

EMEA Dbriefs Presents:

# **EU Financial Transaction Tax – Where Are We, and Where Are We Going?**

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# Agenda

- Where are we now
- How did we get there
- Lobbying
- Unresolved issues
- Deloitte predictions
- Questions and answers

Where are we?

# Where are we now?

FTT designed to make the financial sector pay for its perceived role in the global financial crisis and raise revenue

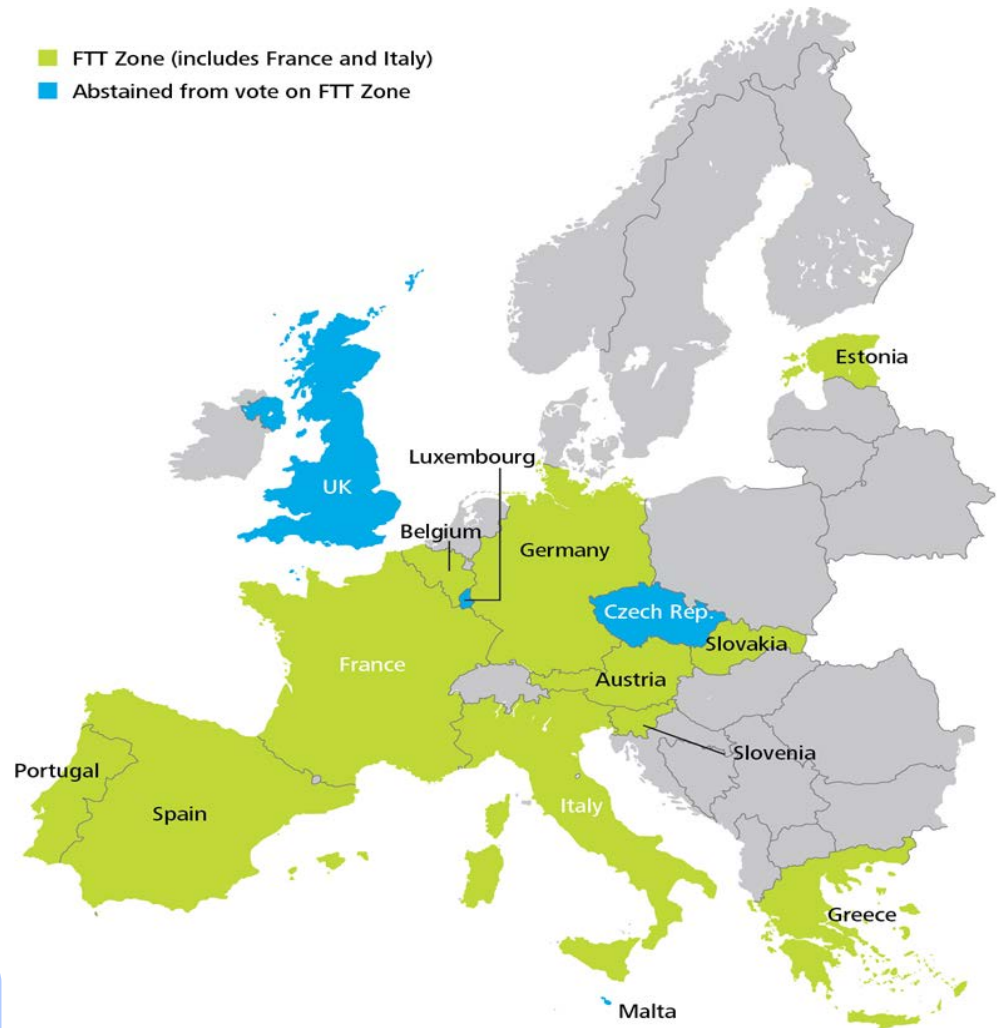
11 EU Member States originally participating in the Enhanced Cooperation Procedure (ECP) to introduce FTT. Slovenia recently pulled out

All Member States discuss and negotiate the FTT. Only the participating states vote on the FTT

CJEU has dismissed the UK's legal challenge, but the UK may launch another legal challenge in the future

France and Italy have unilateral FTTs in force from August 2012 and March 2013 respectively

FTT now due to come into force by 1 January 2016 on equities and "some" derivatives



# Before and after

And what got us there

## February 2013 proposal

- Residence and issuer basis
- Equities
- Derivatives
- Bonds
- “Financial Institution” widely defined
- “Established” widely defined
- Very limited exemptions
- 1 January 2014 implementation

**Lobbying**  
**Lack of agreement**  
**MEP elections**

## May 2014 statement

- Unknown basis of tax
- Equities
- “Some” derivatives
- No definitions
- Exemptions unclear
- 1 January 2016 implementation

# Lobbying

A selection...

