

## ***Fix the crisis, not the bank's profits!***

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**We call upon the UN Conference on the World Financial and Economic Crisis and its Impact on Development (1- 3 June 2009), and especially the European leaders attending the event to focus on reforms that directly benefit people and the planet.**

We speak as representatives of a network of European civil society organisations across many sectors, demanding a strong political change of direction. The current system results in food, climate, energy, social, financial and economic crises. In this document we prioritise the financial reforms required to address these multiple crises and its causes. Our aim is the achievement of an equitable, socially and environmentally sustainable world and economy, whilst maintaining and strengthening democratic and participative structures, including at the UN. We want to ensure that global financial and economic reforms have the interests of people at their heart and are not driven by corporate and other vested interests. Therefore, the new financial system should be at the service of the needs of just and sustainable societies and economies. We want the financial sector to be instrumental in meeting the huge investment demands necessary to transform economies in order to realise a world free from poverty and an economy free from carbon emissions.

### **1. “Banks should serve the public interests and banks that do not so should get no public aid”**

The financial sector and banks in particular, should have a mandate to finance and invest in transforming the economy towards one that is rooted in ecological and social sustainability by aiming at satisfying basic human needs for all, ensuring that all people enjoy the totality of human rights, and promoting localized, low carbon economies, with a broad public sector. The public budget should not be used for bailing out banks that operate against the public interest.

1.1. Bailed out banks should be put under democratic control and be prohibited from financing activities against the public interest such as supporting tax avoidance and tax evasion, as well as financing companies or projects that destroy the environment and do not respect human rights, including labour rights. There should be no bail-outs to banks with headquarters in a tax haven, according to a broad understanding of the term ‘tax haven’ broader than the list provided by the OECD.

1.2. There should be a clear separation between saving banks and investment banks or saving bank activities and other financial activities (e.g. insurance). Commercial retail banks or saving banks should be prohibited from lending money to investment banks or have a limited capacity to buy complex structured products from them. Investment banks should not be allowed to receive savings deposits from individuals or companies. This should lead to the avoidance in the future of a situation where private as well as publicly owned banks become too big to fail and need to be bailed out by tax payers’ money.

### **2. “Banks must operate on the principles of democratic control, accountability and transparency”**

Reforms should include actions to restructure and democratise banks, not only state owned or state supported banks but also private banks.

2.1. Promote the establishment of new mutual and cooperative institutions: Also ethical banks should be promoted and information shared about how they handle public accountability. Participation by clients and the public should be promoted and supported.

2.2. Legal duty of care for social, environmental and human rights impacts of banks and financial operators: Top management should be legally responsible for the social, environmental and human rights impacts, including labour rights, of the companies and projects that they finance and provide financial services to. Proper reporting and sufficient public disclosure of information are part of this duty of care.

2.3. Citizens and people affected by operations and investments financed or supported by banks and institutions should have access to European courts to hold banks accountable for these impacts. Banks should also be held accountable for not proper reporting or insufficient disclosure of information.

2.4. Any financial operator and financial product should be regulated and supervised. Supervisors should have strong instruments of control, including to safeguard sustainability and the public interest. Financial operators active beyond their domestic borders must be regulated and supervised by regional or international regulators and supervisors.

2.5. Governmental supervisors, central banks and international financial institutions should be given the capacity to carry out ratings including those done by rating agencies.

2.6. Better supervision and public control on the composition of regulatory bodies: The selection of regulators and supervisors should be democratic and transparent, and their activities should be accountable.

2.7. Cancel privileged access: governments, regulators and supervisors still grant banks non-transparent and exclusive access to information, dialogue and decision making processes. Such privileged access should be cancelled and governments need to put consultations in place, e.g. when deciding on new rules, consultations should include all sectors of society and all interested parties. Advisory groups that are controlled by representatives of the financial sector should not be allowed.

### **3. “No tax avoidance, no tax havens: more revenue to serve the public interest! “**

There is a need for more income from taxes to increase the public budget and spending on public services and other public interest needs. Since the financial sector has supported the huge increase of concentration of wealth into a few hands, redistribution through increased taxes on the rich, on multinational corporations that can evade taxes, and on international transactions, are needed to enable more social expenditure.

3.1. Eliminate all instruments for tax avoidance, tax evasion and banking secrecy: All financial centres should establish satisfactory and transparent mechanisms for automatic, on request and spontaneous exchange of information multilaterally, and not make non-binding ‘commitments’ or bilateral deals.

3.2. All dependent, autonomous, crown and *Outre-Mer*, territories should be considered as integral parts of the states they depend on (which include quite a number of EU member states) and not as sovereign territories for all purposes of regulation, and should not operate any offshore service. All secrecy laws should be abandoned including in different EU member states.

3.3. Multilateral efforts should be built around a UN Tax Organisation: this should build upon the existing UN Committee of Experts on International Cooperation on Tax Matters. Its purpose would

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be the exchange of information for assessment and collection of taxes. Regional treaties can complement the multilateral framework.

3.4. The International Accounting Standards Board (IASB), should be reformed from a private entity into a specialist Commission of the United Nations Economic and Social Committee, with appropriate input from stakeholders in civil society and business.

