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CFA Institute Member Poll:

EU Initiative on the Taxation of the Financial Sector

20 April 2011 – 4 May 2011

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1. About the Survey

A. Background

The European Commission has launched a consultation for the taxation of the European Union financial sector with the following rationale:

- The financial sector benefited from substantial public financing support during the financial crisis resulting in hampered EU public finances to which the financial sector should be contributing its "fair and substantial" share.
- There is a need to support crisis resolution schemes with funds from the financial sector as opposed to taxpayers' money.
- The possibility for under-taxation of the financial sector.
- Excessive risk-taking by the financial sector, which is detrimental for the society as a whole.
- The risk of uncoordinated national measures which could lead to an uneven playing field between EU countries and possible regulatory arbitrages.

The European Commission is considering three types of financial taxes:

1. A **Financial Transaction Tax (FTT)** would tax financial transactions based on their transaction value, regardless of the parties involved. In its broadest format, it could be applied to organized and OTC trading of stock (including units in investment/pension funds), bonds, derivatives, currencies. It would in principle apply each time the asset is traded. A narrow based FTT would be limited to stocks and bonds. The tax collection would in general be via the trading system (where possible) which executes the transfer.
2. A **Financial Activities Tax (FAT)** would be levied on the sum of profits and wages – wages being effectively disallowed as a deduction to profits, which means that the tax is by its design labour neutral.
3. A **bank levy** would be asset-based or liability-based.

B. Purpose

Members in the EU and Switzerland were polled to help CFA Institute provide useful feedback to the European Commission on the issue of a taxation of the EU financial sector.

C. Methodology and Response Rate

All members in the EU and Switzerland were invited via email to participate in the online survey. 15,244 members with a valid email address received the email invitation for the survey on 20 April 2011 and one reminder was sent to non-respondents on 2 May. The survey closed on 4 May 2011.

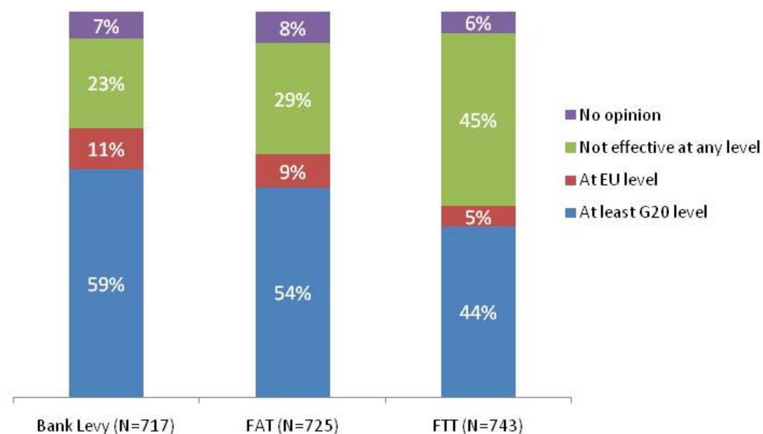
722 responses were received, for a respone rate of 4.7 percent and a margin of error of ±3.6 percent at the 95 percent confidence level. Margin of error may vary slightly by question as the number responding to each question varies.

The response rate varies by country, with the highest being Estonia (27 percent), Romania (15 percent), and Finland (13 percent), and the lowest being United Kingdom (3 percent), Lithuania (3 percent), and Malta (0 percent). The Demographic Profile of respondents can be found at the end of this report.

D. Summary of Key Findings

Mixed opinions show that 48 percent of respondents feel that it is justifiable to levy a new tax on the financial sector and 49 percent of respondents feel that it is not. 31 percent think that if a new tax were imposed on the financial sector, it should be a bank levy only. Over half of respondents feel that investment/pension funds, insurance, and traditional banking are currently appropriately taxed (55 percent, 54 percent, and 61 percent respectively), whereas only 32 percent and 29 percent, respectively, think alternative investment funds and investment banking are appropriately taxed.

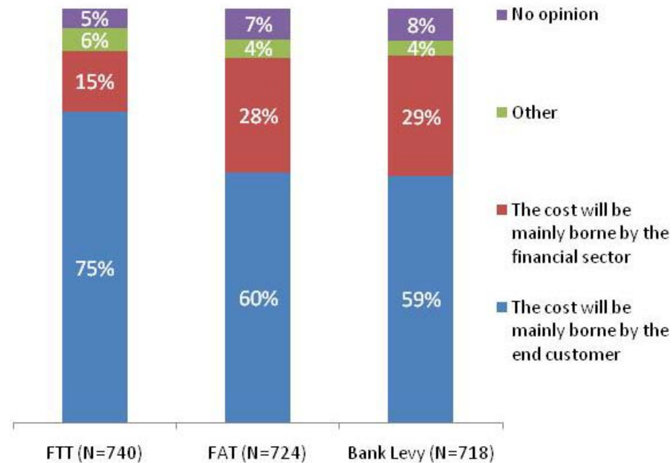
For each of the three types of potential taxes, members were asked to determine the level at which it would be most effective. Respondents answered similarly in regards to the Financial Activities Tax (FAT) and the bank levy: 54 percent and 59 percent think it would be most effective at the G20 level or higher, 29 percent and 23 percent think it would not be effective at any level, 9 percent and 11 percent think it would be most effective at the EU level, and 8 percent and 7 percent do not have an opinion. In regards to the Financial Transactions Tax, opinions were split in that 45 percent feel it would not be effective at any level and 44 percent feel it would be effective at the G20 level or higher. 5 percent think it would be most effective at the EU level and 6 percent have no opinion.



Respondents who think a tax is justifiable are more likely to feel it would be most effective at the G20 level or above, whereas those that don't think a tax is justifiable are more likely to feel a tax would not be effective at any level.

	Given the rationale presented by the European Commission above, do you consider it justifiable to levy a new tax on the financial sector?	At least G20 level	At EU level	Not effective at any level	No opinion
FTT	Yes	61%	9%	27%	2%
	No	28%	2%	62%	8%
FAT	Yes	71%	12%	12%	5%
	No	37%	6%	46%	11%
Bank levy	Yes	70%	16%	10%	5%
	No	48%	6%	38%	9%

In addition, respondents indicated who they think will bear the cost if one of three types of tax were implemented. For all three tax types, more than half of respondents feel the cost will be mainly borne by the end customer: 75 percent for FTT, 60 percent for FAT, and 59 percent for bank levy.



Respondents who think a tax is justifiable are more likely to feel that the costs associated with a new tax will be borne the end customer, whereas those that don't think a tax is justifiable are more likely to feel that the cost will be borne by the financial sector.

	Given the rationale presented by the European Commission above, do you consider it justifiable to levy a new tax on the financial sector?	End Customer	Financial Sector	Other	No opinion
FTT	**Yes**	65%	23%	6%	6%
	No	85%	6%	5%	3%
FAT	**Yes**	43%	43%	5%	9%
	No	78%	12%	4%	6%
Bank levy	**Yes**	44%	44%	3%	9%
	No	76%	14%	4%	6%

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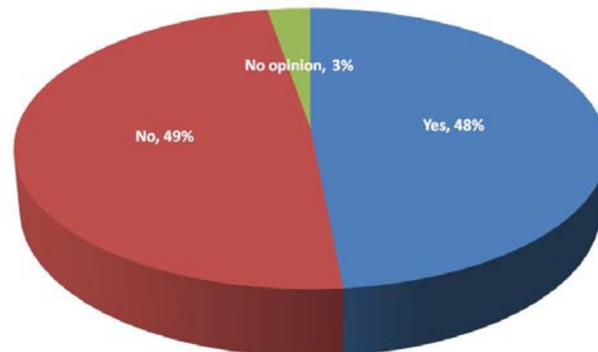
2. Full Results: General Questions

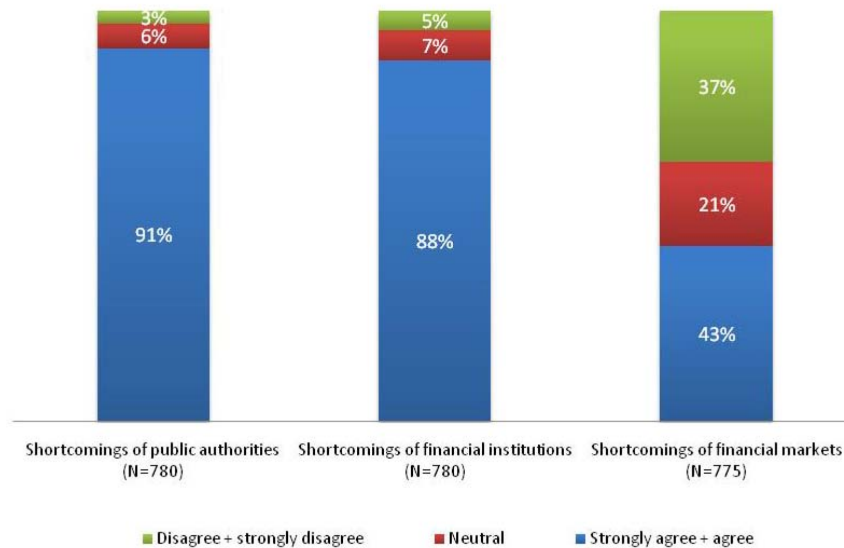
A. Opinions of new tax on the financial sector

Opinions on whether it would be justifiable to levy a new tax on the financial sector are mixed, with 49 percent indicating it is not justifiable and 48 percent indicating it is justifiable. 3 percent of respondents have no opinion on the matter. *Comments are listed in the Appendix.*



B. Major contributors to the global financial and economic crisis

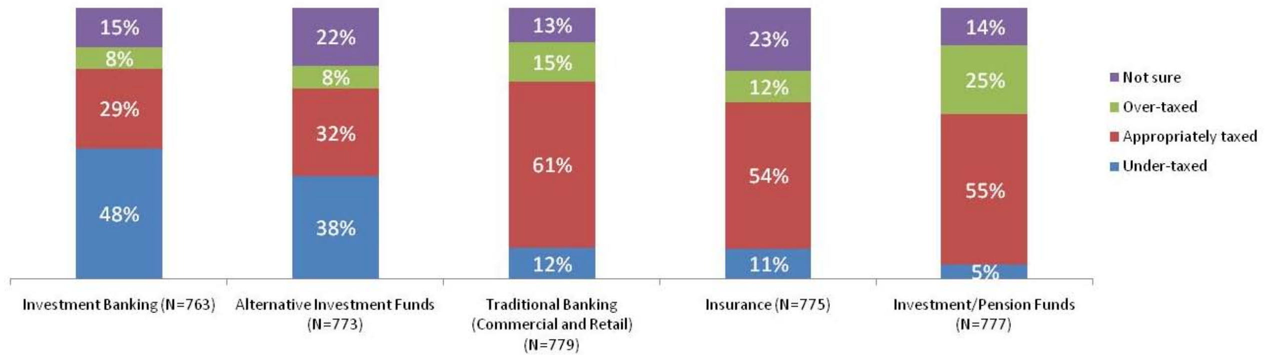
The majority of respondents, 91 percent and 88 percent respectively, agree (top two boxes) that shortcomings of public authorities and shortcomings of financial institutions were major contributors to the financial economic crisis. 43 percent of respondents agree (top two boxes) that shortcomings of financial markets were a contributor, while 36 percent disagree (bottom two boxes) and 21 percent neither agree nor disagree. *Comments are listed in the Appendix.*



C. Current tax situation of various financial sectors/activities

Around half of respondents feel that traditional banking, investment/pension funds, and insurance are currently appropriately taxed (61 percent, 55 percent, and 54 percent respectively). When asked about alternative investment funds, 38 percent feel they are under-taxed, 32 percent feel they are appropriately taxed, 22 percent were not sure, and 8 percent feel it is over-taxed. Regarding investment banking, 48 percent feel that it is currently under-taxed, 29 percent feel it is appropriately taxed, 15 percent are not sure, and only 8 percent feel it is over-taxed.

