Eurozone finance ministers approve new bailout deal for Cyprus

BRUSSELS, March 25 (Xinhua) -- Eurozone finance ministers have approved a new bailout plan for Cyprus, putting an end to uncertainties over the fate of the Mediterranean island country in the euro area, the Eurogroup head said early Monday."Eurogroup has reached political agreement with the Cypriot authorities on a financial assistance program," Eurogroup President Jeroen Dijsselbloem said at a press conference after hours of tough negotiations."The Eurogroup welcomes the plans for restructuring the financial sector. These measures will form the basis for restoring the viability of the financial sector," he added.The program will contain a "decisive approach to addressing financial sector imbalances," and there will be "an appropriate downsizing of the financial sector," with the domestic banking sector reaching the EU average by 2018.In addition, the Cypriot authorities have reaffirmed their commitment to stepping up efforts in the areas of fiscal consolidation, structural reforms and privatization, he told the press conference.The Eurogroup head said he expected the European Stability Mechanism (ESM) Board of Governors to formally approve the deal by the third week of April subject to the completion of national procedures.Klaus Regling, the head of the euro zone bailout fund, said Cyprus would get the first tranche of a 10 billion-euro (about 13 billion U.S. dollars) in early May after all formalities are finished in April.The deal came after days of uncertainties after the Cypriot parliament rejected a former bailout deal struck on March 16, under which depositors in Cypriot banks would have to be hit with a one-off tax on their savings.Under the new agreement, deposits below the EU deposit-guarantee ceiling of 100,000 euros will be all protected "in accordance with EU principles," Dijsselbloem, who also serves as the Dutch finance minister, told reporters.Cyprus' ailing banking sector has been crippled by exposure to crisis-hit Greece, and international lenders have asked the Cypriot authorities to raise 5.8 billion euros (about 7.5 billion U.S. dollars) on its own before it can receive a 10 billion-euro bailout.After the Cypriot parliament rejected a former bailout deal last week, the European Central Bank said without a deal by Monday, it would cut off emergency funds to Cypriot banks, potentially leading to the bankruptcy of the country's major lenders and even its exit from the euro.In response to media questions, Dijsselbloem didn't specify how big losses deposits above 100,000 euros would have to suffer. However, those above 100,000 euros in Cypriot top two banks reportedly would have to be subject to a high haircut."At the moment, we have no specific figures for the haircut rates, which would be sorted out over the coming weeks by the Cypriot authorities and the troika," he said.Another key issue was how to restructure the outsized banks, mainly referring to Popular Bank of Cyprus, also known as Laiki Bank, the country's second largest and most troubled financial institution, and Bank of Cyprus, the country's largest one.According to the deal, Laiki Bank will be split into a "good bank" and a "bad bank," with deposits below 100,000 euros in it to be transferred to the Bank of Cyprus and those above the amount to be frozen and tapped to pay debts."The Commission informed us today that the necessary legislation to implement these points has already been passed," German Finance Minister Wolfgang Schauble told reporters after the eurozone meeting.