

Shuvalov Says No Help for Cyprus Account Holders

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First Deputy Prime Minister Igor Shuvalov

The government will not intervene on behalf of Russians hit by a drastic restructuring of Cyprus' banking system, though it will consider specific cases involving state-linked companies, First Deputy Prime Minister Igor Shuvalov said.

"If somebody gets caught and loses money at the two largest banks, it's a shame, but the Russian government isn't going to do anything about it," Shuvalov said in a television interview on Sunday.

But the government will look into specific cases of companies with state ownership that took severe losses because of the failed Cypriot banking system, he added. It will be done openly and in Russia. "But it doesn't mean it is necessary to help the Republic of Cyprus," Shuvalov said.

But Deputy
Prime Minister
Igor Shuvalov
says state
companies
might get
assistance in a
few specific
cases.

Last week, the Eurogroup agreed on a 10 billion euro (\$12.8 billion) bailout scheme for Cyprus' banks. In order to receive these funds, the second-largest financial institution in the country, Laiki Bank, will have to be shut down, and the largest lender, The Bank of Cyprus, restructured.

Under the deal, the assets of Laiki Bank will be transferred to the Bank of Cyprus. Laiki account holders will get shares in the Bank of Cyprus worth 37.5 percent of their deposits above 100,000 euros, a source told Reuters. The remaining funds might never be seen again. Deposits of less than 100,000 euros are insured by the government, according to media reports. Confiscation of nearly two-thirds of assets over 100,000 euros represents a greater loss to account holders than the across-the-board levies that were proposed earlier and rejected by the Cypriot parliament prior to the government's coming to an agreement with Europe.

Much of these funds are believed to have originally come from Russia. According to Moody's ratings agency Russians accounted for about 19 billion euros in deposits in Cypriot banks as of Sept. 1, 2012. The Central Bank of Cyprus reports that there was a total of 67.4 billion euros worth of deposits in the country's banks as of February 2013, out of which 20.9 billion came from non-European residents.

Shuvalov encouraged Russians to take advantage of the stable economy at home. Based on macroeconomic indicators, the country has "one of the most reliable economies and a sound banking system for storing funds," the deputy prime minister said. Other officials have commented recently on keeping funds at home. Prime Minister Dmitry Medvedev proposed earlier this month to form an offshore zone in the Far East.

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