The return of British rule and the currency question

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

Surrender and the British Military Administration

Emperor Hirohito announced Japan's surrender on 15 August 1945. British forces landed in Penang on 3 September and in Singapore on 5 September 1945, where they were greeted by cheering crowds. On 12 September 1945 General Itagaki Seishiro, acting for Field Marshal Count Terauchi, signed the instrument of surrender in the Council Chamber of the Municipal Building. Lord Louis Mountbatten, Supreme Allied Commander in Southeast Asia, received it.[1]

A British Military Administration governed the island until the end of March 1946. When Singapore became a separate Crown colony on 1 April 1946, the Singapore Colony Order in Council established a Supreme Court consisting of a High Court and a Court of Appeal. The separation of Singapore from the Malayan Union, formed on the same day, laid the constitutional ground for the different paths of Singapore and the peninsula, which Chapter C.II follows.[2]

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

The military administration faced an economy in ruins, in which Malaya was short of food and medical supplies. Before the war it had imported more than half of its rice, which made the Allied blockade of imports and exports especially damaging. London would not fund reconstruction, while imports from outside the sterling area were heavily restricted. Bribery, smuggling, extortion and black market dealings had become "a way of life" under the Japanese, habits that survived the arrival of the British.[3]

No value for banana money

The most consequential decision of the military administration concerned the currency. It decided that "no value whatever" should be accorded to the Japanese banana money. Notes from one cent to $10,000 were made available, while the 1940 ten-dollar note and the old Straits Settlements notes were declared legal tender. The occupation currency was declared to be "worth no more than the paper on which it is printed". The proclamations on legal tender and on a moratorium of debts were reproduced in the *Malaya Gazette* of 1 November 1945.[4]

The decision had a clear logic, because the Japanese notes were unbacked, many were unnumbered and their quantity was unknown. Redeeming them at any rate would have transferred the cost of the Japanese occupation to the colonial treasury and to the reserves of the currency board. A Select Committee later described the unnumbered and unbacked notes as not constituting "an issue of a currency" at all. Japan, the issuer, has never exchanged them.[5]

The consequences for individuals were harsh. People who had held Japanese currency at the moment of liberation lost everything they held in that form. Some were left with no usable money at all. Those who had hidden Straits or Malayan dollars found that their notes were valid again. The result rewarded those who had distrusted the occupier and penalised those who had complied. Banana notes ended as souvenirs, were stamped or punched as cancelled, or were used as paper for the calendars of 1946. The Malayan currency board, which had kept its reserves in London throughout the war, was reconstituted on 1 April 1946.[6]

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

Debts, deposits and ex post facto legislation

Refusing value to the occupation currency settled one question and opened many others. During the occupation, debtors had repaid pre-war loans in banana notes, depositors had withdrawn their deposits in them, tenants had paid rent in them and properties had been sold for them. If the notes had no value, had these payments discharged the debts? The banks argued that depositors who had accepted payment in Japanese currency had validly discharged their claims.[7] Creditors who had been repaid pre-war loans in depreciated notes argued the opposite. Without legislation, the courts would have had to decide thousands of such disputes case by case.

The courts of Burma showed how difficult that would have been. In *Chan Taik v Dooply* the High Court of Burma held that the Japanese military authorities had been competent only to issue notes supplementing the lawful currency. Equating their currency with the lawful currency exceeded that competence, so that the so-called Japanese currency had therefore never been legal currency in Burma. After the hardship that followed had led the Burmese court to recommend legislation, Burma enacted a Japanese Currency (Evaluation) Act that valued the occupation notes on a sliding scale, at par for 1942 and at only 5 per cent of pre-occupation notes by 1945.[8]

