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Dear Mustafa,

Paying attention to where one's investment sits in the capital structure was the key lesson of 2008. However, capital structure is now back. It is reverberating around the streets of Nicosia. The capital structure concept always needs a lengthy and complex explanation and even a lengthier one when it comes to banks.

The current proposed 10% levy on all Cypriot bank deposits crosses the threshold of customer faith. However, when it comes to where the depositor sits in the capital structure of any and every bank, the surprise is why this has not happened earlier.

Deposits are, in effect, unsecured loans made to the bank by us; they rank above equity, of course, but below the senior-secured bond holders. Therefore the Troika has followed protocol perfectly by suggesting a reduction in the value of the next rung of the capital structure. It is worth noting that in the entire financial crisis from 2008 across all territories not one senior-secured bond holder has suffered any haircut at all.

Banks are complicated animals to analyse, however, the simple fact that banks class deposits on their balance sheets as 'liabilities' should be enough to alert depositors.

What will become of Cyprus and its depositors? Will Tsar Vladimir take it over and recoup his cost through increased energy pricing to Europe? Will there be continued bank holidays, capital controls or restricted withdrawals? The moment the banks do open, if there is no clear roadmap, there will be bank-runs.

The country is currently surviving on fellow citizens' faith in each other in the form of IOUs and barter. The Troika is certainly giving the rest of us a lesson in what could happen. I would suggest that this lesson is mainly aimed at the unformed government of Italy; the message is clear, keep taking the medicine.

Rome are you watching?

See you soon - Chris