



MINISTRY
FOR NATIONAL ECONOMY

GYÖRGY MATOLCSY
Minister

NGM/427/2/2012

Mario Draghi
President

European Central Bank
60311 Frankfurt am Main
Kaiserstrasse 29.

Germany

Budapest, " 5 " January 2012

Subject: The adoption of the law on Magyar Nemzeti Bank (Act CCVIII. of 2011)

Dear Mr. President,

The final vote in Parliament on the Bill on the Magyar Nemzeti Bank took place on 30 December 2011. With reference to my letter of 21 December let me reiterate that the amended legislative proposal took all comments by the European Central Bank (ECB) into serious consideration. Let me present somewhat more in detail the specific issues that have been taken on board during the parliamentary discussions.

May I emphasise again that an efficient monetary policy based on the principle of independence is clearly a primary interest of Hungary. The Government has respected the central bank independence, and will continue to do so in the future.

The amendments below have been made following the request of the ECB.

Concerning subscription to the ECB's capital, it has been clarified that the prohibition of the MNB from holding shares in any domestic or international organisation apart from shares in organisations set up in relation to its activity will not impede the MNB's ability to pay its contribution to the ECB's capital.

Amendment has been made so that the establishment of the balance sheet and the decision on the payment of dividends has clearly been transferred from the shareholder to the MNB's Executive Board.

A transitional period for the implementation of the changes in the decision making process has been established to ensure a smooth handover of decision-making.

The obligation to forward the agenda of the meetings of the Executive Board to the Government has been removed from the adopted version.

The role of the MNB in macroprudential supervision has been reintegrated to the law setting out the MNB's new mandate to identify, monitor and assess risks to financial stability and take on macroprudential policy in Hungary, along with the necessary tools, powers and prescriptions on data collection this new role implies.

The wording of the Act ensures that financing of the public sector is, as a rule, prohibited pursuant to Article 123 Treaty and Regulation No 3603/93.

Clarification has been made that the Labour Court's jurisdiction under the law on MNB is without prejudice to that of the Court of Justice of the European Union under Article 14.2 of the Statute of the ESCB.

Prohibition of Government instructions to the central bank or any member of its decision-making bodies, as well as seeking to influence the members of the MNB's decision-making bodies in the performance of their tasks is stipulated in the law.

The legislation has been amended so that the MNB's Governor can act both as Governor and as a member of the Fiscal Council: the views he expresses in his capacity as Member of the Fiscal Council are those of his own – in line with other members of the Council.

On the comment by the ECB criticising the frequent amendments to the Act on MNB in the past years, I would like to underline that these amendments were, to a large extent, motivated by the Convergence Reports published by ECB and the European Commission in every second year setting out new observations in addition to those included in the previous ones. The intention of the Government with the new Act is to create a stable basis for central banking within the new constitutional framework [in which the Act on MNB would not be amended until Hungary's accession to the euro area.]


And finally, let me stress that the possibility to increase the number of Monetary Council members and deputy governors provides greater flexibility, should the extension of the MNB's tasks warrant for this.

In view of the amendments, I am fully convinced that the Act on MNB, which entered into force on 1 January 2012, is fully compatible with the EU-legislation.

Should any further questions arise, we will be at ECB's disposal to discuss and address them.

Yours sincerely,

György Matolcsy



Annex: Act CCVIII. of 2011 on Magyar Nemzeti Bank

Copy: Olli Rehn, Vice President and Commissioner for Economic and Monetary Affairs, European Commission
András Simor, President, Magyar Nemzeti Bank