3.5. Taxes should be introduced on financial transactions, including trade in derivatives and cross border currency transactions: Although it is desirable that the currency transaction tax is implemented globally, it can be implemented unilaterally. This is technically feasible by using the international settlement systems. The income could be used to finance public goods and social protection, compensate developing countries for the damage of the crises and fund economic recovery (stimulus packages), as well as support sustainable development measures worldwide.

3.6. Oblige multinational corporate groups to report all their transactions on a country by country basis (both third-party and intra-group), their labour costs and number of employees, their finance costs (third-party and intra-group), their profits before tax, their provisions for tax and tax actually paid, and their tangible asset investment, without exception for any jurisdiction.

3.7. Set an additional surtax on the profits of transnational corporations that are non-compliant with the aforementioned measures. Place a sanctioning financial transaction tax on transactions made with non-compliant jurisdictions, refusing the deductibility of interest or other payments to entities taking advantage of secrecy in such jurisdictions.

#### **4. “Close down the casino and stop shadow banking”**

4.1. Eliminate the shadow banking system: All financial operators and financial products should operate in a transparent way and be regulated and supervised. Operating off balance sheets, using off shore transactions and special financial operations or instruments, such as structured investment vehicles (SIVs) and collateralised debt obligations (CDOs), should not be allowed.

4.2. Hedge Funds, Private Equity funds and other highly speculative and leveraged institutions have to be banned. Highly speculative financial practices, such as (naked) short selling, should be forbidden.

4.3. A moratorium on derivatives: As an emergency measure there should be a global moratorium on the use of derivatives and off shore financial vehicles until governments have assessed, with public participation, the impact of all derivative and off shore instruments and have implemented reforms on regulation of derivatives.

4.4. Strict regulation of derivatives: As with any other potentially dangerous products – for example pharmaceutical products – regulators should demand robust testing e.g. for their long-term impacts before a financial product or service can be sold. Only hedging and derivative instruments that serve legitimate purposes such as helping producers to anticipate and adapt to price fluctuations, should be allowed. They should be standardized and traded only in regulated exchanges, i.e. OTC trade should be banned.

4.5. No speculation that puts societies and social protection at risk: Speculative financial operations and securitisation on prices of products that are essential from a human rights, social protection and economic point should be banned such speculation on commodities, energy, housing, land and foreign currencies.

#### **5. “The G-20 and unaccountable international bodies do not make global economic governance democratic”**

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Major economic governance decisions should be under the auspices of a reformed and democratised UN. Civil society supports the proposed UN International Economic and Financial Conference. Governments should engage in the UN democratisation and reform process to identify potential new bodies/mechanisms for regulating and controlling globalisation and the financial system. As recently proposed by the German and French governments, a “Global Social and Economic Council under the aegis of the United Nations” should be established with elected members on a regional basis and a rotating system involving the international institutions and participation of civil society.

#### **6. “Global economic governance should aim at ending poverty and inequality”**

Building sound economies and a new global economy should be based on principles of social and ecological sustainability that includes decent jobs and public services, such as:

- Economic stimulus packages should support the ecological transformation of the economy and create socially and ecologically sustainable jobs;
- Increased policy space should be opened up, especially for developing countries, which includes reforms of trade and investment agreements, and stopping privatisation of essential services providers;
- Reduction of foreign exchange outflows;
- Responsible finance principles should be introduced to prevent unsustainable and illegitimate debt for countries of the global south;
- Fair and transparent debt workout mechanisms should be developed.

This declaration is endorsed and signed by:

11.11.11 – Coalition of the Flemish North-South Movement

AD FSR - Association for the Development of the Romanian Social Forum

Attac Austria

Attac Catalonia

Attac Finland

Attac France

Attac Germany

Attac Spain

Attac Vlaanderen, Belgium

Berne Declaration, Switzerland

CNCD 11.11.11.– National Centre for Development Cooperation, Belgium

Centre tricontinental (CETRI), Belgium

CRBM – Campaign for the Reform of the World Bank, Italy

Ecologistas en Acción, Spain

EURODAD- European Network on Debt & Development

EUROSTEP - European Solidarity Towards Equal Participation of People

FGTB-ABVV – General Federation of Belgian Trade Unions, Belgium

Fondazione Culturale Responsabilità Etica, Italy

Friends of the Earth Europe

EAPN - European Anti Poverty Network

Glopolis - Prague Global Policy Institute, Czech Republic

Helio International - Hydro, Eolien, Light, Insulation, Organomass, world wide

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Kairos Europa, Germany

RéSo - Reformers and Solidarity, Europe

SOMO – Centre for Research on Multinational Companies, the Netherlands

SÜWIND – Institute, Germany

Tax Justice Network, worldwide

Terre des Hommes, Germany

TNI – Transnational Institute, the Netherlands

Transform! Italia

L'Union syndicale Solidaires, France

Vedegylet - Protect the Future, Hungary

War on Want, United Kingdom

WEED – Economy, Ecology and Development, Germany

WIDE – - Globalising Gender Equality and Social Justice, Europe