



**Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament**

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Dear Ministers,

In view of the upcoming ECOFIN meeting on 14 July, the S&D Group very much welcomes the recent progress made on the Financial Transaction Tax and the efforts being made by the 11 countries involved in the enhanced cooperation procedure to reach an agreement. We would specifically like to thank you for your engagement in this key initiative for the Socialist & Democrats' family.

We urge that the results of the negotiations will be an ambitious and strong instrument ensuring that financial institutions make a fair and substantial contribution to recovering the costs of the financial and economic crisis; and discouraging harmful speculative practices.

To achieve this it is important that the EU11 countries remain committed to the proposal made by the Commission and as amended by the European Parliament. In particular, the resulting FTT needs to be based on a combination of the residence and issuance principles to prevent relocation of transactions and must be accompanied by strong anti-avoidance measures. The scope of the tax should include stocks, bonds, and derivatives; and tax rates should be set at a level that effectively discourages harmful transactions.

We are concerned about the impact of some technical issues currently on the negotiating table. It is important that this work does not dilute the political objectives of the FTT or pay lip service to the interest of the financial sector. The FTT needs to avoid any large exemptions for financial actors or specific markets in order to minimise the risk of avoidance. In particular, transactions in interest rate derivatives should fall within the FTT's scope. It is also important that each financial transaction is taxed, including intra-day transactions, not only net settled positions at the end of a day. Intra-day transactions not only represent most of the trading volume in many financial instruments but they are also the basis of the most harmful and speculative trading strategies the FTT is supposed to discourage.

An ambitious FTT that is fit for purpose will generate significant revenues and would allow governments to finance investments to boost growth and job creation at a time when they are most needed.

Dear Ministers, it is crucially important that the FTT puts European citizens and the stability of the financial sector before any vested interests. We trust you to continue fighting in this direction and hope to see a responsible and ambitious FTT agreed as soon as possible.

Yours sincerely,

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