

Público

RUSSIA SUPPORT OF FOUR BILLION EUROS

Iceland takes control of country's second largest bank

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The Icelandic government today took control of the country's second largest bank, Landsbanki, and is going to get a €4 billion loan from Russia to help the country's financial system.

"Following new legislation, the Icelandic financial supervision authority has taken over control of Landsbanki to ensure continuity of commercial operations in Iceland", a communiqué from the supervisory body said.

The decision came a day after the Icelandic government announced it was implementing a legislative package that would allow the state to manage the Nordic country's entire banking system.

The law was voted into power last night after the prime minister, Geir Haarde, spoke on television.

Iceland's central bank said in a communiqué issued today that Russia was going to give it a €4 billion loan to help the country's financial sector.

"The loan matures in three to four years (...). The (Russian) prime minister (Vladimir) Putin has confirmed this decision", the text said.

"This loan will boost the central bank's exchange reserves considerably and sustain the foreign exchange rate of the (Icelandic) krona, the bank added.

Iceland's economy is largely based on its financial system, which represents eight to nine times the country's GDP (Gross Domestic Product).

Last week, the government said it was buying 75% of the third biggest Icelandic bank for €600 million.