



EUROPEAN COMMISSION

MEMO

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European Commission statement on Cyprus

Since the autumn of 2011, the possibility of assistance to Cyprus under a programme has been under discussion by the Cypriot authorities with the Commission. In July 2012, Cyprus formally asked for assistance under a programme. The need for assistance comes essentially from problems in the Cypriot banking sector which was unsustainably large for the size of the Cypriot economy. However, it was not possible to conclude negotiations on a programme with the previous Cypriot government.

Finally, last Saturday, in the Eurogroup, there was a unanimous agreement between the Member States including Cyprus on a programme that met the conditions fixed by the Member States, the ECB and the IMF, agreeing to lend EUR 10 bn to Cyprus. These conditions included reaching an acceptable level of debt sustainability and the corresponding financing parameters.

Whilst this programme did not in all its elements correspond to the Commission's proposals and preferences, the Commission felt the duty to support it since the alternatives put forward were both more risky and less supportive to Cyprus's economy.

This programme was not accepted by the Cypriot parliament.

It is now for the Cypriot authorities to present an alternative scenario respecting the debt sustainability criteria and corresponding financing parameters.

The Commission has done its utmost to assist Cyprus and to work for a Constructive and managed solution. However, decisions are taken by the Member States and no decision can be taken without their cooperation including Cyprus itself. The Commission continues to stand ready to facilitate solutions and is continuing contacts with Cyprus, the other Member States in the Eurogroup, the EU institutions and the IMF.

Regarding the one off levy on deposits BELOW 100.000 €: The Commission made it clear in the Eurogroup BEFORE the vote in the Cypriot parliament, that an alternative solution respecting the financing parameters would be acceptable, preferably without a levy on deposits below 100.000 €. The Cypriot authorities did not accept such an alternative scenario.