For each of the following financial sectors and/or activities, please indicate whether you think it is currently 'under-taxed,' 'over-taxed,' or 'appropriately taxed'

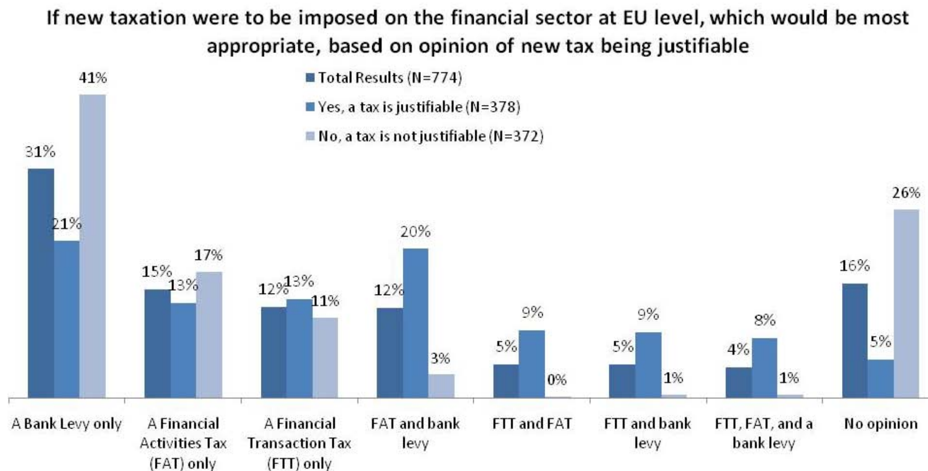


Respondents were asked to identify which financial sectors and activities they felt were currently under-taxed, over-taxed, or appropriately taxed. A larger proportion of respondents who feel that a tax is justified also feel that alternative investment funds and the investment banking industry are currently under-taxed: 52 percent compared to 23 percent (alternative investments) and 76 percent compared to 21 percent (investment banking). Those who do not think a tax is justified agree that alternative investment funds and investment banking are currently appropriately-taxed: 44 percent versus 21 percent (alternative investments) and 48 percent versus 10 percent (investment banking).

	Given the rationale presented by the European Commission above, do you consider it justifiable to levy a new tax on the financial sector?	Under-taxed	Appropriately taxed	Over-taxed	Not sure
Investment/Pension Funds	Yes	8%	60%	17%	14%
	No	2%	51%	34%	13%
Alternative Investment Funds	Yes	52%	21%	2%	24%
	No	23%	44%	14%	18%
Insurance	Yes	13%	52%	7%	28%
	No	9%	56%	16%	18%
Traditional Banking	Yes	18%	58%	8%	15%
	No	6%	64%	21%	10%
Investment Banking	Yes	76%	10%	1%	13%
	No	21%	48%	16%	16%

D. Most appropriate taxation

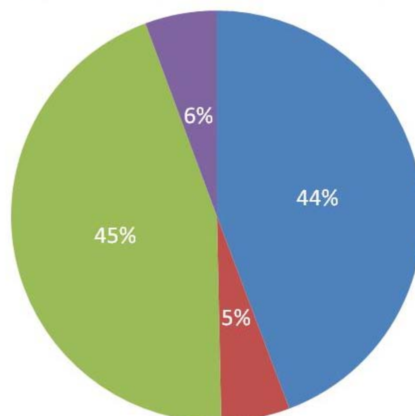
If new taxation were to be imposed on the financial sector at the EU level, 31 percent of total respondents feel that imposing a bank levy by itself would be the most appropriate taxation, and 41 percent of respondents who do not think a tax is justifiable agree. 15 percent of total respondents feel that an FAT only would be the most appropriate and 12 percent feel that an FTT only would be most appropriate. Opinions vary somewhat depending on whether the respondent agrees or disagrees that a tax is justifiable at all. For example, a higher proportion of respondents that do not think a tax is justifiable (41 percent) than those that think it is justifiable (21 percent) said if new taxation were imposed, it should be a bank levy. *Comments are listed in the Appendix.*



3. Full Results: Questions on a Financial Transactions Tax (FTT)

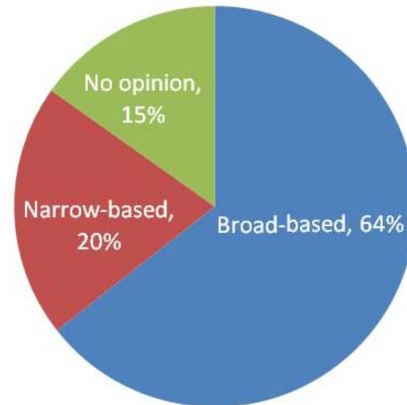
A. At what level would an FTT be most effective?

There is a fairly even split between respondents who feel the FTT would not be effective at any level, 45 percent, and those who feel it would be effective at the G20 level or above, 44 percent. An additional 5 percent feel that it would be effective at the EU level, and only 6 percent have no opinion. *Comments are listed in the Appendix.*



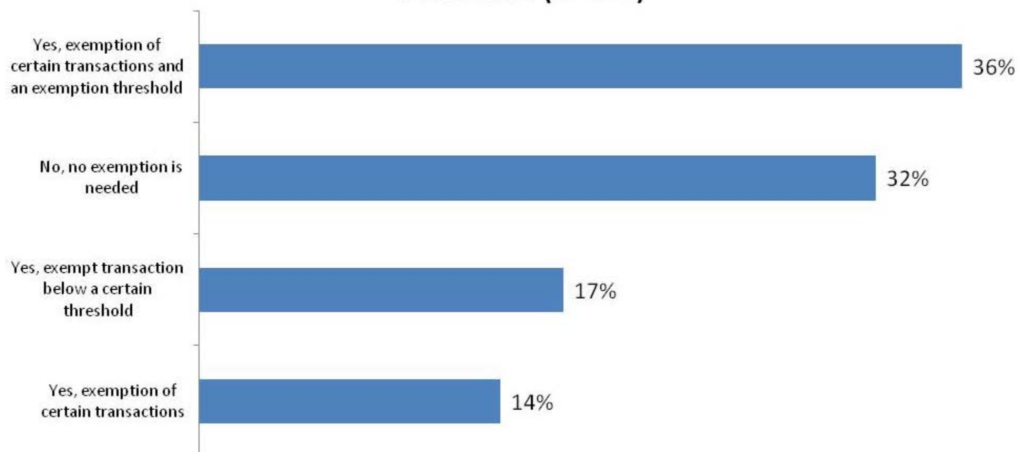
B. Should an FTT be broad-based or narrow-based?

The majority of respondents, 64 percent, feel that an FTT should be broad based (applied to organized and OTC trading and covering stocks—including units in investment/pension funds—bonds, derivatives, and currencies) if it were implemented. 20 percent feel that it should be narrow based (limited to stocks and bonds), and 15 percent do not have an opinion. *Comments are listed in the Appendix.*



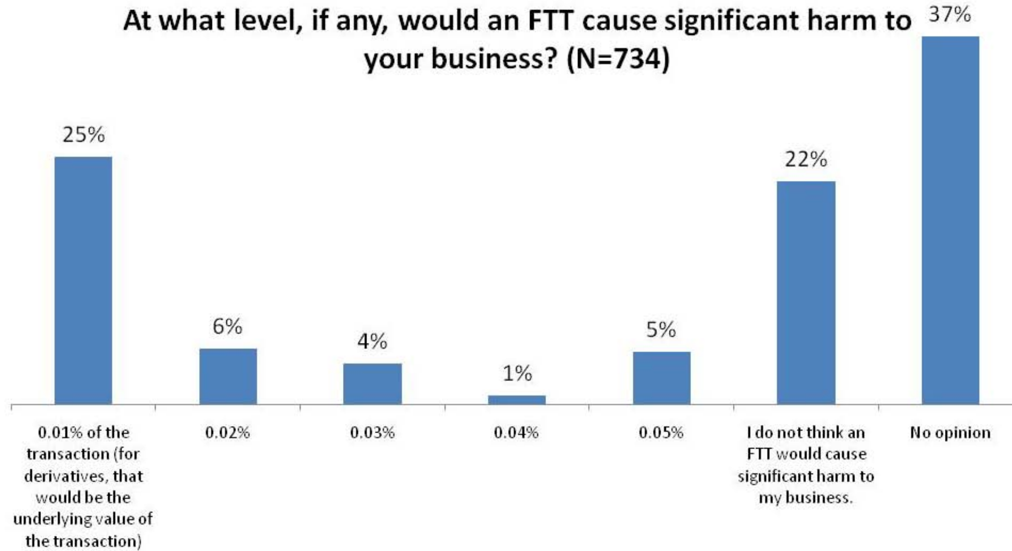
C. The need for exemptions from an FTT

36 percent of respondents feel that there would be a need for an exemption of certain transations and an exemption threshold if an FTT were implemented. 32 percent of respondents feel that there would be no exemption needed, and 17 percent feel that there should be an exempt transaction below a certain threshold. The remaining 14 percent feel that there would be a need for an exemption of certain transactions. *Comments are listed in the Appendix.*



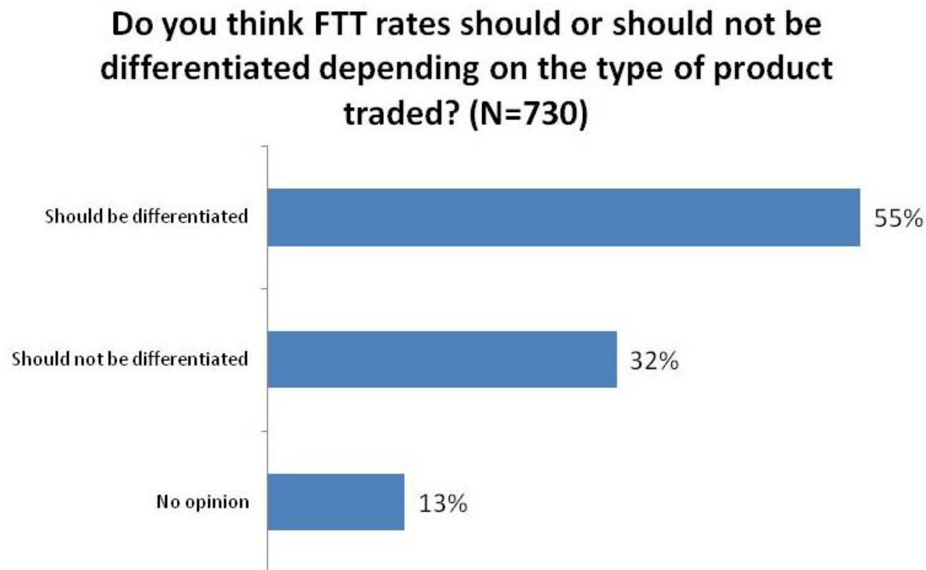
D. Will an FTT cause harm to businesses?

