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Bank of Cyprus executes depositor bail-in

Savers in the Bank of Cyprus took a hit on Sunday as 37.5pc of their uninsured deposits were converted to equity as part of the island's €10bn (£8.4bn) rescue deal.



Bank of Cyprus, the island's largest bank, said it had converted 37.5pc of deposits exceeding €100,000 into "class A" shares, with an additional 22.5pc held as a buffer for possible conversion in the future. Photo: Reuters



By Denise Roland, and agencies

9:09PM BST 28 Apr 2013

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The so-called 'bail-in' forces savers to foot the bill for the recapitalisation of Cyprus' biggest bank, after it was hit by massive losses from its exposure to debt-crippled Greece.

Bank of Cyprus said it had converted 37.5pc of deposits exceeding €100,000 into "class A" shares, with an additional 22.5pc held as a buffer for possible conversion in the future.

Another 30pc would be temporarily frozen and held as deposits, the bank said.

The bail-in is part of attempts by Cyprus to find €13bn - **a figure nearly double the island's original bill** - to shore up its economy. Other measures include a **possible sell-off of the nation's gold reserves**.

The European Union and the International Monetary Fund are providing a further €10bn to the island, one of the eurozone's smallest economies.

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However the disbursement of rescue funds - expected to start in May - **will hinge on the outcome of a vote in the Cypriot parliament**, due on Tuesday.

While Cypriot finance minister Harris Georgiades last week voiced confidence that the island's fractious parliament will approve the deal, the vote is likely to put the bail-out on a knife-edge as nearly half of the 56-member house is considered likely to oppose or abstain.

Meanwhile in Greece, the government on Sunday evening approved an emergency omnibus bill that will unlock about €8.8bn of bail-out funding by the EU and IMF and pave the way for public sector layoffs. About 2,000 civil servants will be laid off by the end of May, with another 2,000 following by the end of the year and a further 11,500 by end-2014, for a total of 15,500.

Following parliament's approval, senior euro zone officials will meet on Monday to approve the overdue payment of €2.8bn (\$3.65bn) in rescue loans, finance minister Yannis Stournaras said.

Euro zone finance ministers will then meet on May 13 to release a further €6bn instalment, he added.

Greece needs that money to pay wages, pensions and bonds held by the European Central Bank that mature on May 20.

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