

Beat: News

Cyprus banks to reopen Thursday with tight controls

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USPA News - Cypriot's finance minister announced Wednesday that the country's banks will reopen on Thursday with tight controls to regulate the flow of capital, nearly two weeks after financial institutions were shut to avoid a bank run during the island's financial crisis. Finance Minister Michalis Sarris issued a decree Wednesday to outline a range of temporary measures the government will take to avoid further instability in the financial system when banks reopen.

It said the measures, which will apply for at least seven days, are to ensure public order and public security. The Central Bank of Cyprus said the banks, which have been closed since March 16, will be open from 1000 GMT to 1600 GMT on Thursday. Customers will be able to withdraw a maximum of 300 euros (\$383) per day from their accounts, but leftovers from the day's maximum will be added to the next day's allowance. Businesses will be able to carry out transactions up to 5,000 euros (\$6,390) per day, per account and pay salaries to their employees. Payments and transfers from outside Cyprus, via debit, credit or prepaid cards, will be permitted up to 5,000 euros (\$6,390) per month, per person at each bank. "These measures are temporary. The Central Bank of Cyprus and the Government of Cyprus will review them each day, with a view to progressive lifting of the measures as soon as circumstances allow," the finance ministry said in a statement, adding that credit and debit cards will continue to work. Meanwhile, the ministry said the Cyprus Popular Bank, which is better known as the Laiki Bank, has been placed into administration. It said most of the businesses, including all insured deposits under 100,000 euros (\$127,770), have been transferred to the Bank of Cyprus, and that Laiki Bank staff will become employees of the Bank of Cyprus. Unlike insured deposits which have been fully protected, depositors with more than 100,000 euros (\$127,770) in the top two banks face losing a large chunk of their money. The uninsured deposits will be partly converted into shares in the Bank of Cyprus and partly retained as cash. "With these measures, the banking sector has been restored to viability, with the biggest part of the banking operations of Laiki Bank being merged with the Bank of Cyprus, and the Bank of Cyprus will be recapitalized immediately, creating a powerful credit institution worth to regain the trust of the Cypriot depositor and businessman," the ministry said in its statement. 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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