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Financial transactions tax

EP pushes for swift implementation of FTT with coalition of the willing

The European Parliament today voted to endorse proposals to introduce an EU financial transaction tax (FTT). The proposals require the unanimous support of EU governments to enter into force. The Greens have long advocated the introduction of an FTT and welcomed the outcome of the vote, with finance spokesperson **Sven Giegold** MEP stating:

"The EP has today given its clear endorsement to the Commission's proposals for an EU financial transaction tax, marking an important landmark on the long road towards the introduction of the FTT. The Greens have long advocated an FTT both to help curb risky financial speculation and generate much-needed revenue for under-pressure exchequers (such as for development, climate aid, or as part of an EU system of own resources). It is now up to member states to finally make the FTT a reality.

"Ideally, the FTT should apply in the EU as a whole but we need to push forward with an agreement as swiftly as possible with a coalition of the willing. This implies using enhanced cooperation with the widest possible group of EU members. While today's vote marks a big step forwards, the Greens believe exempting pension funds from the FTT is not the right approach to take."

Key points in the EP report for the Greens/EFA group:

- **The residence principle**, as proposed by the Commission, is not considered tight enough to avoid evasion of the FTT. To address this, the Greens proposed to complement it with issuance and ownership principles as suggested by several academics supporting the FTT. The proposal was broadly adopted by the EP.
- **On the use of the revenue**: the final report has given a positive signal for the financing of global public goods such as for development cooperation and the fight against climate change, at the insistence of the Greens. There is a reference in the report for channelling the revenues towards the EU budget as part of an own resources system.
- **A Tobin tax on currency spot transactions**, which had been excluded from the Commission proposal, was included in the report adopted by the EP, following convincing arguments from the Greens on the legal soundness of this.
- **Enhanced cooperation**: Given the difficulties within the Council to agree on the implementation of an

FTT in the EU as a whole, the EP report gives a positive signal towards the use of enhanced cooperation.

- **High frequency trading (HFT):** The final report adopted by the EP included a Green demand for covering cancelled transactions in the review clause. HFT is of course covered if transactions are executed - which is key to regulating financial markets - but much of the casino game consists of placing huge numbers of orders and retracting them.

The EP report also calls for all investment funds (UCITS) to be included in the scope of the FTT, despite efforts from centre-right MEPs to exclude them.

On the negative side:

A proposal to exempt pension funds was included in the report adopted by the EP. In the compromise negotiations we suggested to grant a transition period within which pension funds could have adjusted their investment strategy in view of long term investments, but this was not acceptable to the EPP and ALDE groups (which were influenced by extensive lobbying). This in spite of the fact that, according to a [recent OECD study](#), between 2008 - 2010 pension funds with conservative investment portfolios (generally correlating with low transaction frequency) performed better, so covering pension funds with an FTT would provide an incentive to follow strategies with higher returns.

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Sven Giegold

Member

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