

Beat: Business

Cyprus: Big depositors could lose up to 60 percent

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USPA News - Big depositors at Cyprus' largest bank will face losing up to 60 percent of their savings which exceed 100,000 euros (\$127,770), far more than had been initially estimated as part of a European rescue package, the government said on Saturday. As part of the measures, as much as 60 percent of deposits exceeding 100,000 euros (\$127,770) at the Bank of Cyprus could be effectively lost.

Deposits up to 100,000 euros are safe and will be paid out to customers, but only 40 percent of deposits exceeding that amount are certain to be paid out in full. A statement from the country's central bank said 37.5 percent of the big deposits will be converted into Class A shares of the Bank of Cyprus, giving the owners voting rights and dividends. This would theoretically allow depositors to eventually recover some of their losses, but the shares are now virtually worthless and it is uncertain if they will ever regain value. Another 22.5 percent of the big deposits is also at risk of being converted into Class A shares of the Bank of Cyprus, but an independent valuer will first have to decide whether the bank's reserves allow some of it to be returned to depositors. "Not later than 90 days from the completion of the valuation, all or part of that percentage might be converted into shares and the remainder returned to the depositor," the central bank said. The remaining 40 percent of the big deposits, excluding the amount below 100,000 euros, is still frozen for liquidity purposes but is expected to be returned to depositors in the near future. "However, the interest continues to be calculated for this deposit based on the existing interest rate," the statement said. Also on Saturday, the central bank announced that banks on the island will operate under normal business hours from Tuesday. But a range of measures, including limits preventing customers to withdraw more than 300 euros (\$383) per day from their accounts, will continue to apply to avoid further instability in the financial system. "The capital control measures apply to all banks and are exceptional, non-discriminatory, temporary and critical to regulate the flow of capital throughout the country," the central bank said. "Each day, we will measure and look to refine or relax these controls with the overriding goal of safeguarding and stabilizing the Cypriot financial system." Banks in Cyprus were closed between March 16 and Thursday to avoid a bank run during the island's financial crisis. The Cypriot government reached an agreement with the European Union, European Central Bank and the International Monetary Fund on Monday to restructure the country's crucial banking system, avoiding a dramatic exit from the eurozone. Shareholders and large depositors will face huge losses in return for the 10-billion euro (\$12.7 billion) bailout.

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