



The Security Traders Association of New York, Inc.

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September 16, 2020

Governor Phil Murphy  
Senate President Stephen M. Sweeney  
Senator Thomas H. Kean, Jr.  
Assembly Speaker Craig J. Coughlin  
Assemblyman Jon M. Bramnick  
New Jersey State House  
145 West State Street  
Trenton, NJ 08625-0068

RE: A4402–S2902 An Act imposing a tax on high-quantity processors of financial transactions

Dear Honorable Gentlemen,

I am writing to you on behalf of the Security Traders Association of New York, Inc. (“STANY”), an association representing thousands of trading and financial services professionals in New York and New Jersey, to express concerns about the recently proposed NJ Financial Transaction Tax (FTT)- A4402 and S2902. We urge you to vote against the tax.

Many of our members live and work in New Jersey. They are acutely aware of the state’s needs at this most difficult time and are sympathetic to the desire of the Assembly and Senate to seek new sources of tax revenue. However, we are strongly opposed to an FTT as it is wrong for New Jersey and wrong for its citizens.

The tax is nominally aimed at businesses with data centers or servers located in New Jersey but as acknowledged in the bill and born out by experience with other FTTs<sup>1</sup> the tax will be passed along to the purchaser or seller of securities. The FTT will have a significant impact on retail and institutional investors, 401K and retirement accounts and pension funds including the largely unfunded public pensions held by the state itself.<sup>2</sup> Moreover, research shows that the markets and economy will be negatively impacted because as the costs of trading rise so too will the costs of goods and services, mortgages, and corporate and public finance.<sup>3</sup>

Not only will investors including your constituents in New Jersey shoulder the cost of the tax but as research on the effects of FTTs in other countries universally shows, the FTT will harm liquidity and

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<sup>1</sup> See *The Effect of French and Italian Transaction Tax on Equity Market Microstructure and Market Efficiency* by Jeffrey N. Saret, January 2014 <https://www.twosigma.com/wp-content/uploads/WhitePaper.TransTaxes.KVW2.pdf>

<sup>2</sup> See *SIFMA FTT-A-Fact Sheet* <https://www.sifma.org/resources/general/financial-transaction-taxes-a-fact-sheet/>

<sup>3</sup> See also *Financial Transaction Tax- What is it Good For* by Shane Swanson 3rdQ 2020 <https://www.greenwich.com/financial-transaction-tax-what-it-good-report-download>

widen spreads resulting in poorer execution quality for investors.<sup>4</sup> In turn, poor executions, lower stock prices. Increased trading costs harm all investors and ultimately make it more expensive for those who are saving for retirement, college, to buy a home or finance a business. Trading volumes will also be depressed as a result of an FTT. Lower volumes will directly impact both the competitiveness of our capital markets and the ability for U.S. investment firms to generate returns.

We have read that legislators anticipate that an FTT could raise \$10B in annual revenue for the state, however FTTs in other jurisdictions have shown that revenue projections invariably fall far short of expectations. As a consequence, countries that have enacted FTTs achieve less than stellar results and have often adjusted the rates downward or eliminated them altogether. The failure to generate anticipated revenue stems from a decline in trading volume, a decline or shift in investments and migration of trading to alternative or out of country venues to avoid the tax. At the state level the migration of trading to other jurisdictions would be far greater and more immediate than from country to country. Trades currently executed in New Jersey data centers can be routed to centers in other jurisdictions. If servers are moved from New Jersey or if firms simply reroute and execute trades in other jurisdictions, the purpose of the FTT and its efficacy as a tax generating tool will be defeated.

Trading margins today are historically low, and volume is high with commission-free trading proliferating. Even a seemingly small tax will impact the behavior of both traders and trading firms. If forced to charge customers a pass-through transaction tax, firms will move to other states to remain competitive. Although co-location and closeness to New York initially made New Jersey attractive to the financial services industry, proximity to Manhattan is no longer relevant. Advances in trading and cloud technology have reduced geographic latency and make it more likely that firms will migrate to states providing the most attractive financial benefits regardless of distance from New York.

Our members are concerned about the high likelihood that in order to remain competitive and profitable, firms with processors subject to the proposed FTT will simply leave New Jersey. In response to the bill, the New York Stock Exchange (NYSE) announced that it will operate its Chicago equity exchange from a secondary data center from September 28-October 3rd to “confirm the industry’s ability to seamlessly move live trading out of New Jersey.” The Members Exchange (MEMX) is performing a similar test to ensure that they would be able to quickly relocate data center operations from Secaucus to Chicago in the event that it was determined transacting exchange business in New Jersey would result in extra, unnecessary costs to investors. In addition to the NYSE and MEMX, Nasdaq Inc., and Cboe Global Markets Inc., along with trading firms Citadel Securities and UBS Group AG, Virtu Financial Inc., and TD Ameritrade Holding Corp., and Equinix Inc. (which runs data centers in New Jersey) have all expressed a willingness to move from New Jersey in the event that the FTT is enacted.

If New Jersey loses this business, benefits of being part of the financial services economy that New Jersey enjoys—income tax, property tax, business development, and tourism—will no doubt suffer. Our members who live in your districts are worried about losing their jobs or finding their jobs relocated to other states. We are concerned that the loss of jobs will not simply be limited to those who work in relocated data centers but that the entire financial services community will suffer and that local business that are supported by these data centers e.g. janitorial and security services, restaurants will be impacted.

