

Article 20/03/2015 11:55 on Stockwatch

Resignation of Zenios and accusations against Georghadji

In the midst of accusations against Georghadji (Governor the Cyprus Central Bank – CBC) and remarks about the choices of the President of the Republic and the position taken by Harris Georgiades (Minister of Finance), Mr. Stavros Zenios announced his reasons for resigning.

In his written statement, he lists the reasons that led to his resignation, pays his respect to his colleagues at the board of directors, except for the two executive directors who he blames for their handling of the FBME matter.

“The only tool a Central Bank has in order to create and apply policy is its trustworthiness” he says. “Today, following all the unfortunate events in relation to the role of the Governor of the Central Bank of Cyprus the trustworthiness of the organisation has been damaged. Sacrifices are necessary in order for the Central Bank to do its work with reliability to the benefit of the economy.

“Two months ago, on 29 January 2015, I had sent a letter to the Governor where I wrote, “I cannot remain an apathetic member of an institution that is satisfied with handling tasks in an administrative instead of making policy and affecting decision making both at a local and at European level which will lead to an exit from the crisis’.

“This was not the first letter with which I had pointed out the institutional problems of the Central Bank of Cyprus and I was suggesting changes. Unfortunately, when the Governor is being doubted because of the conflict of interests and incompetent handling of matters, it is extremely difficult for the Bank to perform its work and to gain the Society’s and the State’s trust. In our role as the Board of Directors we pointed out to the Governor the dysfunction cause by the conflict of interests. Unfortunately we were not listened to.

“40 days ago I wrote an article about the trustworthiness of the Central Bank of Cyprus. In this article I was warning ‘that if we limit ourselves to simple administration without any modern policy we shall again come to a dead end.’ It was the same as talking to the deaf.

“Unfortunately, we came to a dead end much quicker than I expected.

“The crisis at the Central Bank is chronic and demonstrates the greater pathogenic status of political life - the nepotism, corruption, lack of any consequences, the political underdevelopment and the state of decay of the institutions. I would have thought that the dramatic crisis that our country is experiencing would have made the leading political class wiser so that they would make radically different choices. In this spirit I accepted to become a member of the Board of Directors of the Central Bank wishing to contribute to the institutional reorganisation of our country.

“Today, I come to the conclusion that the rebirth so much wanted by our people is not feasible so long as the dominant mind-set which led us to bankruptcy remains the same. I was an active member of the Board of Directors of the Central Bank of Cyprus. I tried from my position of responsibility that was entrusted to me by the State to be always constructive, with technocratic suggestions, creative thinking and a critical disposition to improve things. After torturous contemplation I am led, today, to the conclusion that this is not enough. Organisations can only be improved if their leadership wants to allow improvements. Otherwise, a constructive heretic voice is not only being discredited it also causes suspicions.

"It is impossible for me to speak publicly about renovation, modernisation and transparency, and to continue to serve at the same time an untrustworthy institution. I have submitted my resignation to the President of the Republic. My resignation is my final act as an active member of the Board of Directors.

1. "I resign because of the conflict of interests of the Governor which causes the Resolution Authority to malfunction. It cannot be that the Resolution Authority is meeting without the participation of the Governor and it also cannot be that it is handling matters that bring the governor of the Central Bank in conflict with her financial interests or the financial interests of her relatives.
2. "I resign because the trustworthiness of the Central Bank of Cyprus has been damaged by the actions of the governor which are, or appear to be, extortionate towards the Parliament. The collection of data about loans of politically exposed persons only makes sense if it is done generically for all banks and for all politically exposed persons. It cannot be selectively done whenever that the governor is facing difficulties.
3. "I resign because the Board of Directors of the Central Bank of Cyprus is being targeted by all political powers because of conflicting interests of law offices, financial factors and political and state officials. By submitting my resignation I refuse to be involved in the corruption and I highlight the laxity which should have been dealt with by the country's parliament. The resolution authority, the special administrator and the legal representatives of Laiki were negligent for one and a half years yet today the board of directors of the Central Bank is being criticised for taking over responsibilities by law in July 2014. I should point out that within a few months the Board of Directors had successfully resolved significant pending matters to the benefit of the creditors. I am afraid, however that the previous negligence and delays have caused irreparable damage.
4. "I resign because the Minister of Finance criticised the Resolution Authority for delays, forgetting that he was, together with the Governor, the Resolution Authority for many months before the board of directors of the Central Bank took over. I do not wish to be misunderstood: I particularly appreciate the important work that the Minister of Finance is doing and I know that the primary responsibility of the Resolution Authority was with the Governor. However, I cannot remain in a position of responsibility towards the Minister, when he forgets his own responsibilities.
5. "I resign, because of the rejection of my written suggestion made on 28 July 2014 that an internal investigation should be conducted in relation to the case of FBME. The executive directors jointly with the Governor took all of the decisions about how to handle FBME and I am extremely concerned about their handling of the matter.
6. "I regret however that I have to resign from a position to which the President of the Republic had appointed me, whom I want to thank for his trust. He is facing a difficult situation which was caused by persons he had trusted. The choices however were entirely his. I regret this deeply because under the current circumstances I will not be able to be useful to the President of the country.
7. "I also deeply regret resigning from a body in which very rare professional personalities having international experience participated, for example Philippos Mannaris and Andreas Persianis, who are extremely honest fellow countrymen with significant experience and Nicos Constantinou and Michalis Polydorides and the very cautious executive director George

Syrichas. My co-operation with them was impeccable as our common interest to support the works of the Central Bank is genuine. They do not deserve to be attacked.

“I hope that my resignation will provide power to the board of directors to carry out their difficult tasks.

“How do we exit from this dead end?

“The trustworthiness of the Central Bank requires sacrifices, and this requires courage and self-sacrifice by the protagonists. Unfortunately under the present management this solution cannot be looked forward to.

“I have warned in time about the risks and today I can speak FREELY.

“The banking system of a country does not evolve by chance. It is moulded by the institutions of the country and its political culture. As an organised political community we have limited ourselves to an administrative mind-set in relation to the crisis, we have handed out positions to persons that do not possess the necessary knowledge and international experience, we have put self-interest over our country's institutions, we have got caught up in intertwined interests. Reaching a dead end was unavoidable.

“We need to be bold to be able to make reforms. To succeed with the rebirth that our people so much desire we must change the dominant mind-set which led us to bankruptcy.

“I have suggested that the Central Bank stops being a one man (or one woman) show and to cross over to a more collective form of governance with an executive committee and full independence of the non-executive members. Such forms can be seen with the Court of Directors of the Bank of England and the Executive Board of the German Bundesbank.

“Solely the President of the Republic can activate powers which shall assist the Central Bank of Cyprus to regain its trustworthiness in the midst of all the financial and political interest that are shaking our country. I hope he succeeds for the good of the economy”, he concludes.