

## **Financial Transaction Tax (FTT) Factsheet**

### **The FTT in practice:**

- CIDSE supports a Financial Transaction Tax which should **cover all spot and derivate transactions on organised exchanges** (shares, bonds, securities and derivatives, including trade of futures and options related to stocks, interest rate securities, currencies and commodities) as well as **“over-the-counter” (OTC) transactions** directly related to **asset prices, in particular to exchange rates and interest rates** including derivatives.
- The tax would be **automatically collected** either from the electronic systems at exchanges, or from Central Counterparty Platforms (CCPs) or Central Securities Depositories (CSDs) in the case of OTC transactions. This would be easy to implement in **organised markets and involve little administrative costs**. The FTT would be **limited to transactions between financial market actors** while transactions between customers and financial institutions, for example the purchase of goods, labour market transfers and so on, would be exempted.<sup>1</sup>

### **The FTT, a new source of revenue:**

- The FTT is has the potential to raise approximately 1.21% of world GDP or over **€ 465 billion (US\$ 661.1 billion) yearly**, if introduced at an average rate of 0.05% on all financial market transactions.
- It could raise **€209 billion (US\$ 289 billion)<sup>2</sup> yearly in the EU alone**.

### **The FTT could contribute to economic stability:**

- The casino economy – in which money becomes the commodity to be traded, not goods and services – has exploded in the last two decades. This has divorced real growth, production and job creation from the majority of financial transactions, which are purely **speculative**, and end up generating “bubbles.”
- In 2008, for example, the trading of financial transactions was approximately **74 times higher** than nominal global gross domestic product. In 1990, it was only 15 times higher. Just in the past decade, the trading of derivatives and foreign exchanges has far surpassed global trade.<sup>3</sup>
- The most pressing problem is that short term trading leads to **high levels of volatility** over the long term. This volatility has exacerbated the negative effects of the financial crisis.

<sup>1</sup> CIDSE, International taxes on financial transactions: Responding to global challenges - towards a fairer sharing of costs, 2009.

<sup>2</sup> Schulmeister, WIFO, 2010.

<sup>3</sup> Schulmeister, WIFO, 2009.

- The response to the crisis is already being felt by the social sector while governments continue to drag their feet on implementing measures such as a small Financial Transaction Tax that would make short-term speculation more expensive. The tax would therefore have a **stabilising effect on asset prices and thereby overall macroeconomic performance**.

### **The FTT, a fair tool to tackle global challenges:**

- A majority of EU governments, encouraged and supported by the Commission, insist that national public debts must be reduced via a programme of **austerity and cuts**. There is mounting evidence to show that this is having a disproportionate impact on the most vulnerable and the poorest in our societies. Social unrest is growing. This situation cannot continue for much longer. The holes in European budgets cannot be plugged at the expense of the poor and most vulnerable.
- At the global level **the lack of finance continues to be a critical factor** standing in the way of providing billions of people even their basic needs such as proper health care, sanitation, clean water and qualitative education. This situation will remain unchanged even after the 2015 deadline to achieve the Millennium Development Goals.
- **Poverty and the lack of access to basic services are exacerbated by climate change**. At the last Climate Conference in Cancun, the international community promised to create a new Green Climate Fund financed by €70 billion (US\$100 billion) to start with. Yet in the face of fiscal consolidation and austerity measures to recover from the financial crisis, it is unclear where the EU is going to find the resources to contribute to this fund.

### **Resources:**

- The FTT for people and the planet, CIDSE recommendations, June 2011 [EN](#) - [FR](#)
- International taxes on financial transactions: Responding to global challenges - towards a fairer sharing of costs, CIDSE position paper, November 2009 [EN](#) - [ES](#)

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