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<sup>4</sup> See *The Impact of Financial Transaction Tax*, Tax Foundation by Colin Miller and Ann Tyger January 23, 2020 at <https://taxfoundation.org/financial-transaction-tax/> See also *SIFMA Insights- Ramification of an FTT*, October 2019 <https://www.sifma.org/resources/research/ramifications-of-a-financial-transaction-tax/>

While it is hard to quantify what the long term and wider implications of moving trading out of the area might be, the COVID-19 pandemic has highlighted how easy it is for companies and individuals to relocate to areas that provide economic incentives or lower costs of living. At this time of migration from the East Coast, economic pressure, shuttering businesses, and working from home the last thing we want to see is a loss of jobs or a decline in tax and other economic benefits that New Jersey enjoys because of the state's nexus to trading.

While the policy reasons for voting against an FTT are exceedingly strong, a state imposed FTT is also likely to be subject to extensive litigation as it may violate both the Interstate Tax Freedom Act and the US Commerce Clause.

On behalf of our members who live and work in New Jersey, we urge you to support the state's economic benefits derived from the financial services industry and protect unincumbered access to capital for investors, pensioners, retirees, and businesses looking to grow in our state by voting against an FTT for New Jersey. Representatives from STANY would be happy to speak with you about our concerns. Please do not hesitate to reach out to me with any questions.

Respectfully submitted,



Kimberly Unger  
Chief Executive Officer  
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cc:

Senator Dawn Addiego  
Senator Kip Bateman  
Senator Chris A. Brown  
Senator Anthony M. Bucco  
Senator Gerald Cardinale  
Senator Richard Codey  
Senator Christopher J. Connors  
Senator Kristin Corrado  
Senator Nilsa Cruz-Perez  
Senator Joseph Cryan  
Senator Sandra Bolden Cunningham  
Senator Patrick J. Diegnan  
Senator Michael J. Doherty  
Senator Nia Gill  
Senator Vin Gopal  
Senator Linda R. Greenstein

Senator James W. Holzapfel  
Senator Joseph Lagana  
Senator Fred H. Madden  
Senator Declan O'Scanlon  
Senator Steve Oroho  
Senator Joseph Pennacchio  
Senator Nellie Pou  
Senator Ronald Rice  
Senator Teresa Ruiz  
Senator Nicholas Sacco  
Senator Paul Sarlo  
Senator Nicholas Scutari  
Senator Robert W. Singer  
Senator Troy Singleton  
Senator Bob Smith  
Senator Brian P. Stack  
Senator Mike Testa  
Senator Samuel D. Thompson  
Senator Shirley Turner  
Senator Joe F. Vitale  
Senator Loretta Weinberg  
Senator James Beach  
Assemblyman Robert Auth  
Assemblyman Daniel Benson  
Assemblyman Brian Bergen  
Assemblyman John Burzichelli  
Assemblyman Clinton Calabrese  
Assemblyman Ralph Caputo  
Assemblyman Linda Carter  
Assemblyman John Catalano  
Assemblyman Annette Chaparro  
Assemblyman Nicholas Chiaravalloti  
Assemblyman Robert Clifton  
Assemblyman Herbert Conaway Jr.  
Assemblyman Ronald Dancer  
Assemblyman Joseph Danielsen  
Assemblyman Wayne DeAngelo  
Assemblyman Christopher DePhillips  
Assemblyman John DiMaio  
Assemblyman Serena DiMaso

Assemblyman Joann Downey  
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Assemblyman Roy Freiman  
Assemblyman Thomas Giblin  
Assemblyman Louis Greenwald  
Assemblyman Dianne Gove  
Assemblyman Jamel Holley  
Assemblyman Eric Houghtaling  
Assemblyman Valerie Vainieri Huttle  
Assemblyman Mila Jasey  
Assemblyman Angelica Jimenez  
Assemblyman Gordon Johnson  
Assemblyman Robert Karabinchak  
Assemblyman Sean Kean  
Assemblyman James Kennedy  
Assemblyman Pamela Lampitt  
Assemblyman Yvonne Lopez  
Assemblyman Vincent Mazzeo  
Assemblyman Gregory McGuckin  
Assemblyman John McKeon  
Assemblyman Angela McKnight  
Assemblyman Pedro Mejia  
Assemblyman Paul D. Moriarty  
Assemblywoman Gabriela M. Mosquera  
Assemblyman Raj Mukherji  
Assemblywoman Nancy F. Munoz  
Assemblywoman Carol A. Murphy  
Assemblyman Ryan E. Peters  
Assemblyman Erik Peterson  
Assemblywoman Nancy J. Pinkin  
Assemblywoman Eliana Pintor Marin  
Assemblywoman Annette Quijano  
Assemblywoman Verlina Reynolds-Jackson  
Assemblyman Kevin J. Rooney  
Assemblyman Brian E. Rumpf  
Assemblyman Gary S. Schaer  
Assemblyman Gerard Scharfenberger  
Assemblywoman Holly T. Schepisi  
Assemblyman Erik K. Simonsen  
Assemblyman Parker Space

Assemblyman William W. Spearman  
Assemblywoman Shanique Speight  
Assemblywoman Jean Stanfield  
Assemblywoman Shavonda E. Sumter  
Assemblywoman Lisa Swain  
Assemblyman Adam J. Taliaferro  
Assemblyman Edward H. Thomson  
Assemblywoman Britnee N. Timberlake  
Assemblywoman Cleopatra G. Tucker  
Assemblyman P. Christopher Tully  
Assemblywoman Valerie Vainieri Huttle  
Assemblyman Anthony S. Verrelli  
Assemblyman Jay Webber  
Assemblyman Benjie E. Wimberly  
Assemblyman Harold J. Wirths  
Assemblyman Andrew Zwicker