

# Can Anyone Trust the Central Banks? A Memo from a Central Banker

Cyprus Financial Measures Violate Constitution

By [Matthias Chang](#)

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[Future Fast Forward](#)

Region: [Europe](#)

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*The memo below from the Head of the Governor's Office and Communications of the Central Bank of Cyprus, Dr. George M. Georgiou can be said to be a genuine statement of confidence that banks' depositors and their monies would be protected under the Constitution of Cyprus.*

Likewise, depositors in other countries have no reason to worry about their monies parked in the banks, whether domestic or foreign. This is because, prior to the global financial tsunami of 2008, there were no reasons to question the sanctity of the rights of depositors. Blinded by this faith and despite all the warning signs that such an eventuality would occur (and as I have warned in my book, *The Shadow Money-Lenders*), ordinary hardworking folks were too focused in earning a decent wage that such a confiscation was just too preposterous.

They were lulled into believing that governments would protect them and do what is right. Why worry, as the deposits are even insured (e.g. Up to US\$250,000 in the US and various amounts in other countries). There was no need to place cash under the mattress! I can still remember that when I advised my friends and colleagues to purchase physical gold and keep them away from the claws of bankers and brokers, the common and immediate reaction was that I am too fatalistic, a conspiracy theorist and or a moron. The reasoning was, if deposits would not be confiscated why would the government even attempt to tamper with citizens' gold holdings. This is notwithstanding that it did happen in the US when President Franklin Roosevelt confiscated gold during the Great Depression. It gives me no satisfaction to say that I have been proven right - that depositors' monies can and would be confiscated, and that the Cyprus confiscation is but the first of many to come.



**CENTRAL BANK OF CYPRUS**  
EUROSYSTEM

11 February 2013

Mr Takis Phedias  
Acting Chief Executive Officer  
Lalki Bank

Dear Mr Phedias,

Following the publication of an article in the Financial Times dated 10 February 2013 and titled "Radical rescue proposed for Cyprus", the Central Bank of Cyprus wishes to stress that any action aimed at reducing, depriving or restricting the property rights of depositors, contradicts the provisions of the Constitution of the Republic of Cyprus and of Article 1 of the First Protocol of the European Convention of Human Rights, provisions which protect the right to own property and which are crucial to the functioning of a free market economy.

Hence, any suggestion to the contrary is not only legally unfounded but it cannot merit serious consideration.

Yours sincerely,

A handwritten signature in black ink, appearing to read "G. Georgiou".

Dr George M. Georgiou  
Head of Governor's Office  
and Communications

### **What were the warning signs?**

At the height of the financial tsunami, the global bankers were restructuring and re-allocating their huge deposits with several banks so that no one deposit would exceed the FDIC cover of US\$250,000.00. This is the surest sign that amounts exceeding US\$250,000 would be exposed to confiscation and in the event of a bank bankruptcy, at the very least the sum of US\$250,000 would be secured. The author, Greg Smith who wrote, Why I Left Goldman Sachs admitted that he had observed that one of his bosses was indulging in such re-allocation.

Then we had the exposé of global banks rigging the London Inter-bank Offered Rate (LIBOR) and indulging in money laundering - criminal activities. This was preceded by the collapse of MF Global and the stealing of clients' monies. The final bombshell was the declaration by the US Attorney-General, Mr. Eric Holder that the global Too Big To Fail Banks cannot be prosecuted because they have become just Too Big To Jail as any prosecution for any criminal activities would collapse the global banking system.

This is a license to steal and commit financial crimes.

So given the above scenario, how can anyone still trust the assurances of any Central Banks and or governments that the depositors' monies would be sacrosanct?

However, I am not advocating that you withdraw all your monies from the banks. You ought to retain enough (according to your financial needs) in the bank to facilitate your financial obligations which requires to be transacted via a banking intermediary. The balance should be invested in liquid assets such a gold, short term treasuries etc.

Finally, pay attention to the denials of central bankers and government officials. The more they deny that confiscation would not be effected, the more likely it would be implemented. On such an indicator flashing its warning, withdraw all your monies. And normally, such drastic actions are always announced on or during the weekends to be implemented on the following Monday. So as a precaution, withdraw monies on the Friday and if nothing happens on Saturday / Sunday, deposit your money again on Monday.

But, of course when the sh...t hits the ceiling fan, nothing is certain and you must therefore exercise extreme caution to protect your hard earned cash. See below the memo from the Central Bank of Cyprus.

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