



EUROPEAN COMMISSION

PRESS RELEASE

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Statement by the European Commission on the capital controls imposed by the Republic of Cyprus

The Commission takes note of temporary restrictions on the free movement of capital, including capital controls, imposed by the Republic of Cyprus as part of a series of measures to prevent the significant risk of uncontrollable outflow of deposits which would lead to the collapse of the credit institutions and to the immediate risk of complete destabilisation of the financial system of Cyprus.

As guardian of the Treaties and to safeguard the integrity of the single market, the Commission made a preliminary assessment of the Cypriot law and relevant decree under the rules on the free movement of capital set out in Articles 63 et seq. of the Treaty on the Functioning of the European Union.

Member States may introduce restrictions on capital movement, including capital controls, in certain circumstances and under strict conditions on grounds of public policy or public security. In accordance with the case law of the European Court of Justice, measures may also be introduced for overriding reasons of general public interest.

Such exception to the principle of the free movement of capital must be interpreted very strictly and be non-discriminatory, suitable, proportionate and applied for the shortest possible period.

In current circumstances, the stability of financial markets and the banking system in Cyprus constitutes a matter of overriding public interest and public policy justifying the imposition of temporary restrictions on capital movements.

Such restrictions may include bank holidays, limits on withdrawals, freezing of assets, prohibition of terminating fixed term deposits, prohibition on certain payment orders, restrictions in using credit/ debit/prepaid cards, restrictions on other banking operations as well as execution of certain transactions subject to the approval of the Central Bank and other measures.

The Commission will monitor closely with the Cypriot authorities, other Member States, the ECB and the EBA the implementation of the imposed restrictive measures on capital movements. These restrictive measures will remain in force for 7 days. The Commission will continue monitoring the need to extend the validity of or revise the measures. The Commission will insist at all times that any restrictive measures are strictly proportionate to the legitimate objectives of preventing the immediate risk to the financial stability of Cyprus and strictly limited in duration to the time necessary for that purpose.

While the imposed restrictive measures appear to be necessary in the current circumstances, the free movement of capital should be reinstated as soon as possible in the interests of the Cypriot economy and the European Union's single market as a whole.

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