of the long-term management of the reserves to a new Government of Singapore Investment Corporation in 1981.[15] The Authority kept the official foreign reserves needed for monetary policy. Part D examines GIC and the separation of investment from monetary management.

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Integration of insurance and securities supervision

The Act of 1970 gave the Authority responsibility for banks and finance companies. Over the next fourteen years it absorbed the other branches of financial supervision. In April 1977 the government placed the regulation of the insurance industry under the Authority. The regulatory functions under the Securities Industry Act of 1973 followed in September 1984.[16]

With these transfers Singapore created an integrated regulator long before the model became widespread. Lee Hsien Loong, speaking as chairman of the Authority on its thirtieth anniversary in 2001, described it as the only institution in the world that combined responsibility for monetary policy with supervisory oversight of the entire financial sector. He added that the Authority had been "an integrated supervisor long before this became internationally fashionable".[17] The United Kingdom created its Financial Services Authority only in the late 1990s, while Switzerland assembled FINMA in 2009.[18] Chapter I of Part E describes the integrated architecture as it stands today.

Common misconception

The Monetary Authority of Singapore is often described as Singapore's central bank from its creation in 1971. For its first thirty-one years it was a central bank without the note issue, which belonged to the Board of Commissioners of Currency. Only the merger of 1 October 2002 gave it the power to issue notes and coins and made it a central bank in the full sense. The distinction mattered to its founders, who saw the separation of money creation from the other monetary functions as a guarantee of confidence in the Singapore dollar.

Notes

1. Legal Wires, "Banking Bill" (legal-wires.com), summarising the Second Reading debate of 22 July 1970 (Parliament 2, Session 1, Sitting 4), with Goh Keng Swee presenting a bill "to provide for the licensing and regulation of the

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business of banking", repealing the Banking Ordinance, 1958 and the Banking (Amendment and Extension) Act, 1965. ↩

2. National Library Board, *Singapore Infopedia*, "Monetary Authority of Singapore": first reading on 22 July 1970 on the motion of Goh Keng Swee; bill passed on 2 September 1970. ↩
3. Barbara Quek, "The Making of the Monetary Authority of Singapore", *BiblioAsia*, October–December 2022: the Monetary Authority of Singapore Bill passed Parliament in September 1970; MAS was set up in 1971. ↩
4. GIC, *Bold Vision*, chapter 6, "A Productive Interregnum" (boldvision.gic.com.sg, accessed November 2026): the MAS Act "was ratified by parliament in December 1970". ↩
5. Monetary Authority of Singapore Act 1970 (current revised text as reproduced by LawPlayer, lawplayer.com/sg/act/MASA1970, accessed November 2026): "In operation from 26 December 1970"; s. 18(1): "On 1 January 1971, such persons, as the Minister may decide, who were employed by the Government" were transferred to the service of the Authority. ↩
6. Monetary Authority of Singapore, "Our History" (mas.gov.sg, accessed November 2026): Parliament passed the Monetary Authority of Singapore Act in 1970, giving MAS the "authority to regulate the financial services sector in Singapore"; MAS was formed on 1 January 1971. ↩
7. GIC, *Bold Vision*, chapter 6 (accessed November 2026): Goh Keng Swee masterminded the formation of MAS; the IMF provided technical advice and draft legislation; Goh deliberately named the institution a "monetary authority" because it would not issue currency. ↩
8. Barbara Quek, "The Making of the Monetary Authority of Singapore", *BiblioAsia*, October–December 2022, quoting Ignatius Low, Fiona Chan and Gabriel Chan, *Sustaining Stability: Serving Singapore*, Singapore, Straits Times Press, 2012: the central bank "would not freely print money according to its whim". See also Barbara Quek, "The Making of the Monetary Authority of Singapore", *BiblioAsia*, October–December 2022, quoting Hon Sui Sen: the

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currency board's "automatic mechanism" was "of great psychological importance in maintaining confidence in the Singapore dollar"; Wikipedia, "Hon Sui Sen" (accessed November 2026): Minister for Finance from 11 August 1970 to 14 October 1983. ↩

9. GIC, *Bold Vision*, chapter 6 (accessed November 2026): the 1971 IMF mission called the arrangement "an interesting innovation". ↩
10. GIC, *Bold Vision*, chapter 6 (accessed November 2026): the MAS Act set up a seven-member board chaired by the finance minister; an amendment of 2003 allowed any minister to chair MAS. ↩
11. Monetary Authority of Singapore, "Our History" (accessed November 2026): chairmen and managing directors, including Hon Sui Sen (January 1971 – July 1980) and Michael Wong Pakshong (December 1970 – February 1981). ↩
12. Monetary Authority of Singapore Act 1970 (current revised text as reproduced by LawPlayer, lawplayer.com/sg/act/MASA1970, accessed November 2026), s. 7(1) and (3): the board is "responsible for the policy and general administration of the affairs and business of the Authority"; a chairperson appointed by the President on the recommendation of the Cabinet and "not less than 4 and not more than 13 other directors". ↩
13. GIC, *Bold Vision*, chapter 6 (accessed November 2026): the reserves department was initially called Investments and Exchange Control, an amalgamation of the Department of Exchange Control and the Department of Overseas Investment, later the International Department. ↩
14. GIC, *Bold Vision*, chapter 6 (accessed November 2026): MAS was "pretty radical" in its investment approach right from the start; increasing holdings in the Deutsche mark, the Swiss franc and the Japanese yen; "Up to the closing of the gold window in August 1971, MAS was constantly alert to opportunities to redeem its US dollars for gold"; "MAS was a net buyer of gold through the 1970s"; after the Sterling Agreement was extended in 1971 for two years, Britain "eventually" agreed to reduce the Minimum Sterling Proportion to 36 per cent. ↩

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15. GIC, *Bold Vision*, chapter 6 (accessed November 2026): in 1980 Goh, at the behest of Lee Kuan Yew, initiated a review of MAS that led to GIC taking over reserves management from MAS; GIC, *Bold Vision*, chapter 3: GIC was created in 1981. ↩
16. Monetary Authority of Singapore, "Our History" (accessed November 2026): insurance industry regulation placed under MAS in April 1977; regulatory functions under the Securities Industry Act (1973) transferred to MAS in September 1984. ↩
17. Lee Hsien Loong, "Credibility, confidence, dynamism: MAS in the new economic and financial landscape", address at the MAS 30th Anniversary Conference, 20 July 2001, *BIS Review* 67/2001, p. 1–2: MAS "is the only institution in the world that combines responsibility for monetary policy with supervisory oversight of the entire financial sector"; "MAS was an integrated supervisor long before this became internationally fashionable"; supervision of insurance from 1977 and of securities from 1984. ↩
18. Wikipedia, "Financial Services Authority" (accessed November 2026): the Securities and Investments Board was renamed the Financial Services Authority on 28 October 1997; the Financial Services and Markets Act 2000 came into force on 1 December 2001. FINMA: see the note on the Geneva volume above. ↩

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