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Balance sheet levies need global coordination

The Association for Financial Markets in Europe (AFME) notes proposals from the German government to impose a levy on banks' balance sheets and media reports that similar levies are being considered by several other European states.

Such unilateral action would be a mistake. While banks agree that we need robust measures in place to ensure that a failing bank can be wound-down or recovered without the need for taxpayer support, in a world in which banks are global businesses, to be effective any such measures must be introduced on a global basis. Balance sheet levies imposed by a small group of countries, each with its own rules, would create significant opportunities for accountancy and legal experts but would do little to improve financial stability.

Additionally, if such levies are imposed, it is essential that governments be very clear about their purpose so that they are not seen as merely opportunistic windfall taxes. Different aims call for different measures and tax should not be used to address problems that would be better solved with regulation.

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Notes to Editors

AFME was formed on November 1st 2009 following the merger of LIBA (the London Investment Banking Association) and the European operation of SIFMA (the Securities Industry and Financial Markets Association). AFME represents a broad array of European and global participants in the wholesale financial markets, and its 197 members comprise all pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME provides members with an effective and influential voice through which to communicate the industry standpoint on issues affecting the international, European, and UK capital markets. AFME is the European regional member of the Global Financial Markets Association (GFMA). For more information, visit the AFME website, www.AFME.eu.