

Cyprus Strikes Deal to Seize Part of Bank Deposits

By [The Moscow Times](#)

March 24, 2013



Cyprus managed to avoid going over a financial cliff at the last moment on Monday by agreeing to seize a part of large deposits, including those belonging to Russian nationals, in its two main banks.

The plan envisages closing the state-controlled Popular Bank of Cyprus, also known as Laiki, and transferring deposits below 100,000 euros with Laiki to the Bank of Cyprus, the island's largest lender, to create a "good bank."

The Cypriot government will also freeze deposits exceeding 100,000 euros in both banks to pay Laiki's debts and recapitalize the Bank of Cyprus through a deposit/equity conversion, media reports said Monday.

It was not clear what percentage of the deposits would be confiscated. The Financial Times reported, citing a person involved in the talks, that the losses would be significantly higher than 20 percent. Cypriot television channels cited a Cypriot government representative as

saying that about 30 percent would be seized, RIA Novosti reported. Vedomosti [reported](#) without citing any specific sources that the losses could amount to up to 40 percent.

Cyprus agreed to the move under pressure from finance ministers of 17 European countries who signed a preliminary accord early Monday to provide 10 billion euros (\$13 billion) from the European Commission, the European Central Bank and the International Monetary Fund.

Cypriot authorities plan to collect 4.2 billion euros from large depositors.

Initially the island's authorities planned to withdraw 9.9 percent from all Cypriot bank deposits — a move that was protested by local residents, harshly criticized by Russia and rejected by the Cypriot parliament.

An EU spokesman said no across-the-board levy or tax would be imposed on deposits in Cypriot banks as was originally planned, Reuters [reported](#).

Related articles:

- [Bailout Deadline Looms After Kremlin Rebuffs Cyprus](#)
- [Cypriot Crisis Endangers Russian Financial Flows](#)
- [Russia Must Stand Up to EU Bullying on Cyprus](#)

Original url:

<https://www.themoscowtimes.com/2013/03/24/cyprus-strikes-deal-to-seize-part-of-bank-deposits-a226>