STATEMENT BY THE SINGAPORE GOVERNMENT

The Singapore Cabinet met today to consider some of the problems arising out of its decision not to devalue the Singapore currency. One of the problems is to clear up the legal technicalities following the decision that had been made that the Singapore dollar will be maintained at its present rate of 0.290299 grammes of fine gold or 2s 8d, whilst the old Malayan Currency Board dollar remained at 2s 4d or 85 new Singapore cents. The Singapore Government believes that there should be no panic decision about the date for final redemption of the old Malayan Currency Board notes and coins. The people should be given the longest possible time for redemption of their old money, both notes and coins. Even after the final redemption date, when old Currency Board notes and coins will cease to be legal tender, the Currency Agreement to which the Governments of Singapore, Malaysia and Brunei are parties, provides for the setting up of a special fund to pay 2s 4d to one Malayan dollar for unredeemed notes outstanding.



The Cabinet, therefore, today approved an amendment to the Currency Act, 1967. The amendment will be moved at the sitting of parliament on December 5 and will have retrospective effect as from 19th November 1967. The amending Act will clear all doubts about the legality of rates of exchange between old Malayan Currency Board notes and coins and new Singapore Currency Board notes and coins.

In the Currency Act, 1967, establishing the new note and coin issue of the Republic of Singapore, it was provided in Section 34 that new notes and coins shall be exchanged at par with the notes and coins issued by the Board of Commissioners of Currency, Malaya and Singapore. The object of this provision was to strengthen confidence in the new currency, that is, to ensure that they shall not be less in value compared to the old notes. The devaluation of Sterling and subsequent events in Malaysia and Singapore have made it necessary to make an amendment to the Currency Act to provide for the new notes being kept up at 0.290299 grammes of fine gold.

The Government's decision not to devalue was made after weighing carefully the pros and cons in terms of both the short and long term interests of Singapore. One of the factors in the decision was the decision of the Malaysian Government not to devalue.



Cabinet also reviewed the external reserves of the Republic in relation to the note circulation of the new currency. Since July 1966, the Government had taken action gradually to diversify the external reserves of the Republic. This policy of gradual diversification had to take two points into consideration. First, as a member of the Sterling Area, Singapore was and is obliged not to do anything that would weaken the position of Sterling. Any precipitate action to withdraw a substantial amount of our reserves in London could have been construed as weakening Sterling.

The second factor is that when plans of British military cutdown to half their force levels by March 1971 were announced, we were promised significant aid. So any substantial or rapid withdrawal of our reserves in London would prejudice a fair settlement. Therefore diversification of our reserves was undertaken as far as possible by leaving our reserves in London intact and investing in non-Sterling countries the additional revenues accruing in the course of time to the Singapore Government.



As of today, the combined external reserves of the Singapore Government and the Singapore Currency Board (excluding reserves of the Public Utilities Board, Central Provident Fund and other statutory authorities) amount to $1, 251.6 million. This figure does not include interest accruing during the year. An amount of at least $60 million should be added as interest. Exactly half of the net total i.e. $625.66 million, is held in non-Sterling currencies. 82% of our non-Sterling assets ($513 million) are held in United States dollars. The rest are held in Deutsche marks, Swiss francs and French francs. The remaining half is held in London.

The external reserves of the Singapore Government, therefore, amount to four times the value of the new currency in circulation., i.e. $325.59 million as of 22nd November. Except for oil countries like Brunei and the Middle East sheikdoms, there are very few countries which have a reserve backing of 400%. Most experts of international finance would say that the policy of the Singapore Government in respect o external reserves is most sound, and the Singapore dollar solidly backed.

There are special reasons for stating the details of our position. One is that it puts beyond all doubt the strength of the Singapore dollar. Our financial position is impregnable and there is no conceivable set of circumstances, which will compel us to devalue the gold parity of our new Singapore dollar. The Singapore Cabinet is unanimous in the decision that the Government will maintain the present parity of the new currency, at $1 to 0.290299 grammes of fine gold. There are enough resources to back this decision.



Date: 23rd November, 1967. (Time Issued: 1630 Hours)