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ECONOMY

ECB accepts Cypriot debt securities as collateral

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The European Central Bank (ECB) said on Friday evening it would once again accept Cypriot debt as collateral for the loans it grants euro zone banks, following a temporary suspension.

The ECB announcement came after the success of the Cypriot debt renovation programme, to the sum of one billion euros.

"The ECB Council of Governors considered the improvement in the notes (attributed) to the Cypriot government debt after the success of the 1 July transactions announced by the country's ministry of finance", the ECB explained in a communiqué, quoted by the AFP news agency.

"The Council of Governors decided that the debt instruments issued or totally guaranteed by the Republic of Cyprus are once again eligible as collateral in the Euro-system monetary policy operations", the institution added.

Cyprus said on Monday that it had successfully concluded an exchange of government bonds for new securities with a longer maturity, as part of the international bailout plan.

The announcement of this partial restructuring of the Cypriot debt, which took place last week, led various rating agencies to consider that Cyprus had moved into "selective default", estimating that the exchange would cause uncompensated losses for these bond holders.

Later, it was the ECB that announced that it would temporarily stop accepting Cypriot debt securities as collateral for loans granted to euro zone banks while it waited for the result of the debt restructuring operation.

The rating agencies, in the meanwhile, have raised the ratings they give Cyprus, following the success of the operation.

Cyprus, which asked for a rescue plan to avoid bankruptcy, managed to get a €10 billion loan in exchange for pledging to get €3 billion through drastic austerity measures and a significant reduction in its bloated banking system which is in difficulty.