

Dear Prime Minister,

The change to the remuneration system of the Magyar Nemzeti Bank's decision-makers during the term of their office is a crucial point of the legal dispute between the Hungarian Government and the European Union.

Changing the remuneration of members of the MNB's decision-making body during the term of their office without any prior consultation is a violation of central bank independence and is therefore incompatible with the laws of both the European Union and Hungary.

I would like to emphasise that the change to the remuneration of the MNB's decision-makers is also discriminative, as the employees of the Magyar Nemzeti Bank are neither public servants nor civil servants, but rather the senior officers of a limited liability company owned by the Hungarian state. The measures adopted to introduce a cap on decision-makers' remuneration do not apply to senior officers of other state-owned companies or state-owned banks.

Violation of central bank independence is contrary to the Treaty on the Functioning of the European Union, which has direct effect in Hungary, and as such it is part of Hungarian law. Moreover, as Hungary decided to join the EU by referendum, Parliament has violated the Treaty on European Union directly supported by Hungarian voters.

The decision has been found incompatible with European law not only by the Magyar Nemzeti Bank but also on several occasions by the European Central Bank and the European Union, which has requested the Hungarian Government to amend it in order to ensure that central bank independence is respected.

On 17 November 2011 the Hungarian Government announced that it would submit an application for a loan to the International Monetary Fund and the European Union. During the preliminary informal negotiations, both the IMF and EU advised the Government that fully respecting central bank independence would be a precondition for the agreement.

I have on several occasions – also personally to you – stated that, in my opinion, the termination of the above violation of law is a precondition for concluding an agreement with the international organisations. I am convinced that the European Union and the International Monetary Fund will lend only to countries that respect central bank independence, the Treaty on the Functioning of the European Union and their own laws.

For this reason, I have repeatedly offered – most recently at the Government meeting on 23 November last year and during my meeting with the Minister for National Economy on 19 January – to discuss the issue; the MNB's decision-makers do not insist on any exact level of remuneration. As I am sure you are aware, I have not received an answer to my proposal.

It is Hungary's vital interest to amend the provisions on the remuneration of the MNB's decision-makers, adopted in violation of the Central Bank Act, and respect central bank independence. Although the Magyar Nemzeti Bank is the object rather than a party of the legal dispute between the Hungarian Government and the European Union, as a central banker and a citizen whose primary consideration is the best interests of Hungary, I would like to support the Government with my own contribution in resolving the current situation.

As I have stated on several occasions, for me the issue of the remuneration of the MNB's decision-makers has never been about money but rather about protecting central bank independence, fully complying with the laws and restoring legality. At the same time, I also believe that it is in the interests of our country to have access to an international financial safety net ensuring security for Hungary as soon as possible.

I therefore make the following offer. I will undertake to perform my work for a sum of one forint per month during the period starting from September 2010, that is from the date when the amendment violating the law came into force() until expiration of my office on 3 March 2013. In turn, I request that Parliament rectify the provisions on the remuneration of the MNB's decision-makers, adopted in violation of the law, and respect the principles of legality and central bank independence. Once legality is restored, I will renounce all remuneration due to me as Governor – for the period September 2010 until termination of my office – and donate the whole amount due to me to support the studies of talented economic students who are in need of financial support.

Yours sincerely,

András Simor