



## Re-Define Press Release on Moody's Downgrade of Cypriot Debt and Euro Crisis

4<sup>th</sup> November 21:00 CET

*Please attribute to Sony Kapoor, Managing Director Re-Define an Economic Think Tank*

“Unless the EFSF is allowed to directly recapitalize EU banks, troubled EU banks and sovereigns will continue to drag each other down in a spiral of death.”

“Unless the ECB starts supporting Euro sovereigns in a big way and the EFSF is allowed to directly recapitalize EU banks, downgrades for both banks and sovereigns will come thick and fast.”

“With Cyprus’s downgrade by Moody’s today, six of the seventeen Euro area member states are in serious trouble. The crisis is spiralling out of control.”

“Cyprus is the latest domino to fall. The longer EU leaders and the ECB leave to stem the crisis, the greater the chance they will totally lose control.”

“Expected losses on Greek government bonds inflicted on Cypriot banks have now led to a downgrade of government debt in Cyprus. This is an illustration of the cross-border contagion and sovereign-bank interdependence that has made this crisis so hard to control.”

“The link between expected losses on Cypriot banks and the downgrade of the sovereign illustrates the urgency of allowing the EFSF to directly recapitalize troubled banks.” “This is the only way to break the dance of death between banks and sovereigns in the Euro area.”

“The ECB and the EFSF are clearly failing in their job to bring the crisis under control. The ECB needs to provide much stronger support to troubled sovereigns and the EFSF needs to provide direct support to troubled banks.”

*Please email [Media@re-define.org](mailto:Media@re-define.org) for further Comments and Analysis or call [+44-7986849865](tel:+44-7986849865)*

*Media Adviser, **Re-Define***

*Follow us on [Twitter](#)*

*Follow us on [Facebook](#)*