



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

7 April 2013

Andrew Tyrie MP
Chair, Treasury Select Committee
House of Commons
London
SW1A 0AA

A handwritten signature in blue ink that reads 'Jen Archer'.

When I gave evidence to the Treasury Select Committee last week, I promised you a British solution for the Cypriot banks operating in the UK that would stop depositors at those banks from being sucked into the bank restructuring process that is underway in Cyprus

I am pleased to say that late yesterday the UK subsidiary of Bank of Cyprus acquired all of the customer deposits that were previously held at the UK branch of Cyprus Popular Bank (some 15,000 accounts with total balances of approximately £270 million), alongside matching assets. Unlike Bank of Cyprus, Cyprus Popular Bank UK operated here as a branch of its Cypriot parent company. Under EU law, primary responsibility for the supervision and resolution of Cyprus Popular Bank UK therefore rested with the Cypriot authorities. If nothing had been done, the depositors in Cyprus Popular Bank's UK branch would have been sucked into the Cypriot bank restructuring and all of the uncertainty that that would have brought with it. This will not now be the case.

The transferred deposits will be added to Bank of Cyprus UK's existing deposit book. The Bank of Cyprus UK will continue to operate as it does now as a bank regulated and supervised by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA), providing a range of banking services to all its customers, including those transferring from Cyprus Popular Bank. As it is a standalone UK subsidiary, all eligible deposits held in Bank of Cyprus UK, including those previously held with Cyprus Popular Bank, are protected under the UK Financial Services Compensation Scheme. The PRA and FCA are now working with the firms to minimise disruption during the transition.

This is a transaction between Bank of Cyprus UK and Cyprus Popular Bank, facilitated by a transfer decree made under Cypriot law and approved by the PRA and the FCA under our new regulatory arrangements. My officials assisted in discussions with the Cypriot authorities and HM Treasury also provided some assistance in the legal processes around the transfer.

There has been no material recourse to public funds. We have not made a bilateral loan to Cyprus and the UK is not contributing to the financial assistance programme announced by the Eurogroup. Euro area financial assistance will be provided by the European Stability Mechanism (ESM) and not by the European Financial Stabilisation Mechanism. The UK is not a member of the ESM and has no exposure, either directly or through the EU budget, to financial assistance provided by it.

We support Cypriot efforts to restructure their banking system, as it is in everyone's interests that their financial sector is safe and secure. But I promised a solution that would stop depositors here from being sucked into that restructuring process. We have delivered on that. This was an efficient and effective operation by the British government that protects depositors of banks located in the UK without the loss of UK taxpayers' money.

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GEORGE OSBORNE