25 percent of respondents feel that an FTT would cause significant harm to their business at 0.01% of the transaction. 22 percent do not think that an FTT would cause significant harm at all, and 37 percent of respondents do not have an opinion. The remaining 16 percent feel that significant harm would be caused at a level between 0.02 and 0.05 percent. *Comments are listed in the Appendix.*



E. Differentiation of FTT rates by type of product traded

55 percent of respondents think that FTT rates should be differentiated depending on the type of product traded, and 32 percent think that they should not be. 13 percent have no opinion. *Comments are listed in the Appendix.*



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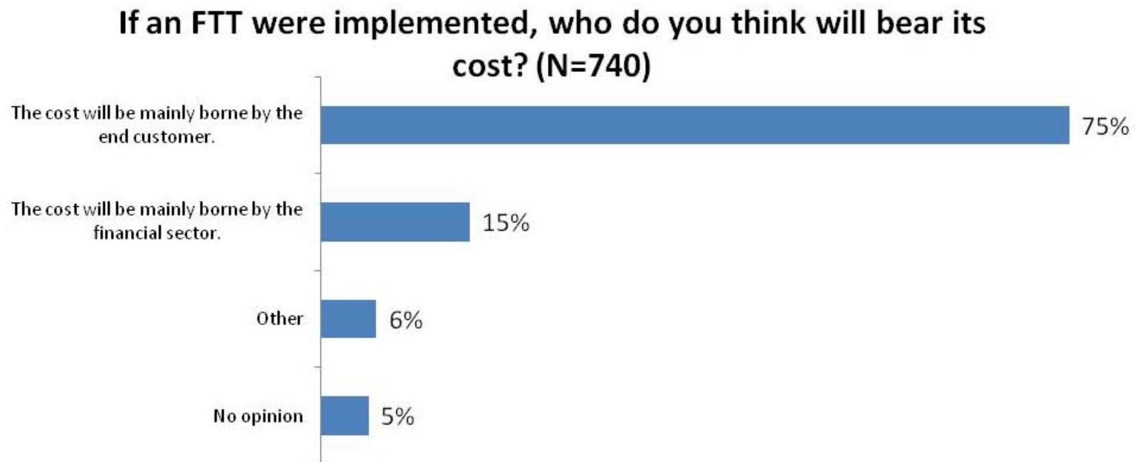
F. Who will bear the cost of an FTT?

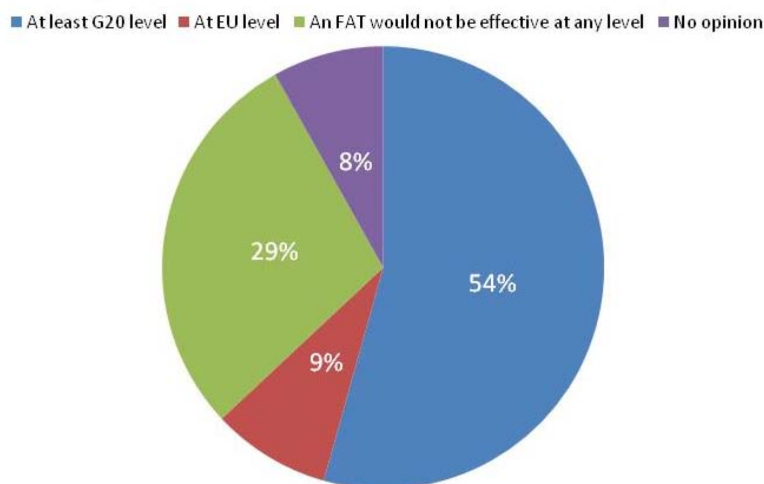
The majority of respondents, 75 percent, think that if an FTT were implemented it would be the end customer who will mainly bear the cost. Only 15 percent feel that the cost will be mainly borne by the financial sector, and 6 percent feel it will be borne by someone other than the financial sector or end customer. *Comments are listed in the Appendix.*



4. Full Results: Questions on a Financial Activities Tax (FAT)

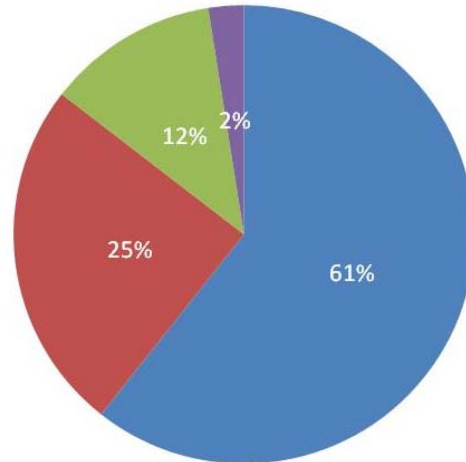
A. At what level would an FAT be most effective?

54 percent of respondents think an FAT would be effective at the G20 level, 9 percent feel that it would be effective at the EU level, and 29 percent feel that it would not be effective at all. 8 percent of respondents have no opinion.



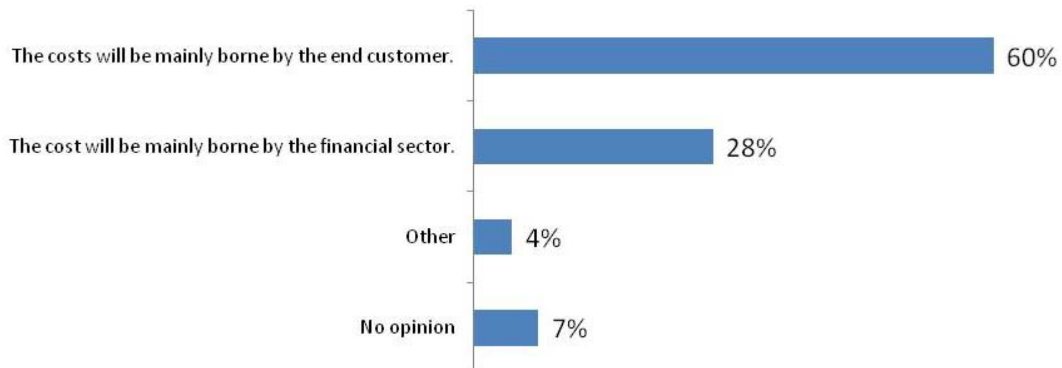
B. How broadly should an FAT be applied?

Over half of respondents, 61 percent, think that an FAT should apply to the financial sector broadly. 25 percent feel that it should apply to only the banking sector, 12 percent have no opinion, and 2 percent feel it should apply to something other than the broad financial sector or banking sector only. *Comments are listed in the Appendix.*



C. Who will bear the cost of an FAT?

60 percent of respondents think that the end customer will mainly bear the cost of an FAT if it was implemented and 28 percent think that the financial sector will mainly bear the cost. 7 percent have no opinion and 4 percent think someone else will bear the cost. *Comments are listed in the Appendix.*



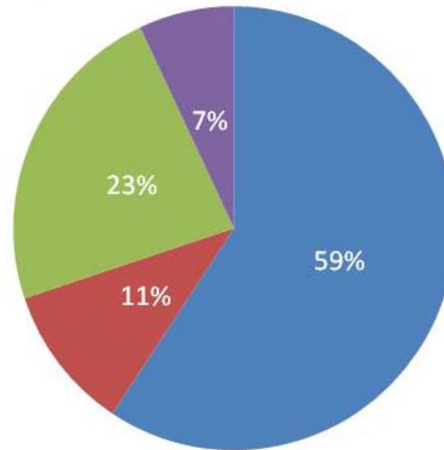
5. Full Results: Questions on a Bank Levy

A. At what level would a bank levy be most effective?

59 percent of respondents think a bank levy would be most effective at the G20 level or higher, and 11 percent think it would be most effective at the EU level. 23 percent of respondents do not feel the bank levy would be effective at any level, and 7 percent have no opinion..

At what level do you think a bank levy would be most effective? (N=717)

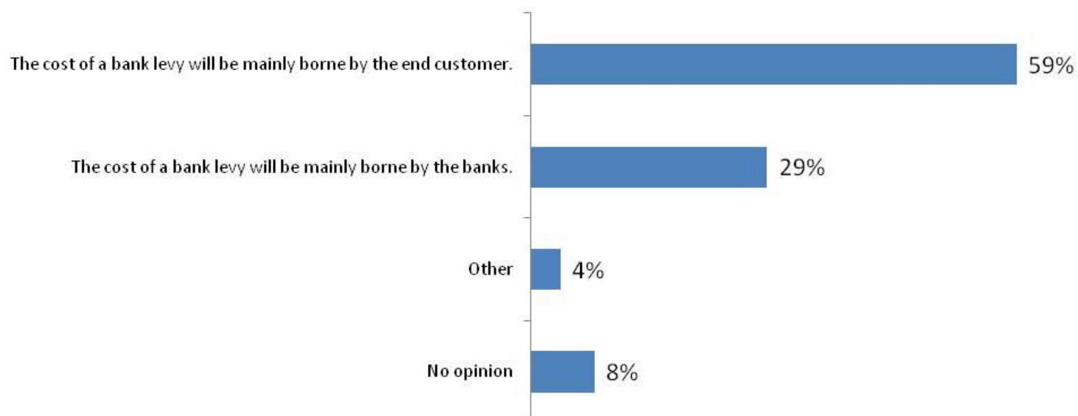
At least G20 level | At EU level | A bank levy would not be effective at any level | No opinion



B. Who will bear the cost of a bank levy?

59 percent of respondents think the cost of a bank levy would be mainly borne by the end customer, and 29 percent feel that it would be mainly borne by the banks. Only 4 percent feel that the cost would be borne by another means, and 8 percent have no opinion. *Comments are listed in the Appendix.*

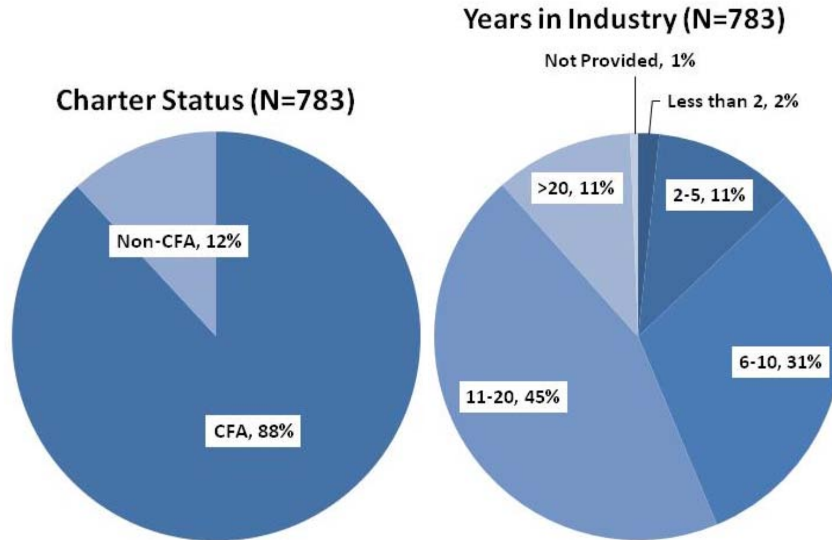
If a bank levy were implemented, who do you think will bear its cost? (N=718)



