



Press Release

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ACI's concern for the introduction of a financial transactions tax

It is with concern that the *ACI The Financial Markets Association (ACI)* notes the European Union proposal for the introduction of a financial-transactions tax (FTT) that would take effect in 2014. In the annual State of the Union address, José Manuel Barroso, the European Commission president claimed that this fiscal measure, which would apply a tax of 0.1 percent on trading of stocks and bonds, with a 0.01 percent rate for derivatives contracts, could raise about 57 billion euros (\$78 billion) a year and would apply throughout the 27- nation bloc.

The *ACI's* concerns are that unless such measures are globally applied, there is potential for fiscal arbitrage and such measures, at a time when the G20 is seeking to implement harmonisation of global financial markets regulation, are not conducive to financial market stability or cohesion, and rather could be detrimental to European economies and financial markets. The *ACI* fears that rather than ensuring that the financial sector makes a fair contribution at a time of fiscal consolidation, the FTT would affect market behaviour and financial industry business models detrimentally.

With regard to the FX markets and instruments, and the extent to which these would be impacted by the FTT, the *ACI* and its *Foreign Exchange Committee (ACIFXC)* is of the opinion that these instruments are broadly used for hedging by end users such as corporations and real money funds. Despite the EU commission's statement that the proposed tax would be aimed at banks, investment firms, insurance companies, pension funds, stockbrokers and hedge funds, among other types of financial firms, the proposed tax would be passed on through widening the current very fine spreads that benefit businesses and pension funds. Additionally since the FX market is a payment mechanism, the imposition of a pan EU FTT would increase costs of doing cross border business. Therefore, the EU FTT would be an obstacle for global trade, global financing and growth at a time when the EU member states need growth and economic re-generation.

ACI The Financial Markets Association

ACI is a leading non-profit but also non-political association of wholesales financial market professionals. Members of ACI are in a large part engaged within the financial trading or sales environment in the global financial markets representing the Foreign Exchange, Interest Rate Products and other Securities, Banknotes & Bullions, Precious metals and Commodities and their various kinds of Derivatives. ACI counts some 13,000 international members from more than 60 countries

ACI The Financial Markets Association

8. rue due Mail / F-75002 Paris

T. +33 (0) 1 42 97 5539

F. +33 (0) 1 42 97 5116

managingdirector@aciforex.org

www.aciforex.org