AFME believes the IMF has set the right objective in addressing the need to avoid another financial crisis, but appears to have chosen the wrong means to achieve it.

The financial sector should not rely on public funds in the event of a crisis. As an industry, it needs to put in place measures that will enable failing firms to be wound-down or restructured without needing taxpayer support. Banks must be allowed to fail and the cost of dealing with any failure must be first met by shareholders and creditors, not taxpayers.

On that basis, there should be no need for tax revenue to be set aside as an insurance against future bank failures. The proposed taxes – however calculated - would certainly bolster government revenues but would not reduce risk in the system and, ironically, could increase it by implicitly building in an insurance to pay for banks' risky behaviour.

Putting further pressure on banks' balance sheets, at a time when they are already facing potentially very large increases in the amount of capital they must hold, would have a stifling effect that would hinder their ability to support economic recovery and growth. Such a tax would be punitive, not only attacking successful institutions, irrespective of how they operate, but also requiring well-run banks to pay for the failures of their peers. Punishment should not be the purpose of tax policy, nor should tax be used as a means of controlling risk. That should be achieved through appropriate regulation, which the industry supports and is working with policymakers globally to achieve.

The G20 is right to be considering how future bank failures should be dealt with but it should work with the financial services industry to develop a strategy - focusing on a robust capital and liquidity regime and appropriate resolution regimes to wind up large banks - that requires the industry to take responsibility for tackling failure.

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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.