

From Russia with love: €22 billion in deposits in 2008*April 2009*

In October 2008 alone and just as the global financial crisis was breaking out, some €18 billion of Russian capital was deposited in Cypriot banks while the total volume of Russian money on the island in 2008 was estimated at €22 billion, according to Russian sources, including Moscow-based news agency Interfax.

According to the same reports, during the first quarter of this year Russian deposits have increased by an additional €2 billion. The news comes amid banks' dogged refusal to slash interest rates on loans and help borrowers reboot a stuck market.

Russian media meanwhile quoted Russian financiers and bankers as praising Cyprus' attractive tax regime for foreign companies, the soundness of its banking sector and its robust economy in general. The Head of the Russian banks Association, Garegin Tosunyan, said that "Cyprus banks are attractive to Russians because among other things, they adhere to strict international banking regulations."

The fact that the government in Cyprus had recently guaranteed deposits up to €100,000 compared to €15,000 in Russia, was another factor luring Russian money to the island.

Meanwhile, the Russian website realtypress.ru noted that in 2008 around 30% of real estate purchases on the island were made by Russian nationals, and that this figure has gone up to 40% during Q1 of 2009.

Cyprus Finance Minister, Charilaos Stavrakis, recently said that the increase in Russian deposits was the result of the government's policy of attracting investors from that country. "Our estimates show that the Russians account for about 40-50% of the total foreign deposits," the minister said, adding: "This is precisely Cyprus' success, in that we have succeeded in becoming a respectable financial services center."

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