Singapore and the Federation of Malaya followed the same approach of ex post facto legislation. The Debtor and Creditor (Occupation Period) Bill 1948 went through Select Committees in both territories. The resulting legislation distinguished between “pre-occupation debts” and “occupation debts”. An occupation debt that remained partly unpaid was revalued according to a scale, either as at the date of demand or as at 12 August 1945, whichever was earlier. If the revalued balance amounted to less than $100 in Malayan currency, nothing was payable. Further measures followed, among them the Moratorium Proclamation (Repeal) Ordinance 1949 and the Principals and Agents Rights and Liabilities (Occupation Period) Ordinance 1949.[9]

The S. K. Das study of 1960, which collected this legislation, concluded that remedial legislation had been the only effective means of resolving the problems. The legislation could not restore what had been lost. It could, however, replace an unpredictable mass of litigation with rules that creditors and debtors could apply.

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

The colony thereby restored a basic element of a functioning credit system: the certainty of what a debt is worth and how it can be discharged. The pre-invasion notes themselves were demonetised on 31 August 1948, when all notes dated before 1 July 1941 lost their status as legal tender.[10]

War damage, war crimes and the "blood debt"

Physical damage was dealt with through a war damage compensation scheme. In April 1949 a question in the House of Commons noted that a further 220 million dollars were being sought from Britain, in addition to 85.7 million already promised. By February 1952 about 200,000 claims had been lodged in Singapore and the Federation of Malaya. Final awards had been assessed on 80,000 of them, with dividends of between 30 and 60 per cent paid so far.[11] The compensation thus covered only part of the losses, years after the damage had occurred.

Criminal responsibility was pursued in a series of war crimes trials conducted by the British authorities. Between 21 January 1946 and 12 March 1948, 131 trials were held in Singapore. The trial concerning Sook Ching took place from 10 March to 2 April 1947. All seven accused officers were found guilty: Lieutenant-General Kawamura Saburo and Lieutenant-Colonel Oishi Masayuki were sentenced to death, while the other five received life sentences. Kawamura and Oishi were hanged on 26 June 1947.[12]

The financial claim of the Chinese community against Japan remained open for two decades. After remains of war victims were discovered on East Coast Road in February 1962, the Singapore Chinese Chamber of Commerce set up a committee to exhume them. On 25 August 1963 the Chamber organised a "blood debt" rally at the Padang, supported by the government, which drew about 120,000 people and demanded M$50 million in compensation. On 25 October 1966 Japan agreed to pay S$50 million, half as a grant and half as a loan. It described the payment as a "gesture of atonement" and avoided the words damages and reparations. Part of the money funded the Civilian War Memorial, which Lee Kuan Yew inaugurated on 15 February 1967, the twenty-fifth anniversary of the fall of Singapore.[13]

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

The settlement of 1966 closed the account with a nominal amount equal to the "gift" of 1942. By accepting it, the newly independent state cleared the way for economic relations with Japan, whose investment would contribute to the industrialisation programme described in Chapter C.III.

Notes

1. Wikipedia, "Japanese occupation of Singapore" (accessed November 2026): Hirohito announced Japan's surrender on 15 August 1945; British troops were greeted by a cheering crowd on 5 September 1945; Wikipedia, "Malayan dollar" (accessed November 2026): British forces landed in Penang on 3 September 1945 and in Singapore on 5 September 1945. Roots.gov.sg (National Archives of Singapore), "The Japanese surrender at the Municipal Building" (accessed November 2026): on 12 September 1945 General Itagaki Seishiro led the Japanese delegation and signed the Instrument of Surrender on behalf of Field Marshal Count Terauchi; Lord Louis Mountbatten received the surrender in the Council Chamber of the Municipal Building. ↩
2. Supreme Court of Singapore, "History of the Courts", judiciary.gov.sg (accessed November 2026): following the surrender on 12 September 1945, the British military temporarily administered Singapore; the military administration ended on 31 March 1946 and Singapore became a separate Crown Colony; "The Singapore Colony Order in Council established the Supreme Court, consisting of a High Court and a Court of Appeal". Wikipedia, "British Military Administration (Malaya)" (accessed November 2026): the Malayan Union commenced on 1 April 1946, ending the BMA. ↩
3. Wikipedia, "British Military Administration (Malaya)" (accessed November 2026): Malaya was short of food and medical supplies at the end of the war; before the war it imported more than 50 % of its rice; London would not fund reconstruction; imports from outside the sterling area were heavily restricted. Wikipedia, "British Military Administration (Malaya)" (accessed November 2026): under the Japanese, bribery, smuggling, extortion and black market dealings became "a way of life". ↩