6. Demographic Profile of Respondents

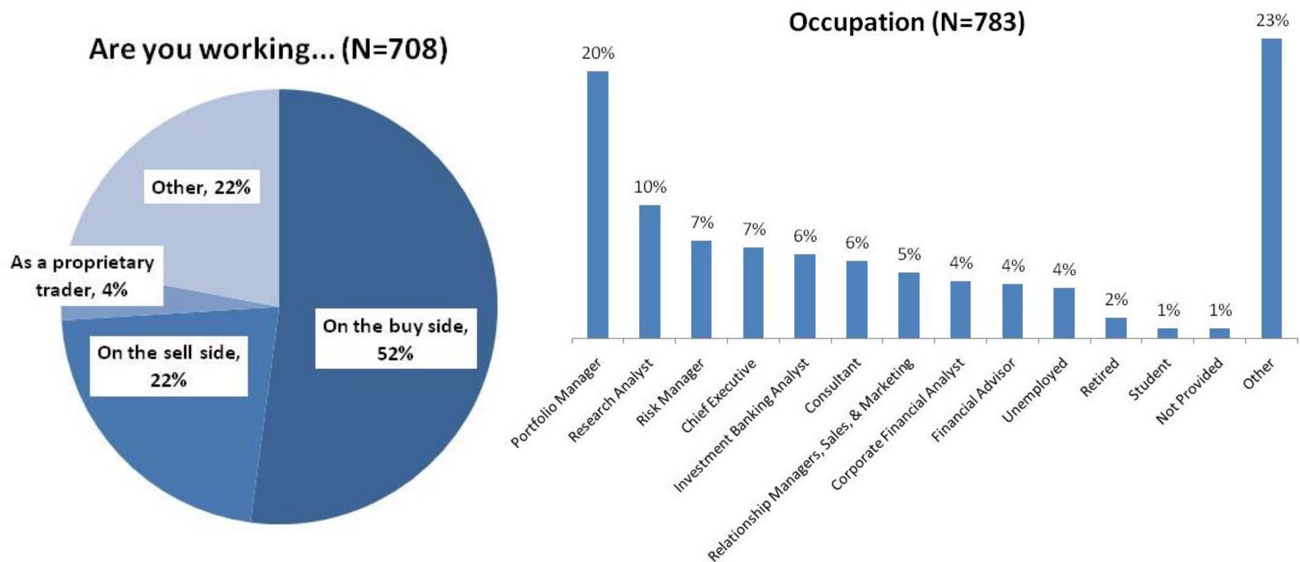
A. Charter Status and Years in Industry

The majority of respondents are charterholders (88 percent) who have spent 6-20 years working in the industry (45 percent 11-20 years and 31 percent 6-10 years).



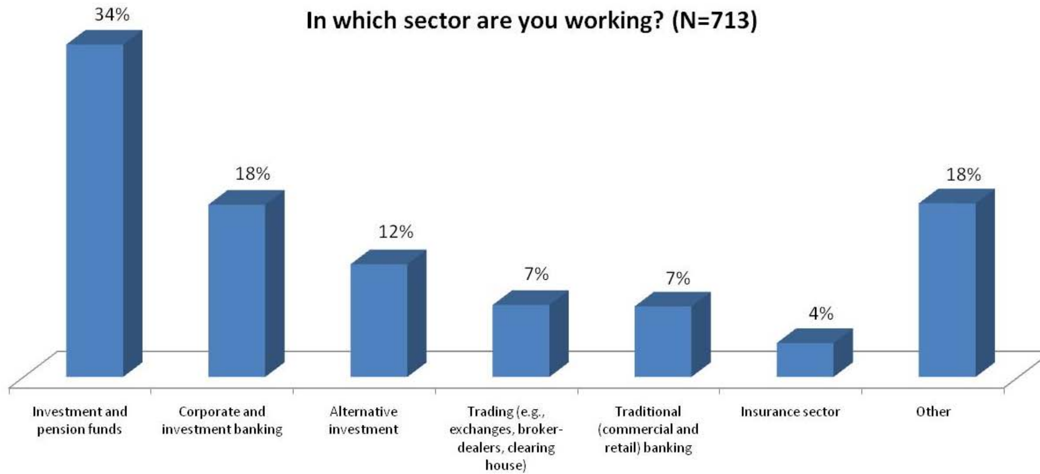
B. Buy/Sell Side and Occupation

52 percent are working on the buy side and 22 percent are working on the sell side. 20 percent of respondents indicated they are currently a portfolio manager, 10 percent indicated they are a research analyst, 7 percent indicated they are a risk manager, and 7 percent indicated they are a chief executive. 6 percent of respondents are currently an investment banking analyst, 6 percent are in consulting, and 5 percent are in relationship management, sales, and marketing. The remaining 15 percent indicated they are a corporate financially analyst (4 percent), financial advisor (4 percent), unemployed (4 percent), retired (2 percent), or a student (2 percent). 1 percent did not provide their occupation and 23 percent indicated other.



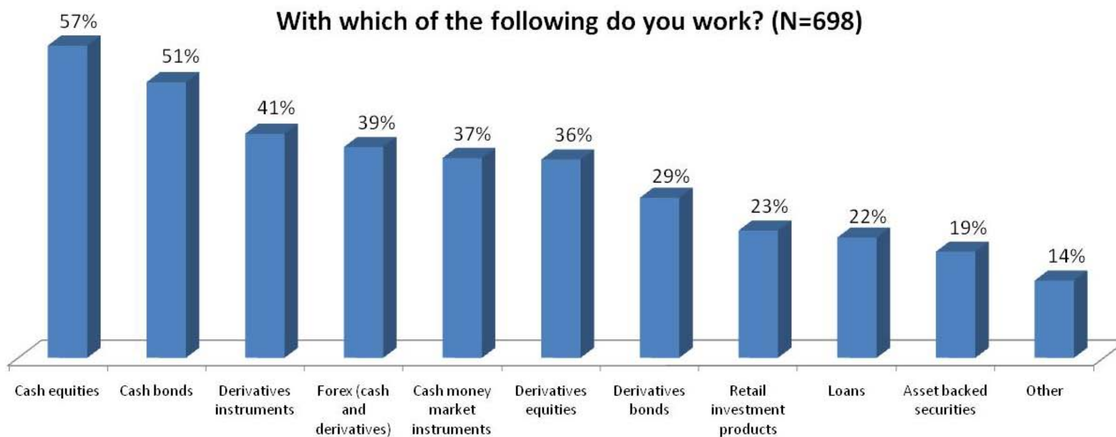
C. In which sector are you working?

34 percent of respondents are currently working with investment and pension funds, 18 percent are working in corporate and investment banking, 12 percent are working in alternative investments, 7 percent are working in a trading capacity, 7 percent are in traditional banking, and 4 percent are currently in the insurance sector. 18 percent of respondents indicated other.



D. With which of the following financial products do you work?

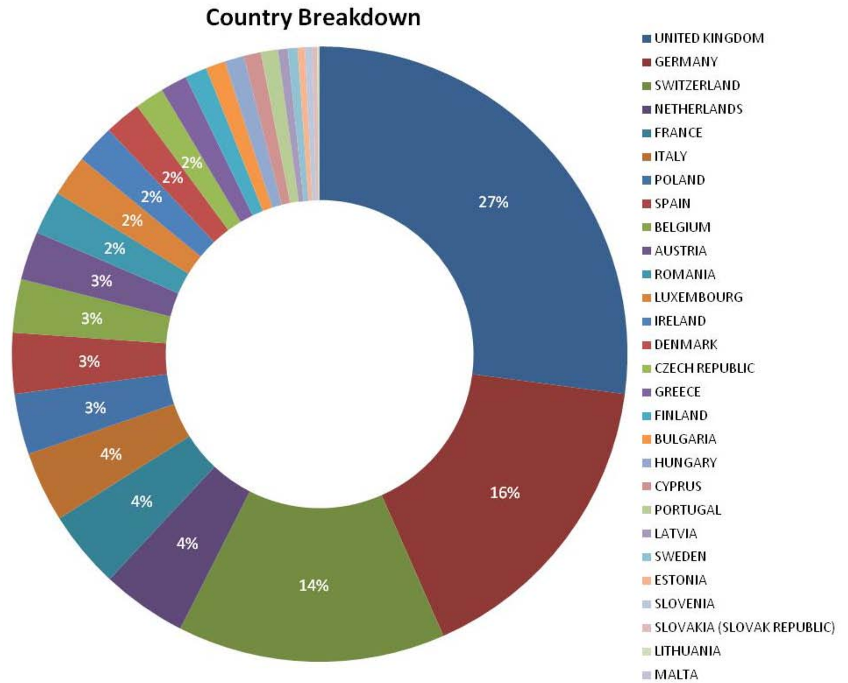
57 percent of respondents indicate that they are working with cash equities, 51 percent indicate they work with cash bonds, 41 percent indicate they work with derivatives instruments, and 39 percent indicate they work with forex. 37 percent and 36 percent indicate they work with cash money market instruments and derivatives equities, respectively. 29 percent indicate they work with derivatives bonds, 23 percent indicate they work with retail investment products, 22 percent with loans, and 19 percent with asset backed securities. 14 percent of respondents indicate other.



E. Country Breakdown

The majority of respondents are from the United Kingdom, Germany, and Switzerland (27 percent, 16 percent, and 14 percet respectively). There were 4 percent of respondents from each of the following countries: Netherlands, France, and Italy; and 3 percent of respondents from each of the following: Poland, Spain, Belgium, and Austria. Romania, Luxembourg, Ireland, Denmark, Czech Republic, Greece, Finland, Blugaria, Hungary, Cyprus, Portugal, Latvia, and Sweden each represented 1 or 2 percent.

Country	Invited	Responded	Resp Rate
ESTONIA	11	3	27%
ROMANIA	117	18	15%
FINLAND	69	9	13%
CZECH REPUBLIC	101	12	12%
LUXEMBOURG	158	17	11%
BELGIUM	206	22	11%
HUNGARY	81	8	10%
SLOVENIA	31	3	10%
PORTUGAL	76	7	9%
GREECE	122	11	9%
ITALY	323	29	9%
POLAND	286	25	9%
CYPRUS	83	7	8%
DENMARK	195	15	8%
SLOVAKIA	26	2	8%
AUSTRIA	263	20	8%
GERMANY	1769	128	7%
LATVIA	56	4	7%
BULGARIA	123	8	7%
SPAIN	417	25	6%
NETHERLANDS	586	35	6%
SWEDEN	70	4	6%
FRANCE	593	32	5%
SWITZERLAND	2187	110	5%
IRELAND	332	16	5%
UNITED KINGDOM	6932	212	3%
LITHUANIA	38	1	3%
MALTA	13	0	0%



7. Appendix

A. Selection of Open Ended Comments

In order to reflect the preponderant opinions expressed by CFA Institute members in the European Union and in Switzerland, the open-ended comments below were selected from a long list of comments received. CFA Institute does not endorse certain comments over others.

