PRESS RELEASE

European Proposal for Financial Transaction Tax (FTT) disproportionately targets EU Citizens rather than Financial Institutions

Brussels, 21 January 2019 – Back in 2013, BETTER FINANCE clearly expressed its support for a European Financial Transaction Tax (FTT) and its main stated objective *"[of ensuring] that financial institutions make a fair and substantial contribution to covering the costs of the recent crisis… and to ring-fence the real economy, SMEs, households, etc."*.

At the same time, BETTER FINANCE did voice major concerns with the proposal for an FTT tabled by the European Commission (EC) in February 2013, pointing to the fact that the proposal did not meet this objective, and that it would, once again, be EU citizens who would bear the bulk of this FTT in lieu of financial institutions.

Indeed, rather than targeting transactions between financial institutions, as per the commendable objective of the FTT, the current proposal once again targets EU Citizens as Savers and end-investors whilst the financial industry escapes scot-free.

A genuine FTT, serious about its intention of co-opting financial institutions in the protection of the real economy and EU Citizens, would need to tax forex transactions, especially forex derivatives, as well as other derivatives, rather than focusing on trades in listed equities and bonds.

With over a quadrillion dollar in transactions per year - or more than $5 trillion worth of trading every day - the currency market (the majority of which is forex derivatives) is by far the largest financial market in the world, dwarfing all other markets. In comparison, the much better-known world equity market is only worth a fraction – roughly 5% - of the currency market. Yet, the largest financial market of all and privileged playing ground of financial institutions would not be touched by an FTT and, to this day, remains utterly opaque and largely unregulated. The same applies - to a lesser extent - to interest rate derivatives which are not traded by citizens but also mostly by financial institutions. An FTT targeting these mammoth professional markets instead of equity markets would provide much higher tax revenues and ensure that EU Citizens don't end up footing the bill once again.

Six years later, and the FTT file remains blocked in the Council, though renewed discussions took place following a note from Germany in June 2019, urging the Council to resume negotiations and use the FTT already in place in France as basis.

Unfortunately, none of the issues with the FTT raised by BETTER FINANCE in 2013, are addressed by the German proposal. In short, the FTT proposed would levy a 0.2% tax on all equity trades worth more than €1 billion, leaving forex transactions, bonds, derivatives and high frequency trading unaffected.

In the words of Greens MEP Sven Giegold, this perverted FTT proposal is "*a farce, not a real financial transaction tax*" and would end up being paid by "*small investors*". Even the proposed threshold of €1 billion does not change this reality, since the tax paid by investment and pension funds will simply be passed onto the end-user: long-term savers and individual investors.

With this in mind BETTER FINANCE asks European Authorities to:

- Clearly exempt EU citizens (i.e. non-professional individual investors) from the FTT;

- Remove the exemption of the world's largest financial market, i.e. the forex, or currency spot market;
- Ensure the inclusion of all High Frequency Trades (HFT) and Over-The-Counter (OTC) trades, in the scope of the FTT;

Avoid massive regulatory arbitrage and tax evasion by including all EU Member States and all major financial centres in the scope.

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Contact: Chief Communications Officer | Arnaud Houdmont | +32 (0)2 514 37 77 | houdmont@betterfinance.eu