

OPEN LETTER ON THE HUNGARIAN BILL ENTITLED "TRANSPARENCY OF PUBLIC LIFE"

President Ursula von der Leyen

President of the European Commission European Commission

Commissioner Michael McGrath

Commissioner for Democracy, Justice, the Rule of Law, and Consumer Protection

22 May 2025

Dear President von der Leyen, Dear Commissioner McGrath,

On 13 May, 2025, a member of Hungary's ruling Fidesz party, submitted a new bill entitled the <u>Transparency of Public Life</u>, which would enable the government to target, defund and dissolve any organisation it designates as "a threat to Hungarian sovereignty". Labelled "Operation Starve and Strangle" by civil society organisations, the bill, if adopted, would provide the government with the final tools to effectively and completely silence the remaining independent voices in Hungary. Ahead of the 2026 parliamentary elections, it is a stark warning.

In a long series of actions that have served to dismantle the operation of basic elements of the rule of law, this bill is the most brazen attempt yet and demands **immediate action utilising ongoing infringement proceedings, funding conditionality and the Article 7 TEU process**.

The bill, which was not open to public consultation, targets organisations along four main axes:

Foreign funding targeted through extended powers of the Sovereignty Protection Office (SPO): the bill would require the SPO to propose a list of organisations that use foreign funding to "influence public life". The final list would then be decided by decree of the government. "Influencing public life" is not clearly defined and therefore fails to comply with the principle of legality, depriving organisations from the necessary precision to regulate their conduct and potentially exposing them to arbitrariness. Once listed, an organisation would only be able to accept foreign support with the prior authorisation of the competent authority.

Exclusion from domestic funding: listed organisations would be barred from accessing the domestic 1% tax donation scheme. An additional burden would also be placed on all Hungarian donors, requiring them to secure two witnesses to confirm their funding is not from abroad.

Misuse of the Anti-Money Laundering (AML) provisions: the bill would make it mandatory for the Tax Authority and credit institutions to scrutinise every foreign funding transaction based on whether they anticipate the funding will be used to "influence public life." It would also permit credit institutions to transfer foreign funding to the state-owned National Cooperation Fund. Managers of "excluded

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organisations" would fall under the category of "politically exposed persons" subjecting them to AML and terrorist financing laws despite not being required under European Union (EU) and global AML laws.

Decisions without due process: each step raises serious due process concerns. The government would issue the list of the affected organisations in a normative act (decree) depriving them from judicial oversight and preventing them from seeking redress. The right to appeal other decisions under the law is significantly narrowed – including decisions such as freezing an organisation's bank account or issuing bans that prevent listed organisations from further activities to "influence public life".

The bill would apply to all organisations in receipt of foreign funding, including private donations from within the EU and grants from the EU institutions, from civil society and media organisations to private companies and possibly even political parties. However, only those included on the list compiled on political grounds would be affected.

The bill is in clear violation of EU law, including the free movement of capital, the General Data Protection Regulation (GDPR) and the right to freedom of expression, association, the right to effective judicial protection and the right to protection of private life protected under the EU Charter of Fundamental Rights, the European Convention on Human Rights and the International Covenant on Civil and Political Rights. It is reminiscent of, but goes far beyond, the 2017 Law on the Transparency of Organisations Receiving Foreign Funding, which was <u>found in 2020 to be incompatible with EU law</u> by the Court of Justice of the European Union (CJEU).

This is the latest element in a complete and systematic breakdown of the rule of law since 2012, including the failure to effectively comply with court judgments and the continued use of rule by decree. It also compounds the most recent amendments, just one month ago, to the Fundamental Law attacking the LGBTIQ+ community and restricting freedom of peaceful assembly.

We urge you to take the following immediate steps:

- Immediately request the Court of Justice of the European Union (CJEU) to grant interim measures in the ongoing infringement procedure on the Law on the Defence of National Sovereignty (Case C-829/24). The Sovereignty Protection Office is crucial to the new bill and therefore this is an imminent and effective way to halt the progress and impact of the bill. Cognizant of the impending danger, the European Parliament and civil society have been calling for this step since 2024. Interim measures are designed to prevent irreparable harm in this case, the effective paralysis of civil society organisations, independent media and dissenting voices and with this new development comprehensive interim measures should be requested immediately.
- At the same time, call on the Hungarian government to withdraw the bill and if unsuccessful, open a new infringement procedure on new violations that are not linked to the ongoing case on the Defence of National Sovereignty.

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• With the forthcoming **Article 7 hearing on Hungary** on 27 May 2025 and recognising the escalation of a systematic breakdown of the rule of law, support the Council of the EU to move to a vote on Article 7(1).

This new bill represents a severe and existential threat to democratic principles, human rights and the rule of law in Hungary and in the EU as a whole. If the existing tools are not effectively deployed, we risk an unravelling of the rules on which the EU was founded and a clear step towards authoritarian practices. We call on you to stand in solidarity with Hungarian civil society and their counterparts across the region and remain available to provide additional information and support.

Yours sincerely,

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