Please also note that the information contained in parentheticals after each comment contains the respondents answer to the original question.

Given the rationale presented by the European Commission above, do you consider it justifiable to levy a new tax on the financial sector? - Comments:

- on a worldwide basis (Yes).
- Absolutely justified and long overdue. Taxpayers should not be held hostage to the financial sector's risks. (Yes).
- but not broadly and indiscriminately as such a tax will likely burden subjects that were not at fault for any of the financial sector's troubles. If a tax is aimed at claiming the financial industry's fair share of the burden, it must target those subjects or transactions that caused the turmoil, or will likely cause turmoil in the future. (Yes).
- Financial markets are meant to improve the allocation of capital, not to one-sidedly benefit the financial sector. (Yes).
- For all the financial institutions that have received public financing support (Yes).
- Given the fact that there is an implicit Government guarantee for large banks / financial institutions, it is fair that such institutions bear the cost (Yes).
- Given the size of the crisis, a better regulation is needed as the shareholders and bondholders of the banks have not been held reliable for the actions of management. (Yes).
- I agree that there is a need to support crisis resolution schemes with funds from the financial sector as opposed to taxpayers' money (Yes).
- I would consider it appropriate to levy a new tax on an asset base to fund a crisis-resolution fund. The fund ought to be used solely for the purpose to support banks during the next financial crisis. The tax should not be part of the general purpose/accout of the sovereign. (Yes).
- If implemented properly, there could be positive effects on the macro level, i.e. less speculative excesses. (Yes).
- If the tax is in function of the risk profile of the financial institution. (Yes).
- in a way such an approach (a tax) is justifiable. But it has so many negatives as well - if all the banks have to pay the same tax, then it penalizes those with high capital ratios (and unlikely to need a bailout) - as a result no-one wants to hold capital ratios above minimum required. Additionally, where and how is that money held? If it is considered as general tax income then there are no available funds to be distributed - in a crisis the government may be in distress and unable to issue debt or guarantee bank debt - therefore making the tax pointless. And how much to tax? Most likely the rate is too low to compensate the costs from any government guarantees or bailouts (bank lobby will start to complain that any such tax will put them in a disadvantage globally etc - politicians are bought through election money --> too low tax rate). In general, applying this tax will allow politicians to talk how much they care for their constituents - nothing else. The substance will lack. Therefore I consider raising minimum capital levels to such heights where there is no need to a bailout as the bank's own capital is sufficient a better solution. (Yes).
- in the interest of the "even playing field", this new tax should replace similar taxes on the financial sector already in place in some EU countries (Yes).
- Internalize external costs through a insurance for institutional defaults. Every actor should be able to bear the full extent of risks he is taking and if not he should be taken over by so. else who can. Not privatize gains and nationalize losses as it happened during the crisis. (Yes).
- Probably more important to restrict false incentives (i.e. risk taking) (Yes).

- Provided it is implemented in a way which does not distort capital flows in a way which compromises optimal allocation of capital (Yes).
- Should be imposed only on institutions which benefit of (implicit) public support (Yes).
- The financial sector benefitted heavily from gvmt support and should adapt to new post-crisis environment including adapting its business model, remuneration model and risk mngt (Yes).
- The financial sector today is too focused on short term gains and bonuses. This was a material driver and reason for the financial crisis. At the end, a whole many people made a lot of state sponsored bonuses for non-performance or even destructive behaviour. (Yes).
- There is already a hodgepodge of taxes that have been levied. Another layer of taxes will make more firms conduct activities outside of the EU. (No opinion).
- A tax on the industry itself is unfair and does not resolve the behaviour of inidividuals that caused the issue. It penalises the industry and those who behaved well despite the incentives to do otherwise are equally penalised. it encourages the profession to take advantage of the system since evevryone suffers from the consequences of a few. (No).
- Banks should have improved capital basis and crisis funds to cover for extreme scenarios and no additional taxes. (No).
- Fully agree with the EU, however, taxation is not the right way. The financial industry needs to rethink their business and act more prudent. Therefore, schemes that prevent excessive risk taking need to implemented, with e.g. at least two thirs of bonuses in businesses that might lead to the collapse of a financial institution being deferred for 5 years or longer. (No).
- History shows that after each crisis new regulations take place. Unfortunately that doesn't prevent new crisis. My opinion is that there should be a simple shift in bonus schemes for executives and employees involved in the investment decision process. Instead of remuneration packages related to returns it will be much more efficient and transparent if those are related to risk-adjusted returns. This will prevent excessive risk taking and will reduce the systemic risk in the financial system. (No).
- I also do not view public support to the financial sector as justifiable. Financial institutions, as any other enterprises, should be allowed to go under if they are not able to service their liabilities, even if it seriously disrupts the financial system. (No).
- I think it would be enough abandoning the deeply unfair policy of protecting banks and big financial players ("too big to fail") and bank debt bondholders. If a free market was allowed to operate, no new takes would be needed. Otherwise, the new tax will only be used to subsidized oligarchic financial players (No).
- I think properly regulating activities that bring undue risk to the system is what is needed. These types of proposed taxes penalise a wide range of financial activity instead of punishing the few that were most responsible. (No).
- If the EU goes at it alone it will not achieve much. The financial institutions are global and will redirect their activities to minimize the impact. There would be more value in setting clear splits and clear responsibilities. (No).
- It should not be a tax. But one might adopt a scheme in which te financial sector has a forced 'saving' or 'communal stability fund' that must continuously be paid into by remaining members when an instituation goes belly-up (No).
- It will but EU domiciled investors in the disadvantage, any may drive assets to offshore investment vehicles. In addition, the new tax will probably lower market liquidity and may create more volatility in the markets. Some markets, like most European credit markets, are illiquid already. And finally, it is not fair to penalise all the financial sector, if some banks have received taxpayers' money. (No).
- No because financial Institutions would try the way to transfer the tax to customers (both institutionals and private) increasing brokerage and management fees, a new tax on the financial sector would probably translate into a major tax burden on the final taxpayers: consumers and private investors. (No).
- not in favour of support measures - failing banks should have been allowed to fail, with governmental intervention focused on an orderly unwinding of those banks. (No).
- Rather than imposing a tax, efforts should be directed at empowering shareholders of financial institutions and improving governance. (No).
- Taxation will not change bank's risk management. (No).

- The levy of such new taxes cannot replace the need for proper prudential regulations and control mechanisms meant to ensure prevention of excessive risk taking by the financial sector. Furthermore, the cost shall be transferred to the final consumer. (No).
- The problem is not taxation of the sector but one of a combination of corporate governance and financial regulation in some markets. (No).
- While I can understand the frustration and anger that people, myself included, feel about the risk taking at banks prior to the crisis as well as the large bonuses paid after the bailout, taxing the financial sector is not likely to achieve the desired result. Financial institutions will pass some of the costs along to customers, who will be faced with less liquid markets and higher trading costs. Ultimately this will reduce the rate of economic growth thereby costing governments revenues from income taxes, value added taxes and capital gains taxes. (No).

Comments - Shortcomings of financial markets

- Improper risk/benefit incentives for banks and their decision makers (Strongly agree).
- There was a systemic governance failure (Strongly agree).
- Incentive structures and regulation as opposed to markets per se was and continues to be a major problem (Agree).
- it wasn't any problems with financial mechanisms or market functioning that caused the crisis, but rather human behaviour favouring excessive risk-taking. (Disagree).
- The market is not to blame for a banking crisis. If anything, investors in bank stocks and bonds can be blamed for not doing proper due diligence, but they ultimately suffered losses anyways. (Disagree).
- Crisis just manifests itself in financial markets and is not caused by it. (Strongly disagree).

Comments - Shortcomings of financial institutions

- FIs systematically have been undertaking risks beyond their risk bearing capacity. Increased leverage, short term increased returns, structured products not completely understood or captured by the risk management methodologies and tools led to major failures. Therefore, one can identify corporate governance failures, lack of prudent risk management methodologies and frameworks, inability to capture the complete picture of risk exposure. Moreover, compensation schemes were structured in a way that promoted undue risk taking. (Strongly agree).
- Incentives for excessive risk taking (Strongly agree).
- Lack of internal controls (Strongly agree).
- Risks were not properly identified or managed in view of short term profits (Strongly agree).
- Short term focus for the banks and the "too big to fail" mentality of the senior management in some of the large financial institutions led to high risk high return bets. (Strongly agree).
- Those insitutions that made serious mistakes should be eliminated form the system by being allowed to go bankrupt. Otherwise the evolution or natural selection among financial institutions ceases to work (Strongly agree).
- Wrong incentives, poor internal controls and a lack of understanding concerning the real risks of certain line of business. (Strongly agree).
- Big focus on short-ter, profits, few focus on long-term risks (Agree).
- More prudent analysis and better risk management would have been necessary. (Agree).
- Stockholders demanded short-term returns, and management delivered them (Agree).
- To high compensation arrangements for top management was causing high risk strategies. (Agree).
- too much leverage... too little transparency (Agree).
- Wrong incentives placed (Agree).
- Financial institutions must improve their risk controls. (Neither agree nor disagree).
- Some were "guilty", many others were guiltless. We can not blame all of them. (Neither agree nor disagree).

Comments - Shortcomings of public authorities

- Authorities were warned time and time again that OTC/derivatives were a potential time-bomb yet regulators did little/nothing to address (Strongly agree).

- Basle regulations created the market, governments encouraged ownership, ratings agencies were able to be manipulated, etc. (Strongly agree).
- Excess liquidity was the problem. It was caused by central banks giving up too much of their monetary power to financial institutions. Central banks failed to control monetary creation by financial leverage. (Strongly agree).
- Major problems with governance and regulatory capture were primarily to blame (Strongly agree).
- Politician's cowardice in being open abotu budget deficits and austerity measures required is resposnible for a significant part of the crisis, notably European debt crisis (Strongly agree).
- Public authorities failed to recognize the complexity of the global financial system and the inadequacy of the regulatory regime. Major risks were poorely addressed risks under Basel II framework (i.e. counterparty risk, securitization risk) while at the same time the regulatory framework did not provide for liquidity risk. Public authorities failed to realize the impact of potential financial crisis on the real economy. (Strongly agree).
- Saving any financial institutions in the past increased moral hazard (Strongly agree).
- Strong Lobbies, weak enforcing and monitoring of current regulations. (Strongly agree).
- ABS regulation,... (Agree).
- allowing selling complex products to retail (Agree).
- Low regulation and oversight was the main factor in giving financial institutions too much leeway. (Agree).
- Some central banks / supervisors might have acted earlier such that there would have been no excesses, but, again, with hindsight that's easy to say. We should be rather humble in trying to explain who contributed how much to the crises. These are highly non-linear stochastic processes and we should refrain from too quick finger-pointing (Neither agree nor disagree).

