



November 2nd, 2018

Dear Minister

We are writing to seek urgent clarification concerning the possible unintended capture within scope of the Digital Services Tax (DST) of a range of financial markets activities, which would underpin the proper functioning of Europe's capital markets.

As representatives of Europe's major financial markets infrastructures and participants, we note that the current scope of the DST proposal incorporates services provided through a "multi-sided digital interface" (Art 3.1b). As currently defined in the context of the DST proposal, such interfaces lie at the core of Europe's financial markets.

The stated aim of the proposal (in the Recitals to the Proposed Directive and public statements of the Commission) is to respond to a misalignment between the place where the profits of large digital businesses are taxed and the place where value is created. That aim is not served by taxing financial markets, which seems to us a wholly unintended consequence.

While the original proposal recognizes the intent not to capture financial services providers, its legal text only includes a very limited set of exemptions (Recitals 18-21 and Art. 3.4 b & c, 3.5, 3.6) - incorporating MiFID trading venues, systematic internalisers, crowd-funding platforms and data reporting by a trading venue where these are located in the EU.

This falls substantially short of the full range of activities potentially captured and serving Europe's markets, including but not limited to all trading venues (including spot FX), liquidity providers, data service providers, benchmark administrators, clearing houses and settlement infrastructures as well as those responsible for multilateral systemic risk reduction such as portfolio compression providers, whether or not located in the EU.

We are therefore concerned that the DST would have the effect of imposing a de facto 3% revenue tax on key elements of EU and non-EU infrastructure and service providers serving Europe's capital markets. That will result in disproportionate double-taxation, disregarding the tax contributions already made by the above-mentioned service providers. It will also affect the international competitiveness of EU participants in trading venues, other financial market infrastructure and service providers.

We would therefore strongly urge that you put the point beyond doubt in the Articles of the legal text by confirming that the full spectrum of activities linked to capital markets are excluded from scope – to ensure an efficient financing of the EU economy while avoiding disproportionate inefficiencies to the detriment of capital markets and their users. The important political objectives of the Capital Markets Union initiative should not be impaired via unintended consequences of the DST.

The international role and competitiveness of Europe's markets depends on the proper treatment and consideration of this issue and we stand ready to provide any further information necessary to help in this regard.

About AFME

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society. AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia. AFME is listed on the EU Register of Interest Representatives, registration number 65110063986-76.

About EACH

The European Association of CCP Clearing Houses (EACH) represents the interests of CCPs in Europe since 1992. EACH currently has 19 members from 15 different European countries. Its Membership is open to European and non-European CCPs. EACH is registered in the European Union Transparency Register with number 36897011311-96.

<http://www.eachccp.eu/>.

About EDMA Europe

Electronic Debt Markets Association represents the interests of companies whose primary business is the operation of regulated electronic fixed income multilateral trading facilities in Europe (regulated markets and/or trading venues) and act as a source of consultation between the members in their roles as operators of such venues in order to project collective views on regulatory, compliance and market structure topics for the benefit of the electronic fixed income markets.

About EFET

The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at www.efet.org.

About FESE

The Federation of European Securities Exchanges (FESE) represents 36 exchanges in equities, bonds, derivatives and commodities through 19 Full Members from 30 countries, as well as 1 Affiliate Member and 1 Observer Member.

At the end of August 2018, FESE members had 8,933 companies listed on their markets, of which 15% are foreign companies contributing towards the European integration and providing broad and liquid access to Europe's capital markets. Many of our members also organise specialised markets that allow small and medium sized companies across Europe to access the capital markets; 1,347 companies were listed in these specialised markets/segments in equity, increasing choice for investors and issuers. Through their Regulated Market and MTF operations, FESE members are keen to support the European Commission's objective of creating a Capital Markets Union.

About FIA

FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries as well as technology vendors, lawyers and other professionals serving the industry.

www.fia.org

About ISDA

Since 1985, the International Swaps and Derivatives Association has worked to make the global derivatives markets safer and more efficient.

ISDA's pioneering work in developing the ISDA Master Agreement and a wide range of related documentation materials, and in ensuring the enforceability of their netting and collateral provisions, has helped to significantly reduce credit and legal risk. The Association has been a leader in promoting sound risk management practices and processes, and engages constructively with policymakers and legislators around the world to advance the understanding and treatment of derivatives as a risk management tool.

ISDA has over 900 member institutions from 70 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms,

and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers.

ISDA's work in three key areas – reducing counterparty credit risk, increasing transparency, and improving the industry's operational infrastructure – show the strong commitment of the Association toward its primary goals; to build robust, stable financial markets and a strong financial regulatory framework.

www.isda.org

About the Swiss Finance Council

The Swiss Finance Council (SFC) was established in November 2013 to engage in dialogue around policy developments in finance at a European and international level. It represents the interests of internationally active Swiss financial institutions and provides a platform to share their experience, expertise and knowledge through a permanent representative office in Brussels.