

ESM approves waiver of Cyprus's mandatory repayment obligation

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Press releases

ESM



(Luxembourg) - The Board of Directors of the European Stability Mechanism (ESM) agreed today to waive Cyprus's mandatory repayment obligation of ESM loans in connection with its early repayment to the International Monetary Fund (IMF).

Under the ESM loan agreement with Cyprus, upon early repayment to the IMF, a proportional amount of the financial assistance provided by the ESM becomes immediately due and payable. The waiver granted by the ESM means that Cyprus would not be required to make such early repayment to the institution.

“The early repayment of Cyprus’ outstanding loan to the IMF will be beneficial for both the country and the ESM. Cyprus currently enjoys a positive market perception and favourable financing conditions. It can therefore substitute the IMF debt with financing at a lower cost and longer maturity from capital markets. That strengthens Cyprus’s debt sustainability,” said ESM Managing Director Klaus Regling.

Since Cyprus intends to fully prepay the IMF loan, without the waiver approved today, Cyprus would have been obliged to make a repayment of €6.3 billion to the ESM.

However, Cyprus will discuss with the ESM the possibility to prepay parts of its ESM loans in 2021 or 2022, subject to favourable market conditions and a positive financial risk-benefit analysis.

More information on the ESM programme for Cyprus is available on the [ESM website](#)

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