If new taxation were to be imposed on the financial sector at EU level, which would be most appropriate? - Comments:

- A bank levy desigend to discourage excess gearing might be just about okay. FAT would exacerbate understaffing/offshoring as labor cost isn't deductible and a FTT would further bring down financial makret activities, further excaerbating the recession (A Bank Levy only).
- A Bank Levy would increase the cost of banking in the EU, but maybe the fairer- it is to protect the EU banking system that rescues were organised- and the least damaging to the competitiveness of EU banks because it is a regulated activity and all institutions offering banking facilities in the EU would be on an equal footing. Any levy on transactions or financial activity only would impair EU banks competitiveness. (A Bank Levy only).
- A financial transaction tax would impact all investors including retail investors. A more appropriate method would be a levy specific on "too big to fail" banks and financial institutions based on an appropriately defined size thershold (A Bank Levy only).
- As commented before, the tax is not my favourite solution. But of those 3 taxing methods asset-based tax is the fairest. For the markets to be most efficient, transaction costs should be as low as possible - FTT increases trading costs. Short-term trading is good (even though politicians blame speculators) - it allows long-term investors to trade with lower costs (including spreads). Taxing profits is problematic - profits may be directed to other global locations, where such taxes would not be applied. Additionally, FAT approach penalizes efficient companies (they may not be taking on the risk). (A Bank Levy only).
- Business will move out of Europe under FTT and FAT (A Bank Levy only).
- FTT would be better when implemented globally, but Bank Levy is most appropriate at EU level as banks were the ones that have caused the mess and they also benefit from excessive protection by politicians and authorities. (A Bank Levy only).
- I'd make the height of the levy dependent on the riskiness of the assets/liabilities. (A Bank Levy only).
- Must be based on the type and quality of assets & funding, ALM profile, credit quality, etc. A small conservative local savings bank should be treated differently from a bank that is in more risky assets and activities. (A Bank Levy only).
- Only for too-big-to-fail institutions (A Bank Levy only).
- The issue is excessive risk taking by banks in the pursuit of higher profit. Trading itself is not to blame and should not be hindered as it serves a vital economic function: price determination. (A Bank Levy only).

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- The levy needs to be risk based, where Risk is a function of leverage and underlying asset risk. A transaction tax makes no sense. (A Bank Levy only).
- The only on which makes sense, asset based and risk-adjusted then it would penalize too large institution which poses greatest risk of "too large to fail" and therefore may re-introduce some competition in the very oligopolistic EU banking sector. The two other taxes proposal would have a disastrous effect on EU financial sector (A Bank Levy only).
- If such a tax iss inevitable, the aim should be to tax transactions widely so that eacvh transaction attracts a very small levy, rather than focusing on specific transactions or counterparties, as this will lead to tax arbitrage, redduced hedging, thinner liquidity, reduced innovation, etc. (A Financial Activities Tax (FAT) only).
- but only if it were imposed in most financial centers (US Asia CH) (A Financial Transaction Tax (FTT) only).
- HFT (high frequency trading) poses potential problems with regard to liquidity and volatility and is -to my understanding - sometimes too close to market maipulation although legitimate. Such trading bahaviours may potentially harm markets rather than adding value by contributing to price discovery, liquidity or volatility. (A Financial Transaction Tax (FTT) only).
- If there is to be a levy, it is probably best as broadly based as possible, and modest in size (A Financial Transaction Tax (FTT) only).
- Altough I believe all form of taxation will eventually be passed onto the final customer, in case of FAT and bank levy the taxation is more directly related to the bank/fund activities, rather than when acting as s imple intermediary (FAT and bank levy).
- FTT would be utterly, utterly disastrous, and lead to some disorderly market relocations, most likely to Switzerland, the US and/or Asia, which would cost EU governments far more than they could ever hope to recoup from it. Strongly, strongly, think is a bad idea. FATs and bank levies - well, they'll get passed on to customers, like nearly all taxes, at the cost of a small deterioration in the competitive position of the European finance industry. Not much doing, frankly. (FAT and bank levy).
- I am opposed to a transactions tax which discourages transactions, reducing liquidity, and disproportionately penalises small transactions, while it was the large institutions that contributed most to the crisis with their excessive risk-taking. The best tax would be an asset-based levy on institutions, as the largest would pay most, reflecting the relatively larger influence they have on the financial markets. Next, a FAT is slightly less advantageous as it could penalise a profitable firm without regard to its risk-taking behaviour. Excessive risk-taking should be penalised as opposed to strong profitability. (FAT and bank levy).
- Every tax will find its way to the end customer, so the taxpayer who "bailed out" the banks ends up paying the tax anyhow. (No opinion).
- Given that faulty regulation was a major culprit, is an ill advised means of taxation the solution? Further, governments have shown mismanagement of the tax revenues they already garner so to what extent is more taxation without government and regulatory overhaul a solution? Taxing the financial services sector to make up for past failures without putting in place an appropriate regulatory framework is simply handicapping an essential component of capitalism. (No opinion).
- I fear financial institutions would prove extremely innovative when defining their tax base, be it transactions, activities or assets/liabilities. I am not sure which would be subject to less accounting manipulation. (No opinion).
- I like the idea of an FTT but it would need to be imposed globally otherwise the EU would lose a lot of business. The EU should be working with the US, Japan and the G20 to get a global response. (No opinion).
- If the idea is to parcel out pain, then hit the investors and bond holders of failed banks. (No opinion).
- no additional tax is required. fixing globl imbalances is required. (No opinion).
- No tax should be levied instead the regulatir needs rto have the backbone to address root causes of the crisis rather than the symptoms. Any taxes that will be levided will either be arbitraged away or passed onto the customer; so once again the wider economy bears the cost of being a captive audience. Consumers are already bearing the cost of the crisis via higher unemployment, higer taxces, lower spending not to mention the impact of portfolio effects. The EU should not fall into the behavuioural trap as it has done with ICSD by using a headline appealing measure to address a problem when all it will do is reduce net benefits for the consumer and intensify the moral hazard (No opinion).

- None of the above. Better regulations that enforce capital requirements on derivatives activities and the shadow banking system would go the heart of the problem. Taxes on transactions aren't a wise public policy choice and will likely result in less liquid markets and a lower standard of living generally. (No opinion).
- Not sure which one would be most appropriate. I believe a FTT would eventually be supported by investors and not the banks involved in taking public financing support only. A FAT and/or a bank levy will likely result in some creative structuring to reduce the burden and/or pass it to someone else. A mix of all three maybe? (No opinion).
- Taxes do not solve the problem. Ending state subsidies and encouragement of lending activity of those having little chance of paying back their loans, helps. (No opinion).
- A tax is not the right way to solve the main problem. There are already taxes imposed on bank returns or returns from asset management. The right way is less debt and higher equity for banks. And no implicit guarantees for failing financial institutions nor governments.

At what level do you think a Financial Transactions Tax (FTT) would be most effective? - Comments:

- A FTT would be effective and destructive at any level - but only for the countries involved. The Cayman Islands would become as rich as Liechtenstein if the G-20 all adopted it. (An FTT would not be effective at any level).
- If one country or group of countries attempt an FTT, it will encourage the financial industry to migrate to areas without such a tax to the detriment of the financial sectors in the taxed countries. (An FTT would not be effective at any level).
- It there will be a new tax, in the end it will be paid by individual taxpayer. The form is uncertain, but it includes more banking costs, higher insurance premiums, higher margins on loans etc. If there will be a tax, it should be a global. Otherwise, there will be once again more and more assets in tax heavens. It is so easy to transfer money from London to Cayman... (An FTT would not be effective at any level).
- It would create enormous market disruptions, with negative externalities exceeding any potential benefits from the FTT. (An FTT would not be effective at any level).
- it would drive away trading - which one would want to happen in the open and regulated exchanges - of the institutional traders and investors and punish retail investors who can not avoid it. In any case, it should cover derivatives and currencies, not just stock and bonds. (An FTT would not be effective at any level).
- It would hamper liquidity and be detrimental to market efficiency. (An FTT would not be effective at any level).
- The high volume guys (High-frequency and other hedge funds will just move to other markets as many trades would just not be profitable any more. Many high volume quant strategies would disappear.
- Some other country will become the location for trading. There will always be a way around this tax which will disadvantage participating countries. (An FTT would not be effective at any level).
- There would be too many ways to circumvent FTT for Institutions (unregulated OTC, etc.), mostly hit are private investors (An FTT would not be effective at any level).
- Better to coordinate policy to reduce opportunities to structure around taxes in an individual location. However, this principle shouldn't be used for indefinite inaction. (At least G20 level).
- Can only work if global and applies to all offshore tax havens. Hence believe essentially unworkable. (At least G20 level).
- if such a tax is imposed, it should be imposed on a wide area, as there are global financial institutions that could easily avoid such a tax otherwise. (At least G20 level).
- It would have to be as global as possible to discourage avoidance, though no system would be failproof and there would undoubtedly be some leakage somewhere. (At least G20 level).
- Other financial centers must be included, too, like Hong Kong, Sigapur or the U.A.E. (At least G20 level).
- Preferrable covering EU, US, Australia, BRIC and all off short banking Islands in order to be effective. Plus strong exclusion of all other new and small countries trying to find a niche in that area within short time. Money transfer will move very fast away. So either effcient implementation or nothing at all. As much worst to have it in an jurisdiction without complete control. (At least G20 level).
- To avoid regulatory / fiscal arbitrage, coverage should be as broad as possible (At least G20 level).

If an FTT were implemented, should it be broad based (applied to organized and OTC trading and covering stocks-including units in investment/pension funds-bonds, derivatives, and currencies) or narrow based (limited to stocks and bonds)? - Comments:

- Again here, broad application would avoid the risk of arbitrage between different products (Broad-based).
- But not including certain savings such as pensions (Broad-based).
- FTT should be higher for Hedge Funds and Investment Banking, and smaller for Retail & Commercial Banking, Pension Funds and Insurance Companies (Broad-based).
- Has to cover everything - tax free financial products are easy to construct (Broad-based).
- If it is going to be done, it should be broad based and have a low rate but the best level for the tax is where it is currently, at zero. (Broad-based).
- If limited to stocks and bonds, it penalises the retail investor, who is not the culprit and who increasingly depends on financial markets for retirement. (Broad-based).
- If you are going to introduce an FTT it has to be broad based, otherwise it will be fairly trivial to structure products to avoid it e.g. swaps and derivatives rather than buying the underlying. (Broad-based).
- If you are to distort, at least distort everything as little as possible (Broad-based).
- Narrow based would only be good for derivatives markets and especially investment funds. And, it might transfer liquidity from cash markets to derivatives markets. (Broad-based).
- Narrow-based FTT would distored the market and would lead to attempts to circumvent it by using different investment instruments or through different market. If FTT is to be levied it should apply to all transactions made on the financial markets. This way it can be a relatively small tax per transaction while generating substantial lumpsum in total. (Broad-based).
- broad would represent double taxation - on the investments and the ionvestment vehicles people use to access them (Narrow-based).
- Excesses in the "system" were clearly related to futures and related trading activities and complex instruments in the banking arena with poorly defined risk characteristics. This is where greater clarity supervision and taxation would be appropriate not in the traditional "long" pension fund and OEIC investment activities. Narrow based - but NOT AT ALL on the lines suggested- quite the contrary - all transactions except certain stocks and bonds transactions. (Narrow-based).
- Investment and pension funds are far less speculative and less likely to use gearing or take excessive risk, so should not be concerned. (Narrow-based).
- More important than broad or narrow based is whether it is a long term (let's say no reversal within a year) or short term transaction. (Narrow-based).
- Should only be on derivatives. (Narrow-based).
- It is very worrying to see it even being discussed, an FTT would be disastrous by discouraging transactions and leading to misallocation of resources. (No opinion).
- It won't work and should not be implemented (No opinion).