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

4. Wikipedia, “Malayan dollar” (accessed November 2026): “It was decided that no value whatever should be accorded the Japanese banana money”; notes from 1 cent to $10,000 were made available, and the 1940 $10 note and old Straits Settlements notes were declared legal tender. Wikipedia, “British Military Administration (Malaya)” (accessed November 2026): Japanese occupation currency was declared “worth no more than the paper on which it is printed”; the former Malayan currency was made legal tender and wartime savings were wiped out. Kratoska, “Banana Money”, 1992, note 36 (reference notes consulted on Cambridge Core, November 2026): proclamations on legal tender, moratorium, price control and food control published in the *Malaya Gazette* of 1 November 1945. ↩

5. Kratoska, “Banana Money”, 1992, note 58 (reference notes consulted on Cambridge Core, November 2026): the Select Committee described the unnumbered, unbacked Japanese notes as not constituting “an issue of a currency”. Wikipedia, “Japanese government-issued dollar in Malaya and Borneo” (accessed November 2026): “The currency became entirely worthless, and to this day the Japanese government has refused to exchange these currencies.” ↩

6. Wikipedia, “British Military Administration (Malaya)” (accessed November 2026): some people were left with no usable currency, and wartime savings were wiped out. Wikipedia, “Japanese government-issued dollar in Malaya and Borneo” (accessed November 2026): residents who had hidden Straits or Malayan dollars could use them once British control resumed. Wikipedia, “Japanese government-issued dollar in Malaya and Borneo” (accessed November 2026): surviving notes were stamped as war souvenirs, used as printing paper for 1946 calendars, or punched as cancelled. Wikipedia, “Malayan dollar” (accessed November 2026): civil administration was restored on 1 April 1946, and the board was reconstituted that day. ↩

7. Kratoska, “Banana Money”, 1992, note 62 (reference notes consulted on Cambridge Core, November 2026): banks argued that depositors who accepted payment in Japanese currency had validly discharged their liabilities. ↩

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

8. Hla Aung, review of S. K. Das, *University of Malaya Law Review*, vol. 2, no. 2, December 1960, 354, quoting San Maung J in *Chan Taik v Dooply*: it was "entirely beyond their competence to issue an Ordinance such as the Burma Monetary Arrangements Ordinance, 1942, equating their currency to the lawful currency of the country". Hla Aung, review of S. K. Das, *University of Malaya Law Review*, December 1960, 354: the Japanese Currency (Evaluation) Act (Act XXXVI of 1947) valued Japanese currency "on a gradually reducing scale", at par with pre-occupation currency for 1942 and at "only 5% of that of pre-occupation notes" in 1945. ↩

9. Kratoska, "Banana Money", 1992, notes 67, 69 and 71 (reference notes consulted on Cambridge Core, November 2026): the Debtor and Creditor (Occupation Period) Bill, 1948, went through Select Committees in Singapore and the Federation of Malaya (Singapore Paper No. 31 of 1948; Federation Paper No. 38 of 1948). Hla Aung, review of S. K. Das, *University of Malaya Law Review*, December 1960, 354: post-war legislation in Malaya "draws a distinction between 'pre-occupation debt' and 'occupation debt'"; outstanding balances are revalued "in accordance with scale, either as on the date of demand or as at the twelfth day of August, 1945 whichever of such dates is earlier"; if less than $100 in Malayan currency, "nothing is deemed payable". Kratoska, "Banana Money", 1992, notes 90 and 100 (reference notes consulted on Cambridge Core, November 2026): the Moratorium Proclamation (Repeal) Ordinance, 1949, and the Principals and Agents Rights and Liabilities (Occupation Period) Ordinance, 1949. ↩

