M. José Manuel Barroso
M. Herman Van Rompuy
M. Algirdas Šemeta
M. Olli Rehn
M. Antonis Samaras
M. Martin Schulz
M. Jeroen Dijsselbloem

13th February 2014

Dear President,

It is essential that the regulation of banks and financial markets takes into account the overall economic impact of the measures already taken and those that are planned as well as their resulting effects, in order to avoid damaging the financing conditions within the economy. In relation to this, IV, FEB/VBO, BDA, BDI, CONFINDUSTRIA, CIP, CEOE and MEDEF have expressed their strong opposition to the proposed Directive introducing a EU FTT by enhanced cooperation (February, 2013).

According to an assessment conducted by Oliver Wyman on the impact on end-users of introducing a tax on European financial transactions (EU FTT) in eleven Member States, this would entail: annual costs of 8-10 bn Euro on corporates, equivalent to 4-5% of post-tax profits in the impacted economies; annual costs of 15-20 bn Euro on Governments, equivalent to approximately 1% of their annual debt issuance; a 260-340 bn decline in investors' asset values, who will also face higher risk management costs estimated between 5 and 15 bn Euro.

This EU FTT would indeed have harmful consequences for non financial corporations by worsening their financing terms, at a time in which they would have fewer economically viable alternatives to bank loans, which are increasingly constrained by the EU banking regulation. It would profoundly affect financial actors and undermine the economic potency of the countries in question.

Our organisations therefore ask their respective Governments to carefully assess the cascade and the liquidity effects of such a tax on end-users, in order to avoid unintended consequences. As long as it is not possible to rule out the risk attached to such a decision, at a time when Europe needs to attract more capital and investment and increase its competitiveness, Governments should refrain from moving forward with the introduction of a tax which may jeopardise EU financial markets with the final detriment of the real economy.

In the current economic and financial context, any new tax on financial companies and/or financial transactions would indirectly affect all businesses. In this case the EU FTT would affect their financing - especially their long-term financing - because of its effect on the hedging of their risks as well as on the management of their intergroup activities. Furthermore, it would put businesses located within the taxation area at a competitive disadvantage compared to others.

In addition to that the EU FTT would considerably hinder the necessary expansion of additional occupational and private retirement provision. The EU FTT would increase the tax burden of pension funds and other institutions for occupational retirement provision as well as insurance companies. Due to their long-term obligations these institutions follow almost exclusively long- term and safe investment strategies. However, they have to conduct financial transactions (e. g. new contracts, regrouping of investment). In these transactions, the tax would apply. This reduces earnings and thus the occupational pension rights of employees or benefits from private pensions. Given the demographic trend this would be a very serious set-back for additional retirement provision.

The EU FTT would also directly affect the financial sectors of countries covered as well as their positions as financial markets: they would be seriously impaired by a lack of financial transactions or the migration of these to EU countries not participating in the enhanced cooperation agreement or those outside the EU.

While the economic recovery in the euro zone remains fragile, it is imperative to make the area more competitive and to develop financial markets that can finance the economy. All the signatory organisations therefore consider that introducing a new broad based tax, whose actual effects on economic activity are certainly negative, would be taking unnecessary risks. Such an initiative will only strengthen investor uncertainty and reduce the attractiveness of the zone, well beyond the financial sector alone and go against any initiatives that might be taken to promote further growth.

Yours faithfully,

Christoph Neumayer
Director General of IV
AUSTRIA

Pieter Timmermans
CEO of VBO-FEB
BELGIUM

Pierre Gattaz
President of MEDEF
FRANCE

Ingo Kramer
President of BDA
GERMANY

Ulrich Grillo
President of BDI
GERMANY

Giorgio Squinzi
President of Confindustria
ITALY

António Saraiva
President of CIP
PORTUGAL

Juan Rosell
President of CEOE
SPAIN