

Greek Investors File Notice of Lawsuit against Republic of Cyprus, Alleging Deposits and Bonds Were Wrongly Confiscated Following 2013 Bailout

Depositors and Bondholders of Laiki Bank and Bank of Cyprus claim heavy losses as result of discriminatory treatment by Cypriot government in wake of Cyprus financial crisis; notice filed by leading financial litigation firms Grant & Eisenhofer, Kessler Topaz, Kyros Law and public international law firm Volterra Fietta

ATHENS/NEW YORK (July 14, 2014) – A group of Greek investors today have filed a notice of dispute against the Republic of Cyprus for losses arising from the Cyprus financial crisis and the March 2013 bailout of Cyprus. The group of nearly 100 investors, including individuals and institutions, is comprised of depositors and bondholders of **Laiki Bank** and the **Bank of Cyprus** whose funds were confiscated by the Cyprus government following the country’s €10 billion bailout. In some cases, investors lost much of their life savings after the bailout.

Leading financial litigation law firms **Grant & Eisenhofer, Kessler Topaz Meltzer & Check** and **Kyros Law**, along with public international law firm **Volterra Fietta**, have filed the notice of dispute as a class claim on behalf of the Greek investors to recover their losses, estimated to be well over 50 million euros.

The notice has been submitted under a 1992 bilateral investment treaty between Greece and Cyprus, which provides that the parties must first attempt to settle their dispute amicably for at least six months. If the parties do not reach a settlement in that time frame, the claim would then be submitted for resolution by way of binding arbitration at the International Centre for Settlement of Investment Disputes, or **ICSID**. The anticipated date of such an action would be mid-January 2015.

“This is the first time that the bilateral treaty will be tested as a group action for investors who have suffered losses stemming from the European financial crisis, which gripped Greece and Cyprus particularly hard” said Grant & Eisenhofer co-managing director **Jay Eisenhofer**. “We believe strongly in the merits of the aggrieved investors’ claims as a group, and will be working closely with Kyros Law and Volterra Fietta to recover their lost funds.”

The investor claimants, who are all Greek citizens or are based in Greece, seek recovery of the value of their deposits or bonds lost as a result of the Cyprus bailout. Their claims arose out of Cyprus’ response to its financial crisis, following Greece’s default on its own bonds in 2012. Laiki Bank and the Bank of Cyprus had purchased huge amounts of Greek bonds and lost billions of euros once Greece defaulted; as a result of these losses, it became clear that at least Laiki Bank might be insolvent.

By late 2012, certain European institutions began bailout negotiations with Cyprus. The institutions – comprised of the European Commission, the European Central Bank and the International Monetary Fund – became known as the Troika.

An initial bailout proposal by the Troika, which would have required significant austerity measures and a levy on all bank accounts in Cyprus, was rejected by the Cyprus Parliament. As a consequence, on March 25, 2013, Cyprus agreed to a revised bailout deal with the Troika that only impacted bondholders or depositors in Laiki Bank and Bank of Cyprus – who are overwhelmingly from countries other than Cyprus – while leaving bondholders or depositors in other banks unaffected. Under the terms of the revised bailout deal, Laiki Bank would be wound down. As part of this process, insured deposits up to €100,000 and other assets would eventually be transferred to the Bank of Cyprus. Deposits above €100,000 were effectively confiscated.

In the Bank of Cyprus, deposits over €100,000 were subject to a levy, which has been estimated to be as much as 47.5%. In addition, restrictions were imposed on withdrawing funds at the Bank of Cyprus. Funds over €5,000 were frozen.

Bondholders were also negatively affected. In July 2013, the Bank of Cyprus announced that holders of convertible bonds and various types of securities would be converted to Class D shares of the bank at a conversion rate of €1 nominal amount for each €1 in principal amount of such subordinated debt claims. Furthermore, the nominal value of Class D shares would be reduced to 1/100th of their original value.

“The unfair terms of the revised bailout agreed between Cyprus and the Troika targeted and discriminated against Greek investors who placed their money and trust in Bank of Cyprus and Laiki Bank,” Mr. Eisenhofer stated. “Notably, foreign investors made up the bulk of depositors in these two banks. Considering how Cyprus long marketed itself as a tax haven, and had attracted many international investors, the government’s abrupt u-turn and inequitable conduct toward investor funds takes on an even more egregious pall.”

Mr. Eisenhofer further pointed out that while Greek depositors were subject to extreme bailout measures, many Cypriot public institutions were made exempt. The decree specifically excluded, among others, credit institutions, insurance companies, general government entities and domestic financial auxiliaries.

John Kyriakopoulos, Athens-based managing partner of Kyros Law, stated: “The Cyprus government wrongfully deprived many Greek investors of their property and treated them unfairly as a result of the 2012-2013 crisis. Not only that, none of the bailout funds will be used to assist the recapitalization of the Bank of Cyprus. Instead, shareholders — many of them former Laiki Bank depositors — as well as bondholders and depositors are bearing the entire burden of recapitalization.”

Mr. Eisenhofer added, “In the event our clients cannot come to an agreement with the government of Cyprus, our clients are prepared to commence binding arbitration before ICSID.” Most commonly in the ICSID forum, one arbitrator would be appointed by the Greek investors, one by Cyprus, and the third would be appointed by agreement (or by ICSID itself).

Since August 2013, G&E and Kyros Law have been working together under a joint agreement on investor-driven litigation coming in and out of Greece, including matters stemming from the country’s economic meltdown. The collaboration benefits investors litigating in Greece through Kyros’ Athens office, as well as Greek investors litigating in the United States via Grant & Eisenhofer. <http://www.gelaw.com/story/leading-investor-rights-law-firm-grant-eisenhofer-forms-exclusive-alliance-with-kyros-law-to-litigate-cases-for-greek-investors-2013-08-07>

In addition to Mr. Eisenhofer, G&E director **Geoffrey Jarvis** and associates **David Haendler** and **Caitlin Moyna** are co-counsel to plaintiff investors. They are joined by Darren Check of Kessler Topaz Meltzer & Check and Stephen Fietta and Graham Coop of Volterra Fietta as co-counsel. Mr. Kyriakopoulos of Kyros Law is acting as local counsel.

PRESS RELEASE

Grant & Eisenhofer and Kessler Topaz regularly represent European and international institutional investors. The firms led a coalition of global investors – more than 50 institutions in Europe, Australia and elsewhere – in successfully bringing a securities class action in the Netherlands against **Royal Dutch Shell**, which was accused of vastly overstating its oil reserves in financial disclosures. The unprecedented action led to a payment of more than \$500 million from the oil giant– the largest securities fraud settlement ever in Europe. G&E has also litigated major shareholder cases in Germany, France and the UK.

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