

Depositor Haircuts Spreading: Canada Endorses Cypriot Financial Harshness. Ottawa's Proposed "Bail-in Regime for Important Banks"

By [Stephen Lendman](#)

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Region: [Canada](#)

Theme: [Global Economy](#)

A previous article called them the new normal. Bad ideas spread fast. [Canada](#) endorses Cypriot harshness. Its "Jobs Growth and Long-Term Prosperity: Economic Action Plan 2013" says so.

On March 21, it was submitted. It endorsed depositor haircuts. It did so before Cypriot trouble erupted. Its "Establishing a Risk Management Framework for Domestic Systemically Important Banks section (pages 144-145) states:

"Canada's large banks are a source of strength for the Canadian economy."

"The Government....recognizes the need to manage the risks associated with systemically important banks - those banks whose distress or failure could cause a disruption to the financial system, and, in turn, (have) negative impacts on the economy."

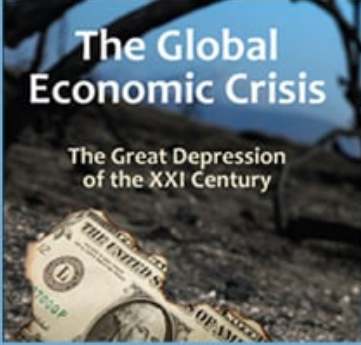
"The Government proposes to implement a 'bail-in' regime for systemically important banks."

"This regime will be designed to ensure that, in the unlikely event that a systemically important bank depletes its capital, the bank can be recapitalized and returned to viability through the very rapid conversion of certain bank liabilities into regulatory capital."

"The Government will consult stakeholders on how best to implement a bail-in regime in Canada."

"Implementation timelines will allow for a smooth transition for affected institutions, investors and other market participants."

Official policy endorses haircuts. Depositor funds will be used for recapitalizations. Implementation details weren't explained. Expect confiscation. Doing so reflects grand theft.



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A previous article said banks legally own depositor funds. Our money is theirs. They can seize it in return for IOUs (promises to repay). Smart money says don't bet on it. It's gone. Once taken, expect little or nothing back.

It's the new normal. Cyprus isn't a one-off. Canada's preparing to march in lockstep. So is Europe. [Russia Today \(RT\)](#) headlined “European Parliament (EP) might shift bailout burden from taxpayers to depositors.”

A new template was established. Cypriot confiscation's spreading. In may show up in a neighborhood near you. Bad ideas proliferate fast. Expect ordinary people to be hurt most.

RT said Cypriot policy looks “likely to (become) full-scale EU law, letting taxpayers off the hook in case a bail-out is needed, but imposing major losses on bigger savers on a permanent basis.”

EP member Gunnar Hokmark heads Euroland negotiations. Legislation was drafted for problem banks. “You need to be able to do the bail-in with deposits,” he said.

Amounts “below 100,000 euros are protected. Deposits above 100,000 euros are not protected, and shall be treated as part of the capital that can be bailed in.”

Don't bet against all deposits being tapped. If enough funds are needed, they're fair game. The sky's the limit. Entire accounts may be taken. Saving banks matters most. All options are on the table.

Legislation awaits Euroland member states' approval. Early 2015 implementation is planned. If trouble erupts sooner, it could happen any time.

Depositor confiscation is policy. It's spreading like wildfire. It may, show up anywhere. Your money is theirs. It's there for the taking. As much as needed can be seized. Life savings can be wiped out. There's no place to hide. Forewarned is forearmed.

Financial analyst [Martin Weiss](#) suggests troubled Cypriot banks are canaries in the coal mine. TV talking heads say “no one could have possibly known” what was coming.

“Don't believe them!” Last April, Weiss Ratings gave Bank of Cyprus and Laiki Bank D-grades. In December they were downgraded to E-. Doing so put them on death watch. They stood on the “very brink of failure.”

Don't believe claims about “stabilized” or “contained” crisis conditions.

“Nothing could be further from the truth,” said Weiss. The worst is yet to come. Expect “massive losses from 40 to 80 percent on uninsured deposits.”

Draconian restrictions were imposed. Contagion’s spreading. It’s planned for other European countries.

According to Weiss, restricting free capital movement directly violates EU treaties. No matter. Eurocrats have final say. Depositor haircuts and capital controls were imposed.

“What message does THAT send to global investors who have trillions of euros and pounds on deposit in Europe?”

“The answer is simple. The message is better get the hell out of Europe while you still can, before the Troika helps other countries slap on more capital controls, trapping your money there, too.”

If only Cypriot banks were troubled, “damage to depositor confidence might be minimized.”

That’s “absolutely not the case. Some of the most endangered banks are among the largest (ones) in the world.” European banks are especially troubled.

Contagion’s heading their way. European Parliament legislation explained. Depositor haircuts are planned. Major French, British, Spanish, German, Italian and other European banks are “knee deep in bad loans.”

They’re all in or “near the same condition as Cyprus banks were a year or two ago.” Three major banks have E- ratings. Others approach them.

European banks reflect a “forest of dry timber that could burst into flames with the slightest spark.”

Expect tremendous downward euro pressure. Expect big trouble any time. Expect depositors to bear the greatest burden. Recapitalizing troubled banks falls on their backs.

Instead of nationalizing them, breaking them up, or closing them down, they’ll be given new operating life. They’ll be free to steal again. Doing so perpetuates injustice. Expect it. It’s official policy.

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