S'pore switches to US $ as intervention currency

No ties with sterling

By BLAIR JOHNSON: Singapore, Sunday

SINGAPORE has broken her ties with sterling. The Monetary Authority of Singapore tonight announced the Singapore dollar is to rely on the US dollar as intervention currency in place of sterling.

The move follows steps taken by the Malaysian Government during the weekend to tie the Malaysian dollar to the US dollar and ensures there will be complete interchangeability between the currencies of Singapore and Malaysia.

The Monetary Authority statement tonight said it had become evident that the continuation of sterling as an intervention currency can no longer be maintained.

Because of this factor, the Singapore Government had decided that, with immediate effect, the US dollar would be used as the intervention currency in place of sterling.

Parity will be Singapore $2.8196 to one US dollar, with the upper limit $2.8830 and the lower limit $2.7561. These limits conform with the 2¼ per cent wider margin prescribed at the Smithsonian meeting held in Washington last December.

No statement has been made yet as to when local foreign exchange markets will reopen, but they are due to open in Europe on Tuesday. Quotations are likely to be made in the market on Wednesday once bankers have had a chance to study new rates following the float of the British pound.

Ground rules

The British move in foreign exchange markets before the weekend took international bankers by surprise. It means the dismantling of the sterling area.

New ground rules will have to be laid and local bankers last night were cautious regarding the Singapore dollar's new status in world markets.

One leading banker claimed the move was good and could lead to the opening of whole new money markets to be tapped for investment in Malaysia and Singapore, but he warned we have not yet seen the end of the present monetary crisis.

Once trading in international money markets resumes, financial experts expect to see a five per cent devaluation of the pound but the extent of this will be determined by the length of time the British Treasury allows the pound to float and the pressure it comes under in early dealings.

Devaluation

There have been calls for European currencies to follow Britain's action and notice has been given by a leading Japanese banker that if this happened the yen would also be floated.

Financial circles had expected the British to devalue the pound prior to joining the Common Market, but the speed with which pressure built up last week against the pound in international markets caught currency speculators by surprise.

It is barely six months since the US dollar recovered from the run which forced the US authorities to devalue against gold and other countries to revalue against the dollar.

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