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### **Financial Transaction Tax**

#### **The European proposal does not meet its objective - EU citizens are likely to pay instead of banks**

EuroFinuse supports the main objective of the European Financial Transaction Tax (FTT), *“to ensure 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.”*

But EuroFinuse is very concerned that the latest European Commission proposal does not meet at all this objective, and that – once again – EU citizens are likely to bear the bulk of the FTT in lieu of financial institutions.

EuroFinuse asks European Authorities to:

- Clearly exempt EU citizens (i.e. non-professional individual investors) from the FTT. The EC proposal actually does not forbid financial institutions from charging directly or indirectly EU citizens who trade financial instruments, and existing FTTs at Member State level are mostly paid by small investors (e.g. UK, Belgium and France);
- Abolish the surprising exemption of the world’s largest financial market, i.e. the currency spot market (about \$ 1.5 trillion of trading per year, about six times of the world equity trades) which in addition, is mostly in the hands of financial institutions;
- Ensure the inclusion of all High Frequency Trades (HFT) and Over-The-Counter (OTC) trades, including trades benefiting from transparency “waivers” like large equity trades, in the scope of the FTT. It seems to be quite challenging to tax all trades as they occur, using current trade reporting systems. Those trades are mostly generated by financial institutions and not by real economy market participants;
- Avoid massive regulatory arbitrage and tax evasion by including all EU Member States and all major financial centers in the scope, and by negotiating with other non-EU financial centers. Otherwise the situation could turn into a “lose-lose” game for the entire European economy;
- Justify in layman’s terms to EU citizens why derivatives would be taxed ten times less than underlying securities, especially considering that the economic and social value of a large part of all derivatives trades (which are much bigger than those on underlying instruments) is at best questionable.

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If you would like additional information about this topic, or to schedule an interview with Guillaume Prache please call Maria Bause on +32 (0)2 514 37 77, or email at [bause@eurofinuse.org](mailto:bause@eurofinuse.org)