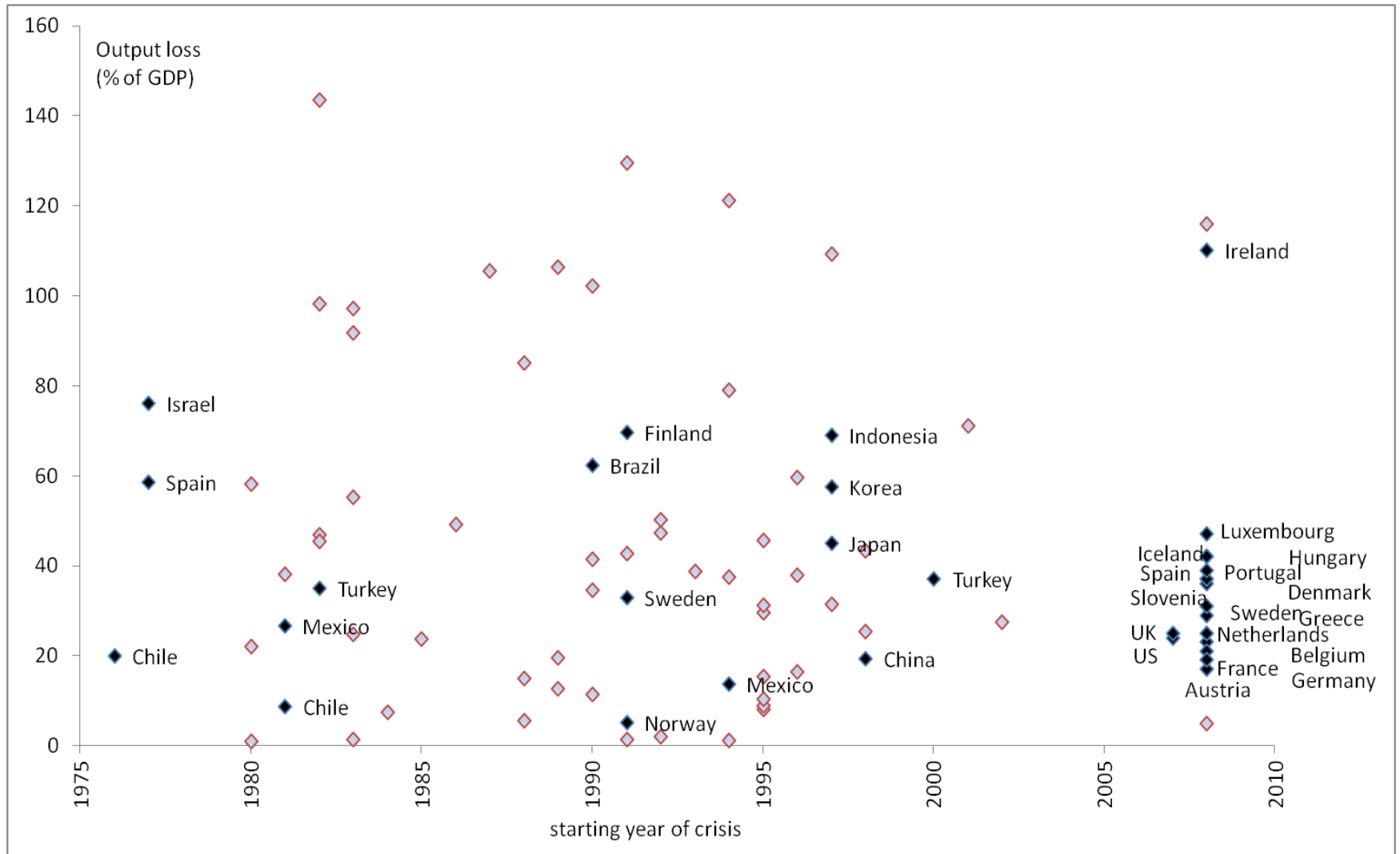


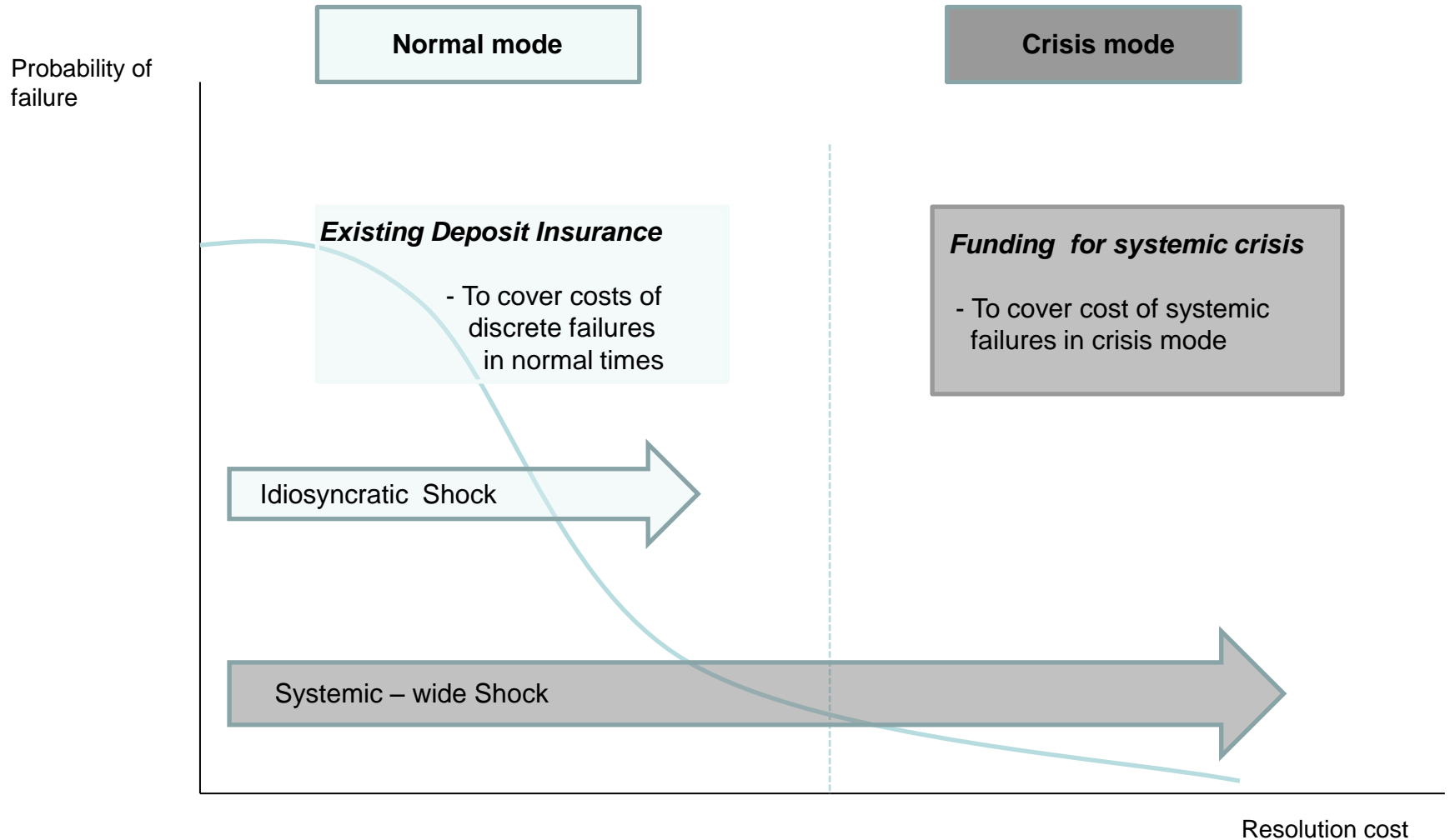
Funding Systemic Crisis Resolution

Presentation given at the Meeting of the
Investment Committee, Paris, 20 March 2012