If an FTT were implemented, would there be a need for exemption of certain transactions and/or an exemption threshold? - Comments:

- Any exemptions would open the window for tax avoidance. An FTT, like another tax, will be more efficiently administered if it is universal and contains no loopholes and no exceptions. (No, no exemption is needed).
- Every Exemption will be used to circumvent the FTT by use of "financial structuring" (No, no exemption is needed).
- FTT rate should be very low - so exemptions wouldn't be worth the effort. (No, no exemption is needed).
- Tax system should be simple, easy to understand and efficient in terms of collection cost - this means no exemptions (No, no exemption is needed).
- Maybe a threshold that exempts private investors with low income (Yes, exempt transaction below a certain threshold).
- Excemption for transactions for own use, i.e. pure hedging of risks (Yes, exemption of certain transactions).
- exempt retail investors / pension and investment funds (Yes, exemption of certain transactions).

- Less liquid markets should not be further weakened and vehicles with underlying securities (such as investment fund) should not be double-taxed. Hence, such transactions should be exempted. (Yes, exemption of certain transactions).
- Pension funds, personal portfolios and elements of insurance industry should be exempt. High frequency traders should be hammered hard. (Yes, exemption of certain transactions).
- Thresholds will only encourage atomisation of transactions. (Yes, exemption of certain transactions).
- You should exempt professional parties who mostly trade intraday - market makers, designated sponsors who keep the markets liquid. An approach comparable to the ones in London and Zurich. (Yes, exemption of certain transactions).
- both makes sense for private transactions (Yes, exemption of certain transactions and an exemption threshold).
- Individual savers (Yes, exemption of certain transactions and an exemption threshold).
- Transactions that are ultimately targeted to retirement savings or unsavings during the retirement phase of individuals should be exempted. There should be the need to validate this (e.h. by lock-in-periods of the individual investments). (Yes, exemption of certain transactions and an exemption threshold).

At what level, if any, would an FTT cause significant harm to your business? - Comments:

- As market maker and high frequency trader a penny is the profit margin. Thus I would be out of business. Bad for me and bad for the financial markets because without the lubricant of market makers and prop shops market (price) impact costs (slippage, spread size, volume quoted) will be higher for all other parties. (0.01% of the transaction (for derivatives, that would be the underlying value of the transaction)).
- I will transfer all my assets in a Tax Heaven to avoid the tax. There is a strong risk to see investors to move away from EU. (0.01% of the transaction (for derivatives, that would be the underlying value of the transaction)).
- implementation of the new tax would require so many changes to systems, that the macro-economic advantage would be low (0.01% of the transaction (for derivatives, that would be the underlying value of the transaction)).
- Our funds have high turnover and help to provide liquidity to the global financial markets. Any tax will needlessly impair our ability to fulfill our role in the marketplace. (0.01% of the transaction (for derivatives, that would be the underlying value of the transaction)).
- The costs of measuring and collecting/applying this tax would most likely make it infeasible for us to continue as a small financial business. (0.01% of the transaction (for derivatives, that would be the underlying value of the transaction)).
- Again: Asset classes and market organisations matter: If market maker activity in money or FX markets were to be taxed, even a low FTT could harm significantly. (I do not think an FTT would cause significant harm to my business.).
- As a long term investor, we trade at very low frequency, hence transactin tax would havec limited effect on us (I do not think an FTT would cause significant harm to my business.).
- I may well put a lot of quote stuffing parasitic HFT's out of business. This would be a VERY GOOD outcome for market stability and genuine pricing. (I do not think an FTT would cause significant harm to my business.).I think it would be passed along (like stamp tax) to investors. (I do not think an FTT would cause significant harm to my business.).
- it will harm the final beneficiary (I do not think an FTT would cause significant harm to my business.).
- long-term investor so the effect and cost would come more from the lower liquidity and wider spreads (I do not think an FTT would cause significant harm to my business.).
- but it is ethically not justified to implement a tax on all investors in the same way. The crisis was not done by all! (I do not think an FTT would cause significant harm to my business.).
- No harm as long as it is not significantly above the mentioned numbers (0.05%) (I do not think an FTT would cause significant harm to my business.).suppose FTTs will be passed over to clients (I do not think an FTT would cause significant harm to my business.).
- All depends on the margin of the business impacted. Would market makers in highly liquid securities be negatively impacted? Would there be different FTT rates depending on the business/transaction type (hedging vs. speculation, market maker vs. prop trader)? (No opinion).
- Even the lowest level would increae dramatically transaction costs for high volume traders... (No opinion).

- The business may not be harmed but the net benefits to the consumer will reduce so on the one hand the cosnumer should be protected but on the other hand measures like this chip away at an already diminishing pot
-

Do you think FTT rates should or should not be differentiated depending on the type of product traded? - Comments:

- Absolutely, as different products carry different levels of risk and some threaten the stability of the financial system more than others (MBS and other securitised instruments for example). (Should be differentiated).
- Based on leverage imbedded - the more leveraged financial products, less FTT tax should be charged (Should be differentiated).
- Derivatives with implied strong leverage should have higher taxation (Should be differentiated).
- Equity / alternatives and Fixed Income / Money Market would need to be treated differently (Should be differentiated).
- Rather than by type of product only, I would differentiate by type of product, type of business and type of transaction (e.g. hedging vs. speculation, market maker vs. prop trader). (Should be differentiated).
- The more leveraged, the higher the rate on the notional (Should be differentiated).
- Differentiation would only lead to circumvention (Should not be differentiated).
- Diifferentiation would artifically favor one asset class over another, giving rise to mroe makret inefficiencies/bubbles (Should not be differentiated).
- if any, it should be identical for everything & everyone to avoid further distortion (Should not be differentiated).
- If there will be differentation, it needs more regulation. And more regulation = more costs and slower activity. (Should not be differentiated).

If an FTT were implemented, who do you think will bear its cost? - Comments:

- A FTT would push business to jurisdictions not implementing it, quickly. (Other (please specify): European governments).
- As always, the cost is at the end calculated in the price of the services / products. (The cost will be mainly borne by the end customer.).
- Business will be done outside the EU or in non-taxed instruments. There income from the FTT would effectively be zero and the EU risks losing its financial center(s) to non-EU jurisdictions (e.g. Switzerland) (Other (please specify): Nobody - see comments).
- End customer or in case of mutual funds the funds themseves (The cost will be mainly borne by the end customer.).
- Financial institutions will always pass the tax burden on to the customers. (The cost will be mainly borne by the end customer.).
- given the structure of the market (oligopoly of financial sector institutions Vs many small customer), this tax will be yet another tax on the customer and have very limited impact on the banks (The cost will be mainly borne by the end customer.).
- In Brazil, there is such a tax, IOOF, and it is entirely passed on to the consumer. (The cost will be mainly borne by the end customer.).
- It's always the end customer that suffers any taxes. The financial institutions will either manage to maintain their profitability at satisfactory levels, or decide to leave the business (The cost will be mainly borne by the end customer.).
- Mainly financial sector because there will be fewer transactions so less business (The cost will be mainly borne by the financial sector.).
- Not only will the end costumer bear the direct costs (FTT) but also the side effect costs of market impact with far less liquidity provided by professionals. So bigger spreads have to be borne by the customers and volatility will also be higher. (The cost will be mainly borne by the end customer.).
- Sell side will continue to make money. Pension funds and end investors will have an additional hurdle above and beyond inflation and existing transaction costs. (The cost will be mainly borne by the end customer.).

- The burden will be shared, and the burden sharing will differ in different countries. In the beginning the financial sector will carry the most burden and then it will adjust and an increasing share will be carried by the customers. Banks are already struggling to make decent ROEs (Other (please specify): Both).
- the financial sector and the whole economy will suffer from that, but will be okay. (The cost will be mainly borne by the financial sector.).
- This will depend crucially on the way in which fees are communicated. (transparency) (Other (please specify): see below).
- trading for own book will cost financial institutions, but other costs will be passed on to customer (The cost will be mainly borne by the end customer.).

If an FAT were implemented, it should apply to: (Comments)

- any FAT should only apply to this institutions that are elligible for state aid in times of crisis, i.e. those that are "too big to fail" or take deposits under a guarantee scheme. Taxing other financial institutions has nothing to do with recouping state aid. (Only the banking sector).
- FAT would not be efficient - global financial institutions could circumvent taxes - local banks would suffer. Additionally, profits of a company may be due to its efficiency, not excessive risk taking (less efficient financial institutions take on risk as that is the only way to earn profits). Therefore don't prefer FAT approach. ().
- Here too the tax would be best set at zero but if it must exist, the second best option is to have it as broadly based as possible. The problem with simply taxing banks is that many of their activities will be taken over by non-banks who are outside of the regulatory structure. (The financial sector defined broadly).
- If such a tax is implemented it should be targeted at banks identified as too big to fail, because these are the black boxes of the financial system. There is no sense small banks to pay for the greed of big banks. If small banks take excessive risks they will default, if big banks take excessive risks they will be bailed out. So why should the small banks pay? (Only the banking sector).
- It can't just be the banking sector or else it will just spur the growth in shadow banking and the broad financial sector in general. (The financial sector defined broadly).
- It's not just banks that threaten the stability of the financial system, but also hedge funds if they go bust or take excessive risks, so the financial sector overall should be concerned. (The financial sector defined broadly).

If an FAT were implemented, who do you think will bear its cost? - Comments:

- "The cost will be mainly borne by the financial sector" means it will be mainly borne by shareholders and employees in that sector. (The cost will be mainly borne by the financial sector.).
- Banks will always find a way the average Joe to pay the bill. (The costs will be mainly borne by the end customer.).
- If the financial institution is not able to shift the tax burden to the end customer and will vave to impair its profitability, it will reconsider whether to stay in the business at all. (The costs will be mainly borne by the end customer.).
- profits centres will be moved off shore (The cost will be mainly borne by the financial sector.).
- Raises the cost of all activities and reduces product ranges, drives investment jobs out of these markets (The costs will be mainly borne by the end customer.).
- Taxing wages both at corporate level and as individual's income is double taxation making it more costly to employ and highly detrimental to business (The costs will be mainly borne by the end customer.).
- The costs will be borne by both the customer and the industry. In countries with at FAT, the industry will shift to structurally lower employment, depriving governments of VAT, income tax and corporate earnings taxes that will offset the revenue gained from the FAT to the benefit of countries that refuse to enact such legislation. (The costs will be mainly borne by the end customer.).
- This tax is not as easy to transfer to the end costumer as FTT (Other (please specify): 50-50).