## **AIMA**

Assessment of the proposed FTT

## **BAML**

Market structure and regulatory change

## **Bayer and Siemens**

Treasury functions

## **Business Europe**

FTT impact assessment

## **Catalyst Institute**

Investors and portfolios

## **CBI**

Position paper

## **ICMA European Repo Council**

Impact on repo markets and real economy

## **EFAMA**

Impact on UCITS industry

## **ESRI & Central Bank of Ireland**

Preliminary evaluation of impact

## **EUROPEX**

Energy trading

## **Goldman Sachs**

Investment research

## **House of Lords**

Extra-territoriality and impact on UK

## **IRSG / London Economics**

Corporate & sovereign debt; household wealth

## **IRSG / Deloitte**

Wider regulatory reform agenda

## **Oliver Wyman/ AFME**

Foreign exchange

## **Oxera / AFME**

Economic impact

## Poll question 1

**How likely is it do you think that, this time, the FTT will be introduced by 1 January 2016? (Please select only one answer)**

- Very likely - the political will seems to be in place behind the introduction of this more limited tax
- Quite likely - certain EU member states need the money
- Unlikely by 2016, but anticipate the FTT will be introduced in the future after further delays and challenges
- Highly unlikely the FTT will be introduced
- Don't know / not applicable

Where are we going?



# Unresolved issues

Exemptions

What are  
“some”  
derivatives?

Will there be  
a phase 2?