Motivation I: Systemic crises since 1970



Motivation II : Scope of arrangements for financial shock absorption



Observation I : key dimensions considered for categorising bank levies

- Bank levies or taxes introduced or proposed differ depending on:
 - *Purpose*: Revenue raising vs. corrective (or both)
 - *Allocation of funds*: General budget vs. separate fund
 - *Scope in terms of entities*: banks vs. all financial institution
 - *Base in terms of entities/transactions*: balance sheet vs. activity (bonus. etc) vs. transaction

Observation II: Categorisation of bank levies or taxes

		Purpose	
		Revenue raising	Corrective
Where revenues go	Separate Fund (ex-ante)	Sweden : Stability Fund Germany : Restructuring Fund EC : Bank Resolution Fund IMF : Financial Stability Contribution	
	General budget (ex-post)	United States : Financial Crisis Responsibility Fee Hungary : Bank levy United Kingdom : Bank levy Austria : Bank levy France : Bank levy	
		United Kingdom : Bank Payroll Tax France : Temporary Bonus Tax Italy : Permanent Bonus Tax IMF : Financial Activities Tax	

Conclusions of CMF discussions in spring and autumn 2010

- The Committee rejected the idea of a general financial transaction tax, with the main argument that a general financial transaction tax would indistinctly fall on ‘good’ and ‘bad’ transactions.
- The Committee was however open to the idea of a financial activity tax. It strongly supported the idea of a bank levy along the lines introduced in Sweden and Germany for funding resolution of future crises, noting however that it may not be adequate for all countries.
- There is no “one-size-fits-all” solution.
- The final report is available at www.oecd.org/daf/fmt:
Systemic financial crises: How to fund resolution, Financial Market Trends, No.99.

Summary overview of key aspects of bank levies or taxes

	Sweden	United States	Hungary	Iceland	United Kingdom		Germany	France		Austria	Portugal	Slovak Republic	Italy
Name	Stability Levy (IDec2009)	Financial Crisis Responsibility Fee (proposal; Jan 2010)	Tax on financial institutions (Sep 2010)	Special Tax on Financial Institutions (Dec 2010)	Bank levy (Jan 2011)	Bank Payroll Tax (One -off levy, Dec 2009)	Bank Levy (Jan 2011)	Tax on Banks (Jan 2011)	Temporary Bonus Tax (Accounting year of 2009)	Stability levy (Jan 2011)	Bank levy (Jan 2011)	Specific Levy for selected financial institutions (Jan 2012)	Permanent Bonus Tax (Jan 2010)
Allocation	Stability Fund	General budget (recoup costs of TARP Fund)	General budget	General budget	General budget	General budget	Restructuring Fund	General budget	General budget (used for support for SMEs)	General budget	General budget	Separate off-budgetary account	General budget
Scope	Banks	Banks and other financial companies (with assets exceeding USD 50 billion)	Banks, insurance companies and other financial institutions	Banks	Banks and building societies with liabilities exceeding GBP 20 billion	Banks, investment companies, building societies	Banks	Banks and other financial companies with equity of more than EUR 500 million	Banks, credit institutions, investment firms	Credit institutions	Banks and credit institutions	Banks	Banks and other financial institutions
Base	Uninsured Liabilities	Assets minus Tier1 capital minus insured deposits	Assets. (the base is different for non -banks)	Total liabilities	Assets minus capital minus insured deposits	Excess bonus payments over GBP 25,000	Total liabilities minus customer deposits and equity	Minimum equity	Excess bonus payments over EUR 27,500	Assets , and nominal amount of derivatives	Liabilities minus Tier 1, 2 capital minus insured deposits/ Notional amount of derivatives	Liabilities minus equity and insured deposits	All bonuses exceeding three times fixed pay
Rate	0.036%	0.15%	0.53% of assets over HUF 50 billion and 0.15% on the part below the threshold	0.000975%	0.075% of short - term liabilities and 0.0375% of long -term liabilities	50%	Progressive 0.02%-0.04% 0.00015% on off -balance derivatives	0.25%	50%	0.055% or 0.085% for assets 0.013% for derivatives	0.05% for the tax base of liabilities, and 0.00015% for derivatives	0.4%	10%