



AMBD Article

CURRENCY INTERCHANGEABILITY AGREEMENT BETWEEN BRUNEI DARUSSALAM AND SINGAPORE

12th June 2017 marks a special milestone - the 50th anniversary of the Currency Interchangeability Agreement between Brunei Darussalam and Singapore. Under this Agreement, the monetary authorities and banks of both countries are obliged to accept and exchange each other's currencies at par and without charge, into their own currency. This means that Autoriti Monetari Brunei Darussalam (AMBD) and banks in Brunei Darussalam will accept from the general public, including retailers, Singapore's currency at 1:1 and vice-versa for Brunei Darussalam's currency in Singapore, thus making it "customary tender". The Agreement remains intact till today.

This unique arrangement has benefited both Brunei Darussalam and Singapore and is compatible with the macroeconomic stability enjoyed by both countries. The Currency Interchangeability Agreement has also helped facilitate tourism, trade and investment activities between Brunei Darussalam and Singapore.

On top of the Currency Interchangeability Agreement, Brunei Darussalam's monetary policy is also based on a currency board system. A currency board involves a one-way peg between the currency of one country to another credible currency. However, both currencies are rarely interchangeable and freely used as customary tender in each other's countries.

In the case of Brunei Darussalam, the Brunei Dollar is pegged to the Singapore Dollar, is interchangeable, and is used as customary tender in both countries. As such, having the Currency Interchangeability Agreement together with Brunei Darussalam's currency board system has made Singapore one of Brunei Darussalam's top trading partners and have facilitated complementary financial relationships between the two countries (MAS, 2017).

The International Monetary Fund (IMF) has lauded that the Currency Board Arrangement (CBA), with the Currency Interchangeability Agreement that underpins this framework, has served Brunei Darussalam well and remains appropriate; as it provides a credible nominal anchor (MAS, 2017).

In summary, the Currency Interchangeability Agreement has been mutually beneficial for Brunei Darussalam and Singapore and has contributed significantly to the close relationship between the two countries over the years, and tested the ability of both countries to steer respective economies for the benefit of the people. Indeed, the achievement of another milestone – the 50th anniversary of the Currency Interchangeability Agreement in 2017 is an exemplary testament to the strong links between the two nations.

References:

Monetary Authority of Singapore (2017), "The Currency Interchangeability Agreement: Fifty Years On", *Macroeconomic Review*, Vol. XVI (1), pp. 73-76.