Future legal  
challenges

Issuer or  
residence

Extra  
territorial  
enforcement

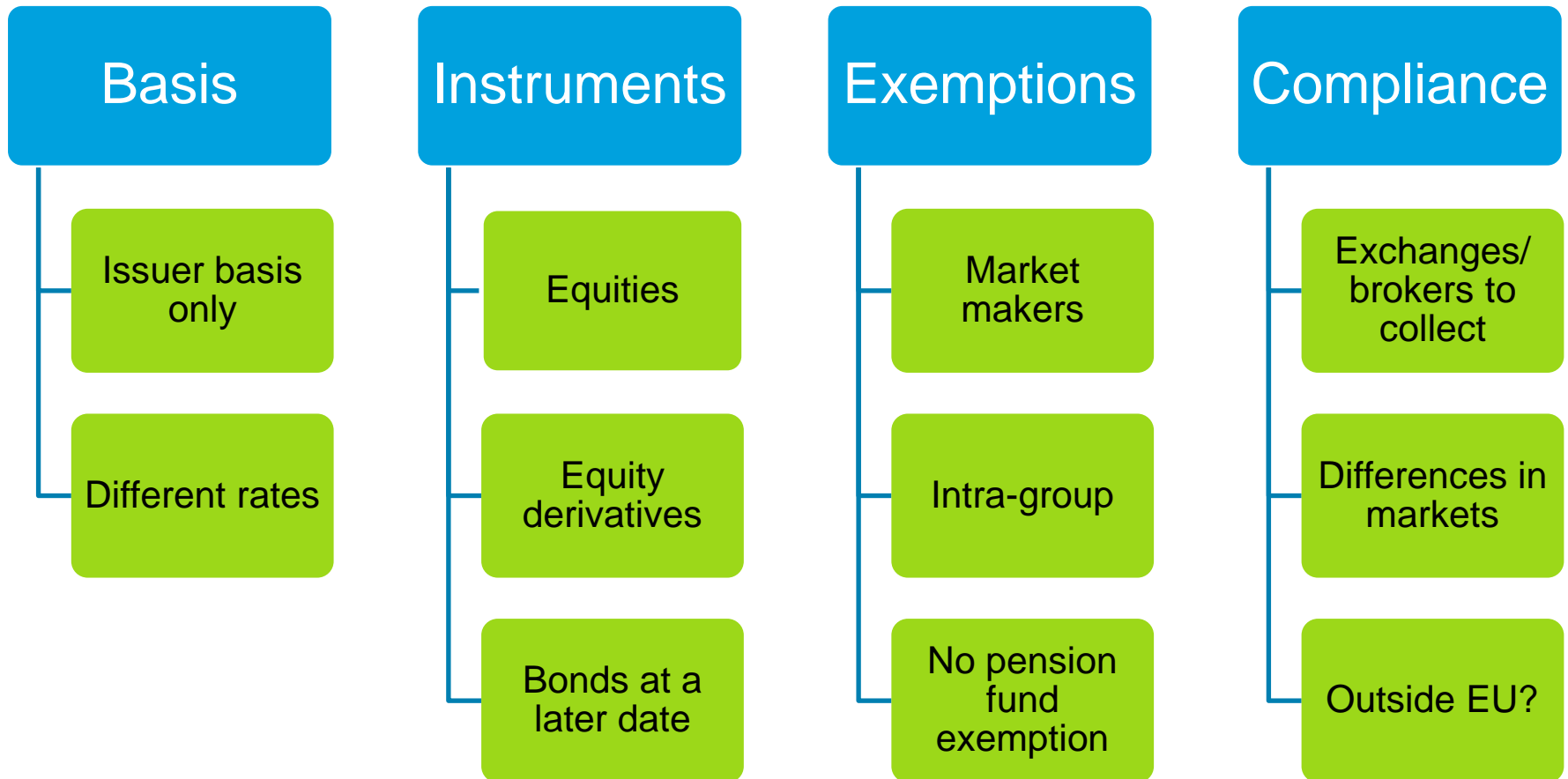
Impact on  
markets

Existing FTTs

Role of  
market  
infrastructure

# Deloitte predictions

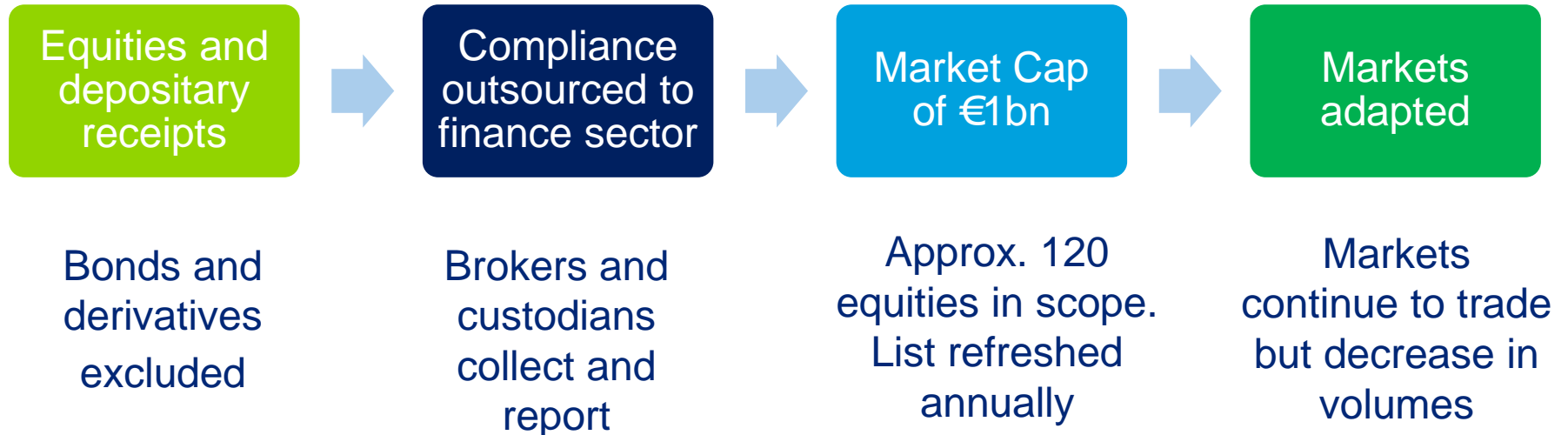
What we think will happen



**A hybrid of the French and Italian FTT**  
**A continental patchwork quilt of FTTs**

# Case Study – French FTT

The original FTT



- 6 months from announcement to implementation in August 2012
- Collection
- Amounts raised vs. intended revenues
- How will French FTT change?

