

Tightening the Financial Grip: Hungary Targets Civil Society and Cryptocurrency under Unified Transparency Policy

By Katona & Partners Law Firm

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1. Introduction

In a recent wave of regulatory developments, the Hungarian government has introduced two significant measures that – although ostensibly distinct – may jointly reshape the financial landscape for both civil society organisations and digital asset holders. These involve (i) the introduction of enhanced transparency obligations for foreign-funded NGOs, and (ii) the criminalisation of unauthorised cryptocurrency exchange services. The link between the two? Centralised financial control under the auspices of national security and sovereignty.

2. Foreign Influence and the New Transparency Push

On 1 July 2025, Hungary expanded the powers of its newly established Sovereignty Protection Office (Szuverenitásvédelmi Hivatal). This authority now plays a central role in investigating foreign influence on domestic political and civil actors, with a strong focus on funding sources.

Under the government's revised transparency regime:

Any foreign-financed organisation that “may influence public opinion or decision-making processes” can be investigated.

Funding above a certain threshold must be declared and may be subject to disclosure obligations, audits, and even publication on official registries.

Notably, the Hungarian Financial Intelligence Unit and AML supervisory bodies have been given new roles in screening these flows.

These rules carry significant compliance burdens and reputational risks for NGOs receiving legitimate international support. They also establish the legal framework for interagency cooperation – linking sovereignty protection directly to financial surveillance mechanisms.

3. Cryptocurrency Restrictions: Shutting Down Anonymous Funding Channels

Simultaneously, Hungary has introduced new criminal law provisions targeting unlicensed crypto service providers. As of June 2025, those who offer exchange or wallet services involving crypto-assets (such as Bitcoin) without prior authorisation from the National Bank of Hungary may face criminal prosecution.

These provisions serve dual purposes:

They align Hungary's regulatory landscape with EU AML directives and MiCA (Markets in Crypto-Assets Regulation).

But they also eliminate an alternative funding route often used by activists, civil society organisations, and informal networks.

While regulators cite AML risks and investor protection, the practical consequence is a tightening of access to decentralised financial tools, especially for actors who may seek to avoid exposure to traditional banking scrutiny.

4. The Interconnected Logic: Transparency as a Tool of Control

The juxtaposition of these two developments reveals a broader regulatory logic. The Hungarian state is increasingly treating financial transparency as a national security instrument, rather than a neutral compliance goal.

Civil society actors who previously relied on cryptocurrency donations or international grant mechanisms now face dual obstacles:

1. They must comply with formal foreign financing declarations and may be subject to state-led integrity screenings.
2. They can no longer safely use decentralised crypto channels without risking criminal liability for intermediaries.

The result is a policy ecosystem that closes the remaining loopholes for unofficial or autonomous financial flows – a strategy that is both sophisticated and controversial.

5. Legal Context and Implications

Relevant legal instruments include:

Act XXV of 2023 on the Protection of National Sovereignty and its implementing decrees

Government Decree No. 161/2025 (VI.20.) criminalising unauthorised crypto-asset exchange services

AML obligations under the Hungarian Act LIII of 2017 (on the Prevention of Money Laundering and Terrorist Financing), as amended in 2025

EU Regulation 2023/1114 (MiCA)

NGOs and crypto service providers operating in or from Hungary are strongly advised to:

Review their compliance protocols

Evaluate funding routes and reporting obligations

Ensure all digital asset operations are licensed or registered under the National Bank's regulatory umbrella

6. Conclusion

Hungary's recent legislative actions signal a paradigm shift. By integrating anti-money laundering enforcement with sovereignty protection measures, the government is crafting a unified framework that not only pursues transparency, but also strategically curtails financial autonomy for certain civil and political actors.

This approach may withstand constitutional scrutiny domestically – but it is likely to attract international attention and potential EU-level review, particularly with respect to fundamental rights, such as freedom of association and expression.

Katona & Partners Law Firm

Regulatory and Public Law Practice

Katona & Partners Law Firm

Dr. Katona Géza, LL.M. ügyvéd (Rechtsanwalt / attorney at law)

KATONA & PARTNERS
ATTORNEYS AT LAW | RECHTSANWÄLTE

Katona és Társai Ügyvédi Társulás

(Katona & Partner Rechtsanwaltssozietät / Attorneys' Association)

H-1106 Budapest, Tündérfürt utca 4.

Tel.: [+36 1 225 25 30](tel:+3612252530)

Mobil: [+ 36 70 344 0388](tel:+36703440388)

Fax: [+36 1 700 27 57](tel:+3617002757)

g.katona@katonalaw.com

www.katonalaw.com

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