Beat: Miscellaneous

IMF approves $1.3 billion loan for Cyrpus

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USPA News - The International Monetary Fund (IMF) on Wednesday approved a three-year $1.3 billion (1 billion euro) loan to Cyprus, part of a larger international bailout to help stabilize the island`s economy and avoid it from defaulting on its massive debt. The IMF said its executive board approved a three-year arrangement which totals 891 million in special drawing rights (SDRs) under the organization`s Extended Fund Facility (EFF).

It equals about $1.33 billion or 1 billion euros, and the board`s approval allows for the immediate disbursement of SDR 74.25 million ($110.7 million or 86 million euros). "It is intended to stabilize the country`s financial system, achieve fiscal sustainability, and support the recovery of economic activity to preserve the welfare of the population," the IMF said in a brief statement. It comes just two days after the European Stability Mechanism (ESM) approved the disbursement of $2.5 billion (2 billion euros), followed by a disbursement of $1.2 billion (1 billion euros) by the end of June. In March, the Cypriot government reached an agreement with the European Union, European Central Bank and the International Monetary Fund 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. The country`s central bank said in March that 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 were paid out to customers, but only 40 percent of deposits exceeding that amount are certain to be paid out in full. The 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 in late March. Banks in Cyprus were closed between March 16 and March 28 to avoid a bank run during the island`s financial crisis.

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