# Italian FTT



- Phased introduction
- Certain equity derivatives in scope
- Restrictive “market maker” exemption
- Includes pension fund exemption
- Impacts Prada shares, listed in Hong Kong

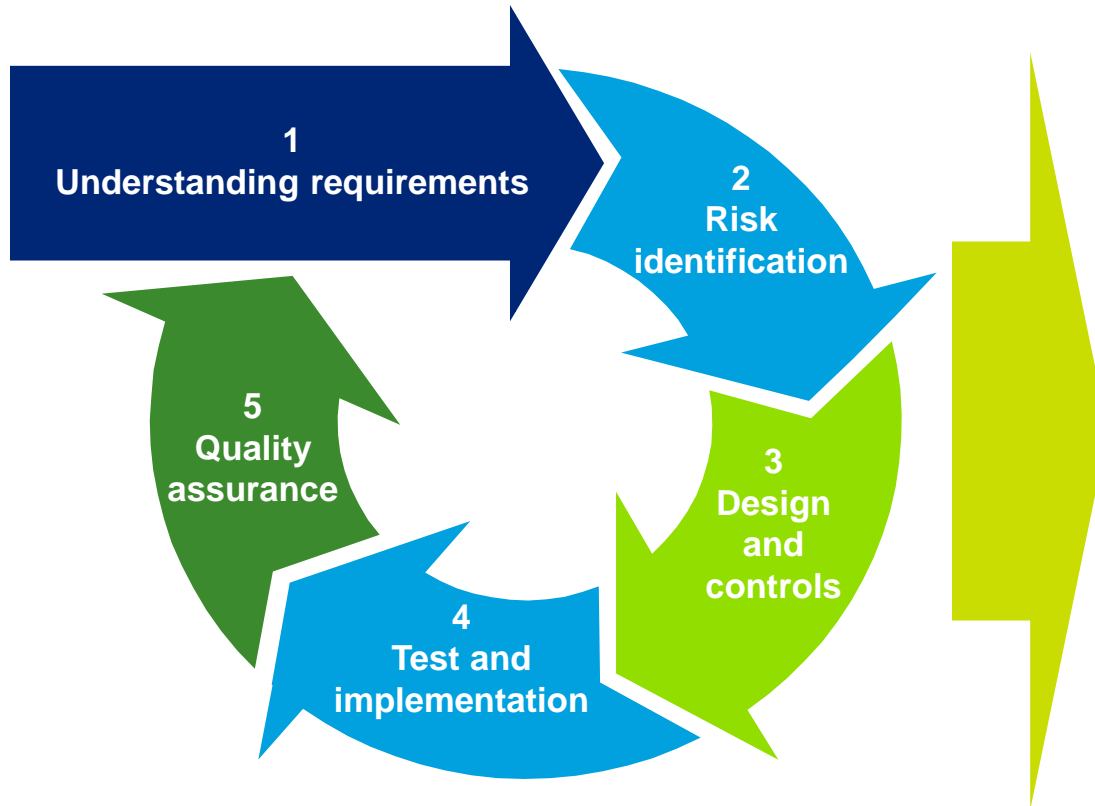
## Poll question 2

**How likely is your organisation to be ready for the proposed start date of FTT on equities and certain derivatives by 1 January 2016? (Please select only one answer)**

- Very likely - preparations are already well progressed
- Quite likely - we have allocated budget and have sufficient time to implement solutions once the details become clearer
- Most likely – we are still determining the impact, but confident we can be ready
- Uncertain - we are still lacking key details and estimate it will take longer than a year to implement a strategic solution
- Don't know / not applicable

# What should you be doing?

Getting ready for the EU FTT



Calmly consider the potential profit and loss impact of FTT on your organisation / business and key business lines – but don't panic!

Leverage experience of implementation and enforcement of French and Italian FTTs to develop thinking for wider tax

Monitor developments and stay focused on key dates

# Summary

# Questions and answers



Thank you for joining today's  
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our Transfer Pricing series  
presents:

# Transfer Pricing Comparability Analysis



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