

Cypriot Finance Minister Departs as Deadline Looms

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Cyprus failed to strike a deal to secure financial aid from Moscow, with the delegation lead by Finance Minister Michalis Sarris heading home Friday as clouds gather around the Mediterranean country.

"I think we are not able to get the support that we wanted to get," Sarris told Bloomberg while departing from his hotel in Moscow on Friday. "But we must go back home because things are getting serious," he added.

Cyprus is running out of time since the European Central Bank gave it until Monday to come out with a new plan to raise 5.8 billion euros (\$7.5 billion) needed to trigger a 10 billion euro bailout from the euro zone and the International Monetary Fund. After that deadline the regulator will cut off funding to the country's banks if no source of financing is found.

Sarris's Russian counterpart Anton Siluanov said that investors were not attracted

by proposals by Cyprus to exchange assets in its finance and energy sector for cash.

The plan envisaged that Cyprus create a state company that would own its gas fields and attract Russian investors to buy bonds to be issued by that company and acquire stakes in it later on, Siluanov told journalists, Interfax reported.

"Our investors considered that issue and didn't show any interest," he said, adding that investors did not get excited about the idea to acquire stakes in Cypriot banks either.

The second and last round of talks ended Thursday, Siluanov said.

Russian state-owned energy giants Rosneft and Gazprom were approached to participate in tenders for the island country's offshore gas fields, Bloomberg reported Friday, citing a Russian government official. Russia's two biggest lenders — state-run VTB and Sberbank — said they weren't interested in Cypriot bank assets.

Sarris arrived in Moscow late Tuesday to hold negotiations with Russian officials, with Cyprus seeking to restructure the 2.5 billion euro loan it received from Russia in 2011. The Mediterranean country also reportedly planned to ask for a further loan of 5 billion euros.

Siluanov said that an additional loan was not discussed during the two-day negotiations, since it would have exceeded the debt limit set by the European side.

Meanwhile, Sarris sounded optimistic, saying that Russia could ultimately agree to restructure the loan.

"I think the loan will be extended and the conditions adjusted," he told Bloomberg, adding that the prospects of getting an additional cash injection from Russia remain unclear.

The Cypriot parliament is slated to consider a new bailout plan Friday after the initial scheme that envisaged imposing a one-time levy on bank deposits failed to win the lawmakers' support.

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