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From the Europeans for Financial Reform coalition

To 18th May ECOFIN Council, 20th May G20 Finance Ministers summit

It is time for action and leadership!

In the aftermath of the first shocks that hit the global financial system in 2007, international momentum for radical reform of the financial system was seemingly reached by the 2009 G20 summits in Pittsburgh and London. Progressive forces believed in the imminence of a critical re-thinking of three decades of financial neo-liberalisation. But now, nearly three years after the subprime crisis, conservative Governments have shown that they are slipping back into bad old habits. Progress on reforming global finance has been much too slow.

In this context, the Europeans for Financial Reform (EFFR) urge European institutions and G20 leaders to renew their effort towards achieving the long overdue financial reform:

1. A Financial Transaction Tax (FTT) for a fair burden sharing:

The introduction of an FTT is an essential companion to the IMF proposal of a bank levy to reimburse the cost of banks bailouts. The **FTT would discourage the short-term, purely speculative trades**, while encouraging longer-term job-creating investments in the real economy. The IMF propositions (“Financial Stability Contribution”) for a “fair burden sharing” of the cost of the crisis must be more than a slogan and fund the total amount of future bank failures.

2. Real regulation to ensure such a crisis never happens again:

The financial crisis is far from over. In fact, recent developments in the Euro-zone show that with the transfer of debt from the private to the public sector, the world is now set for a further chapter in the crisis unless something is done. The speculation against Governments’ debts, as in Greece, comes from the very same actors which were rescued by the States with taxpayers’ money. **And yet, it is the public sector and our social model that are coming under attack with the focus firmly on cuts and austerity measures. It is high time that we shut down the useless activities of these**

speculators: the most harmful products and practices – such as naked short-selling and 'over the counter' (OTC) derivatives – must be either banned or tightly controlled. In the forthcoming months, a number of new regulatory initiatives will be examined at the European level. The EFFF coalition calls for fresh thinking and a bold approach, in particular with respect to the following areas:

- After the pragmatic position adopted by the European Parliament on Hedge funds and Private Equity, **the Council must now decide whether to introduce effective, appropriate and robust regulation of these speculative entities or not.**
- **There is a need for a strong global and EU-wide regulation** of cross-border and cross-sectoral financial institutions such as banks and insurance companies. The EFFF urges the Council to review and upgrade the mandate of the European Supervisory Authorities by giving them binding powers.
- **Derivatives – and more particularly OTC derivatives – are “financial weapons of mass destruction”** and should now be **subject to registration, central clearing, and limits on excessive positions and tight European supervision.** Credit Default Swaps (CDS) on sovereign debt should be forbidden.
- **Tax havens, offshore financial centres and bank secrecy jurisdictions must belong to the past** and effective sanctions should be applicable to non-compliant territories.

3. A true European framework should be created for countries in crisis:

The consequences of the economic and financial crisis clearly demonstrated that Euro area problems should be addressed through European solutions. Therefore, we urge the Council and the Commission to work for a permanent crisis-management system including the creation of **Eurobonds** and a **“European Mechanism for Financial Stability”** designed to protect Member States against speculative attacks.

Simultaneous and coordinated actions with respect to macroeconomic policies among Member States are required in order to tackle domestic economic imbalances and structural weaknesses.

The issues are technical but the debate is one of profound simplicity: responsible regulation equals a responsible financial services sector. The Europeans for Financial Reform stand for a financial sector, which serves society, not the other way around. We will continue the fight to make this happen, to protect the people from further crises and restore a sustainable economy in Europe.

We will not let the European financial sector slip back into bad old habits. We will establish new practices based on the fundamental principles of transparency, accountability and the public good.