If a bank levy were implemented, who do you think will bear its cost? - Comments:

- Another cost of doing business, already being implemented in the UK. Unlikely to have any material impact on the competitive structure in the industry and hence little impact on returns. Might slightly reduce pay. (The cost of a bank levy will be mainly borne by the end customer.).
- As usual the end customer will suffer at the beginning, with the ultimate consequence of correcting imbalances, as banks will simply earn less by doing less business (The cost of a bank levy will be mainly borne by the banks.).
- As with the other two, the cost would be mainly carried by the banks and then gradually shift to customers. (Other (please specify): Both).
- Banks will pass along the much of the cost of the levies to their customers but even so banks will employ fewer staff, resulting in lower income tax collections, corporate earnings and VAT collections in nations/regions that employ such a tax. This will significantly offset any revenue gained from such a tax. (The cost of a bank levy will be mainly borne by the end customer.).
- costs of banking would go up, reducing shareholder value and destroying provision of credit (The cost of a bank levy will be mainly borne by the banks.).
- large banks will have to use their economies of scale to compensate for higher bank levy in order to compete with smaller institutions...so the burden will be shared (Other (please specify): mixed).
- Note the quasi-monopolistic position of most banks - which allows them to pass onto the consumers any raise in their costs. (The cost of a bank levy will be mainly borne by the end customer.).
- ROE will diminish, so the shareholders will bear some, too (The cost of a bank levy will be mainly borne by the banks.).

Please provide any additional comments on this EU initiative:

- The big problem in the EU is that many smaller Member States had not used any public funds for their fianncial system during the crisis. In this states like Bulgaria the logic behind FAT and FTT just isn't true. The local financial system did not aggraveted the crisis. We need our financial system to be able to grow swiftly in the future and offer reasonably priced financial products.
- A bail-out regime combined with financial tax does not make sense. It only spreads the costs of mistakes made by others to a wider audience. Much better would be to stop bail-outs entirely so that those costs would be borne more directly by those who have made the mistakes.
- A bank levy on risky assets could potentially lower the risk taking in the sector.
- A tax is simply a bad idea. Increasing transactions costs will be borne by the end customer. The levy, if oriented to making certain risks expensive to take, rather than execute, is better.
- A very disturbing idea with Plenty of unintended consequences.
- Any tax initiative needs to be global to avoid the EU financial sector moving outside the EU. Also, governments need to be mindful of the contribution that the financial sector makes to their economies, especially the benefits to other inudustries such as services.
- As I have said before this is another EU measure that is more form over substance. Litte has been done to mitigate the root cause of the crisis let alone reduce the burden on the consumer. The resources could be better used to beef up supervision and enforcement and hold wayward financial orgnaisations to account before they get into major trouble rather than introducing headline grabbing measures that are supposed to make financial firms meet the cost of the crisis when in fact the consumer will be the one bearing even more costs.
- as said, abandoning, for real, "too big to fail" and protection of bank-debt from "haircuts", abandoning neo-feudalism, would be enough to restore sanity. Just plain and fair capitalism
- as soon as possible... to give the people back the impression that the fiancial sector can not do what it wants
- Bank levy should apply to risk adjusted assets/liabilties
- Banks should be of such size that they are not too big to fail and will not be bailed out
- Central Banks and Regulators had all the information they needed prevent the financial crisis. Greater industry competition (and firm diversification)in the financial sector will increase employment decrease profit and reduce systemic risk from individual participants.
- EU must work with other supra-national bodies to create a global framework. Anything else will not be effective and disadvantage EU businesses.
- FTT and FAT will not avoid a credit crisis. In my opinion, politician are just trying to politicize the

banking sector and control credit allocation which will harm the economy and future economic growth thereby employment. That said, excessive leverage in the finanical system needs to be addressed but none of the proposals is aiming at that.

- Get it done swiftly and re- evaluate after 3 years as to its effectiveness
- I believe this kind of initiative would have the effect of rising the cost of financial services for the public without providing any efficient cushion against potential future bailouts by the public in case of major financial crisis.
- I strongly support the initiative to lilit speculative trading. The behavious of the financial industry puts harm on society and people all over the world.
- I think a level playing field is crucial in my opinion. Furthermore I strongly hope that a new tax regime will not lead to:
    - excessive risk taking to make up for the extra costs
    - a lower level of activity in certain parts of the financial markets.
- I think a tax on transactions make sense, but it should be very low (not more than 0.01%). It should not harm the business. This should be apply worlwide, otherwise it would create distortion.
- I think that it is fair to tax assets/liabilities of all the banks which impose systemic risk to the financial system. If those banks try to pass the tax to customers they will loose market share. This will boost medium and small banks. My opinion is that all three kinds of taxes should be targeted only at the too-big-to-fail institutions because that's where the tax payers' money were thrown away.
- If a bank levy was to be created, it should be destined exclusively to a financial stability fund eventually used to rescue banks, and not diluted into government budgets.
- If the EU is going to implement any tax is should be ensured that this will be implemented worldwide. Otherwise the capital and jobs will move to some place without these taxes like in the past.
- If the financial sector were to be successful in passing on the tax to end customers through higher pricing, there would be little point in raising taxes. The same people would end up carrying the burden of any bust.
- If the objective of any measures is to recoup past state aid, or preventing future conditions where state aid would be necessary, it should be directly targetted at only those institutions that are elligible for state aid, in other words those that take guaranteed deposits or are deemed "too big to fail".
- If they want to leave growth and Europe behind on growth, it is a great idea. A tax is not going to prevent another crisis. This is pure populism, but i geuss that is what is on the agenda now
- Implementing any kind of additional levy or tax makes sense on a global base only. If it is implemented by G20 or a subgroup you get regulatory / tax arbitrage which foils the idea of any levy or tax.
- In my opinion this initiative is very unfair and the only reason for it is to gain voters.
- In my view it is not welcome but inevitable. The finance sector has behaved in a hugely arrogant way and the public want politicians to take action, although governments are themselves culpable taxation is the only stick that is available to address what is actually a sociological/ cultural/ ethical problem within the finance industry.
- In my view there are 2 objectives: make banks pay - they have benefited from state guarantees & funding (a tax mechanism may work for a while, those impacted will in the end transfer the costs to the end user); reduce risk in the system - activities should not be allowed to develop to the point where the system is placed at the mercy of a few large players (here, the move to split ""risky"" activities from less risky would be a good move).
- It's time to put more Ethics in the Financial Sector. Not sure tax is the only way and will be an effective solution, but at least worth a trial, because it's not normal that us working in the financial sector benefit from tax money, while people really generating money are thrown out of their job/home.
- I've never used debt, I don't buy junk so why am I evil and being punished for always being prudent? Why are long-term cash only investors to be driven away while the short-term debt-

junkies are subsidized and encouraged?

- Money knows no borders...unless it is a globally co-ordinated initiative involving all major financial centres, it will cause capital flight and loss of employment and tax revenues from the financial sector in the EU countries pressing ahead with such taxes/levies.
- More poorly thought out tax and regulation is probably not the correct solution here. Control of risk taking, principally in the form of (allowable)LEVERAGE in the banking system, is what needs to be monitored, regulated, and controlled. The 'too big to fail' issue is crucial, and likely requires a return to the formal separation of commercial and retail banking from that of investment banking. Investment banking/proprietary trading businesses have to be allowed to fail.
- More taxes and regulation will not solve the problem. Ethical behaviour and appropriate penalties for unethical behaviour is a start.
- more than establishing new taxes, which by definition hit the whole sector with repercussions on the end customers, fairness dictates that only the rescued institutions should bear additional contributions to the government finances. Otherwise we end up taxing also those institutions that have been well managed.
- Pointless if it is not taken at Global level, will end up like the Carbon trading scheme which is in the doldrum for 20 years. Participation of the US is crucial
- Probably missed the point in that juggernauts should be broken in smaller pieces which allow better shareholder control and less misuse (as in excessive/inappropriate risk taking) of clients assets. The tax on balance sheet is a step in recognising this size issue.
- Should differentiate between long term holders of securities and short term players as well as between types of securities (bonds, MBS, stcoks, etc.)
- Some form of burden sharing for shareholders and/or subordinated debt should be enforced
- split of investment banking and retail banking. Investment Banking firms (and banks) should go bankrupt as it was in earlier decades. There should be again a risk of defaults for the benefit of the free market!
- Tax is a completely inefficient way of regulating the financial system. Will not help to prevent the crisis. Will not change the incentives as all the cost will be passed on to the end users in one form or another.
- The authorities need to focus on things that will actually stabilize the banking sector (e.g. higher capital ratios and getting CDS trading on organized exchanges) rather than populist measures such as a financial services tax. Enough jobs are being outsourced already, and the EU does not need more banking jobs going to more competitive countries.
- The EU could impose an additional tax on profits of the institutions which are in part responsible for the financial crisis (highly indebted governments are no better) but not on the market as a whole (FTT). This will only lead to market activity being reduced significantly in the affected jurisdiction and move into more friendly jurisdictions (look at Sweden when they introduced an FTT in the past). The expected tax revenue from an FTT is far too high because it does not take into account the significant deterring effect on market participants and their strong desire to look for and/or build alternative venues. Introducing a FTT would significantly weaken the EU financial markets.
- The EU should admit what this initiative really is: an effort to obtain more tax revenue in the manner most politically palatable for general purposes. Not to forestall further financial crises.
- The initiative misses out one of the most important element. Risk weighting: If Bank has more assets (but safe assets) it is penalised against others holding less (and maybe riskier assets). If Bank is profitable then it is penalised against its less profitable competitors. Transaction based would just have too many loopholes to be avoided
- The main objective should be 'prevention', avoiding that overly risk taking by private institutions (getting all the gains if it goes well) ends in the soicety bearing all the costs if things go wrong. Measures applied should reduce the incentive of overl risk taking (by incorporating the real cost of the risk). This should of course be hand in hand with increased financial oversight from financial sector supervisors, but then at EU level and not at national level. It needs to be at EU level as a start, but lobbying is required to have similar initiatives in all the financial centers in

the world (incl. US and Asia) to obtain a level playing field.

- The main reason for the crisis was excessive public and private debt; the European governements hould start to massively reduce their deficits and cutting overall taxation levels, no new taxes but much less taxes should be achieved
- The only option that will work in the long term will be to create a system which allows individual companies to fail without causing a system-wide collapse. I'm not convinced that additional taxation is the answer.
- The path to solve these types of issues is through Basel requirements and letting insolvent firms go bankrupt. Taxation is a revenue grab.
- There is a need to charge the financial sector for the implicit soverign guarantee enjoyed by the financial sector. But the implementation has to be co-ordinated globally so that EU based institutions are not unfairly disadvantaged
- There is no need whatsoever for additional 'type' of taxes, just some relatively minor structural improvement in regulations but real and consistent implementation/enforcement of these regulations to all financial agents in order to have fair markets.
- There must be smarter ways to reduce perverse incentives in the financial sector than by taxation. e.g. by adjusting compensation and pricing practices. banks should not be allowed to build up exposures similar to hedgefunds etc.
- This initiative is welcome but effort should be made to coordinate it at the g20 level
- Would this initiative really prevent another global crisis or will it simply end up with costs being reallocated to the end customers (e.g. investors in pension funds are taxpayers and are many) and some activities leave to other countries/regions which are not imposing such taxes?