10. Hla Aung, review of S. K. Das, *University of Malaya Law Review*, December 1960, 352: one of the author's purposes was "to show that remedial legislation was the only effective means to enable a flustered mind to find a plausible answer". Wikipedia, "Malayan dollar" (accessed November 2026): "All notes bearing dates prior to 1 July 1941, were de-monetised on 31 August 1948." ↩

11. *Hansard*, House of Commons, 6 April 1949, vol. 463, c. 2058, "Singapore and Malaya (War Damage)": Mr Channon referred to "a further 220 million dollars" sought from Great Britain "in addition to the 85.7 millions already promised". *Hansard*, House of Commons, 20 February 1952, vol. 496, cc. 228–

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

229, "Malaya (War Damage Commission)" (Oliver Lyttelton): about 200,000 claims lodged in Singapore and the Federation of Malaya; final awards assessed on 80,000; dividends of between 30 and 60 per cent paid. ↩

12. Timothy Pwee, "A War Crimes Trial Snapshot", *BiblioAsia*, vol. 11, issue 4, January–March 2016: 131 trials "held between 21 January 1946 and 12 March 1948"; the Operation Sook Ching trial ran from 10 March to 2 April 1947; Kawamura Saburo and Oishi Masayuki were sentenced to death and the other five officers received life sentences. Wikipedia, "Sook Ching" (accessed November 2026): Kawamura and Oishi were hanged on 26 June 1947. ↩

13. Lee Meiyu and Seow Peck Ngiam, *BiblioAsia*, July–September 2022: on 19 February 1962 the *Nanyang Siang Pau* reported the discovery of remains on East Coast Road; the Singapore Chinese Chamber of Commerce set up a Disposal of Remains Committee on 28 February 1962. Henedick Chng, "Why 'Syonan-to' is still painful", *Mothership*, 18 February 2017: the "Blood Debt" rally of 25 August 1963, organised by the Singapore Chinese Chamber of Commerce and supported by the government, drew 120,000 people and demanded M$50 million in compensation. Wikipedia, "Sook Ching" (accessed November 2026): on 25 October 1966 Japan agreed to pay S$50 million, half as a grant and the rest as a loan; the payment was classed as a "gesture of atonement" and words such as "damages" or "reparations" were avoided. Wikipedia, "Japanese occupation of Singapore" (accessed November 2026): part of the compensation funded the Civilian War Memorial, unveiled by Lee Kuan Yew on 15 February 1967; Lee Meiyu and Seow Peck Ngiam, *BiblioAsia*, July–September 2022: the memorial was inaugurated by Lee Kuan Yew on 15 February 1967. ↩

Disclaimer

This article is provided for general information only. It is based on publicly available sources as at its date of publication. These sources have not been independently verified against licences, regulatory registers or the records of the entities concerned. It is not legal, tax, financial or investment advice.

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

Nor is it a recommendation to invest in, transact with or use the services of any entity mentioned. Law and regulation change frequently, so the content may be incomplete or outdated. To the fullest extent permitted by law, Dr Alexander Ressos and the publisher of SingaporeIQ exclude all liability for loss or damage arising from the use of or reliance on this article. Readers should obtain advice on their specific circumstances before acting or refraining from action.

Names and trademarks of the entities discussed belong to their owners and are used for identification only. Their mention implies no endorsement, affiliation or allegation of wrongdoing. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. Corrections and updates: contact@ressos.com.

© 2026 Dr Alexander Ressos. This article may be quoted with attribution to SingaporeIQ (SingaporeIQ.com). Reproduction in full and any commercial use require prior written consent. The Legal Terms at https://singaporeiq.com/legal-terms apply.

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

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.