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The Eurogroup bail-in of Cyprus banks reinforces financial repression against EU savers
European clients are not to be held responsible for bank failures

After weeks of obscure discussions between the Cypriot government and the *troika*, it was revealed that the Cyprus bailout package will imply, among other measures, losses on deposits over 100,000 euros that could amount to up to the 60% of the money depositors had in the Bank of Cyprus. Laiki Bank depositors can expect equal draconian treatment regarding their funds.

EuroFinUse strongly opposes the bank crisis approach of holding depositors responsible for bank failures. We therefore welcome the clarification of Mr. Dijsselbloem, president of the Eurogroup, stating that -contrary to his previous declaration- the Eurogroup is not considering the Cypriot bailout as a model for future bailouts of other EU Member States. We however, regret that institutions have shown so little respect for a fundamental pillar of retail investors' confidence, the almost total security of savings in bank accounts under 100,000 euros, causing major concerns to investors and markets throughout the EU.

The Cyprus model would have been a very worrying precedent for all EU bank savers, who are already suffering negative real returns in many Member States due to the financial repression[1] at work. We are also opposing certain statements that advocate a different treatment of Cyprus arguing EU citizens would mostly not be damaged: indeed, deposits from Russian nationals represent less than 30% of Cyprus bank deposits.

EuroFinUse demands more clarity and transparency on the conditions to be applied to Cyprus banks' bondholders: the declarations of Mr. Dijsselbloem on the involvement of bondholders should be more precise. Indeed, and contrary to the EC regulatory proposal on banks' recovery and resolution, bondholders –unlike depositors– were not included in the first *troika* bail-in proposal. EuroFinUse asks EU institutions to clearly show that depositors will not -once again- be discriminated vis-a-vis bondholders.

EU citizens have the right to know how much money the ECB had lent to those two Cyprus banks under the “LTRO” facility (unconditional three year loan with 1% interest from the ECB to EU banks), and how this public funding/subsidy is treated in the Eurogroup package.

[1] Financial repression occurs when central banks set artificially low interest rates and promote through other measures the channeling of individual investments into sovereign debt and/or savings accounts, which deliver –after inflation- negative real returns for investors.

Finally, financial services users have suffered an unprecedented discrimination in Cyprus: never before in any EU Member State have depositors been prevented by the EU from accessing their own money as well as basic financial services. The rupture of the free movement of capital in the EU Single Market also signifies a dangerous step backwards regarding European integration. EuroFinUse would like to remind EU institutions that access to bank accounts and payment services are not only a prerequisite for the functioning of a modern economy, but also a basic right of citizens.

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If you would like additional information about this topic, or to schedule an interview with Managing Director Guillaume Prache, please call Maria Bause on +32 (0)2 514 37 77, or email at bause@eurofinuse.org