Financial Transaction Tax – An Overview and Status Update

Bill Harts
Chief Executive Officer
bharts@modernmarketsinitiative.org
Modern Markets Initiative (MMI)

• Founded in late 2013 by 4 leading trading firms

• We had the best markets ever, but no one seemed to know it

• Setting the record straight
The Facts about a Financial Transaction Tax (FTT)

• It taxes every stock and bond trade in the U.S.

• Sold as a “Tax on Wall Street”
  ... But it is a tax on retirement

• Because Pensions trade continuously
  ... They would be taxed continuously
What Pension Fund Managers Think of an FTT

• “The FTT would negatively impact the real economy and pensioners would bear the costs.” – PensionsEurope

• “Quite frankly, an FTT is a terrible idea. It would harm all investors, especially middle-income American workers saving for retirement.” – Investment Company Institute
Night of the Living FTT

• FTTs historically are proposed / defeated / proposed again

• The Economist: “New life for a bad idea”

• Traditionally, FTTs considered a bad idea in the U.S.

    ... but these are not traditional times!
We’ve Seen This Movie Before

• FTTs have had disastrous consequences:
  • Sweden: half of all trading moved to London
  • Germany: German bond trading sank as much as 50 percent
  • Italy: Trading volume fell 34.2% in 2 years
Even Worse, FTTs Don’t Raise the Revenue Expected

- Italy raised €159 million of a targeted €1 billion
- France failed to raise even half its €1.5 billion projection
- Sweden predicted kr1.5 billion but only got kr50 million
- So what happened to the programs funded by those FTTs?
But, some say, we had an FTT in the US

- U.S. had an FTT as recently as 1965
- But costs to trade were 95% higher
- In 1965 it cost $25 to buy or sell 100 shares of GE
  ... on top of commissions and fees
- Today, that cost is $1
Selling the Tax: Who Really Pays the FTT?

• Some lawmakers will tell you:
  • It's a tax on a small group of traders
  • It makes "Wall Street" pay its fair share
  • When a tax is promised on “other people” watch your wallet!
2015 Trading Records of Actual Pension Funds

- State employee fund ~ $300B AUM – Cost: $719.8 million
- Federal employee fund ~ $450B AUM – Cost: $265.4 million
- State/muni employee fund ~ $25B AUM – Cost: $206.3 million
- Police and Firefighter fund ~ $180B AUM – Cost: $310.7 million
- City employee fund ~ $150B AUM – Cost: $1.3 billion
- State teachers fund ~ $125B AUM – Cost: $307.8 million
Conclusion

- An FTT is a tax on retirement
- Pension funds are already under-funded $1 trillion+
- The tax depletes funds critical for redemption commitments
- Find out if your congressional representative favors an FTT
- Voice your concern for a tax that threatens pensions
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