

Date of Hearing: April 21, 2025

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 1052 (Valencia) – As Amended March 28, 2025

SUBJECT: Digital assets

SUMMARY: Authorizes individuals and businesses in California to accept digital financial assets as payment for goods and services. Prohibits public entities from restricting use of or taxing digital assets, and prohibits restrictions on restricting, or imposing any requirements on the use of hardware to control digital financial assets.

Updates unclaimed property law to require digital assets in dormant accounts to escheat to the state after three years, with requirements for custodial transfer to a state-designated custodian. Additionally, the bill expands the Political Reform Act to prohibit public officials from issuing, promoting, or engaging in transactions involving digital assets where a conflict of interest exists.

Specifically, **this bill:**

Unclaimed Property Law

- 1) Adds “digital assets” held to Unclaimed Property Law.
- 2) Requires property held within a digital asset account escheats to the state three years after either of the following:
 - a) The date a written or electronic communication to the owner is returned undelivered.
 - b) The date of the last exercise of ownership interest by the owner in the digital asset account if the owner does not receive written or electronic communications from the holder or the holder does not have the means of systematically tracking or monitoring the nondelivery of those communications.
- 3) If an act of ownership interest in the digital asset account is received, as specified, the running of the three-year period ceases immediately.
- 4) Specifies an “exercise of an act of ownership interest” by the owner includes the following:
 - a) Conducting a transaction, including buying or selling digital assets, depositing into or withdrawing from the account fiat currency or other property whether by a one-time transaction or a recurring transaction previously authorized by the owner.
 - b) Electronically accessing the digital asset account.
 - c) Conducting any activity with respect to another digital asset account or any other property owned by the owner with the same holder.
 - d) Taking any other action that reasonably demonstrates to the holder that the owner knows that the property exists.

- 5) Requires the holder to report and deliver the digital assets in their native form to the qualified custodian designated by the Controller if the digital asset escheats to the state and the holder has full control of the private keys to transfer those digital assets.
 - a) If the holder has a partial private key to the digital asset, the holder shall maintain the digital asset until the additional keys required to transfer the digital asset become available or the holder is otherwise able to transfer the digital asset to the Controller's designated qualified custodian.
- 6) Directs the Controller to select a qualified custodian for the management and safekeeping of digital assets that have escheated to the state based on specified criteria.
- 7) Authorizes an individual or business in California to accept a digital financial asset for the sale of a good or service.

Financial Code

- 8) Deems use of a digital financial asset as a payment in a private transaction to be valid and legal consideration.
- 9) Prohibits a public entity from prohibiting, restricting, or imposing any requirements on the use or acceptance of a digital financial asset as a payment for a good or service.
- 10) Prohibits a public entity from imposing a tax, withholding, assessment, or other charge on a digital financial asset solely because that asset was used as a method of payment.
- 11) Prohibits a public entity from prohibiting, restricting, or imposing any requirements on the use of hardware or a self-hosted wallet to control digital financial assets.
- 12) Clarifies that a public entity may impose a tax, withholding, assessment, or other charge that would otherwise be imposed on legal tender other than a digital financial asset.
- 13) Does not require a public entity to accept digital financial assets as a form of payment.

Political Reform Act

- 14) Defines "digital asset" to mean any digital representation of value that is recorded on a blockchain or other distributed ledger technology and includes, but is not limited to, cryptocurrency, tokens, or other similar assets.
- 15) Defines "Promote" to mean to advertise, endorse, or publicly advocate for the purchase, sale, or trading of a digital asset, security, or commodity.
- 16) Prohibits a "public official" from issuing, sponsoring, or promoting a digital asset, security, or commodity.
- 17) Prohibits a "public official" from engaging in any transaction or conduct related to a digital asset that creates a conflict of interest with their public duties.

- 18) Specifies that the remedies in Chapters 3 (commencing with Section 83100) and 11 (commencing with Section 91000) apply to elected state officers for violations of this section.

EXISTING LAW:

- 1) Establishes the Digital Financial Assets Law (DFAL), a licensing and regulatory framework, administered by the Department of Financial Protection and Innovation (DFPI), for digital financial asset business activity. (Financial Code § 3101 et seq.)
- 2) Prohibits, on or after July 1, 2025, a person from engaging in digital financial asset business activity without a license from DFPI, as specified. (Financial Code § 3201)
- 3) Requires a licensee to maintain specified records related to digital financial asset business activity with a California resident for five years after the date of activity. (Financial Code § 3303)
- 4) Prohibits a covered person from exchanging, transferring, or storing a stablecoin or engaging in digital financial asset administration unless (a) the issuer of the stablecoin is a licensee, a person that applies for a license, a bank, or a California or federal trust, and (b) the issuer of the stablecoin at all times owns eligible securities that fully back the stablecoin, as specified. Provides a process whereby a stablecoin that does not meet specified requirements may be issued and made available for exchange, transfer, or storing, subject to approval by the commissioner. (Financial Code § 3601 and 3603)
- 5) Provides that specified sections of the DFAL related to disclosures, consumer protections, and stablecoin requirements shall be operative on July 1, 2025. (Financial Code § 3509 and 3605)
- 6) Provides for the oversight and regulation of unclaimed property. (Code of Civil Procedure § 1500 et seq.)

FISCAL EFFECT: Unknown. This bill is keyed Fiscal by Legislative Counsel.

COMMENTS:

- 1) Purpose. According to the author:
AB 1052 not only strengthens the legitimacy of digital assets but also modernizes California's financial regulations and enhances consumer protections. Digital assets—such as cryptocurrency, stablecoins, and tokenized assets—are no longer abstract or futuristic financial instruments; they are here and increasingly used by businesses and consumers. As the world's fourth-largest economy, California must protect consumers while embracing financial innovation. With the growing adoption of digital assets, we must address the risk of unclaimed property in this space, ensure that the legal status of virtual currency is not unfairly taxed or restricted, and prevent public officials from using their positions for personal gain through the issuance or promotion of digital assets.
- 1) Overview of Digital Financial Assets. A digital financial asset (also referred to as "cryptocurrency," "crypto asset," or "virtual currency," terms used interchangeably in this analysis) is a digital representation of value that is not issued or backed by a government or

central bank. Unlike the dollar, cryptocurrency is not considered legal tender, but private parties may agree to it to facilitate an economic exchange. Bitcoin, the most well-known virtual currency, and many other virtual currencies are created and tracked via a decentralized protocol rather than the centralized issuance model that prevails in the world of fiat money.

Proponents of cryptocurrency believe that these products and systems offer viable alternatives to traditional financial systems. They argue that cryptocurrency is beneficial because it is decentralized, allowing for peer-to-peer transactions, easy and fast transactions, portfolio diversification, acts as an inflation hedge, encourages cross-border payments, promotes financial inclusion, and provides transactional freedom.

However, these assets pose significant consumer risks due to the lack of regulatory clarity and established rules for companies operating in this space. In recent years, market turmoil has exposed a host of consumer and investor risks in the crypto market. These risks include fraud, hacks, scam products, extreme volatility, insider trading, information asymmetry, and a lack of clear federal and state legal protections. Such risks expose everyday investors and consumers to financial losses beyond their control. In late 2022, the well-known company FTX collapsed, and its CEO, Sam Bankman-Fried, was arrested.

- 2) DFAL Implementation. In response to the widespread consumer harm occurring in the under-regulated crypto market, the Legislature passed AB 39, Chapter 792, Statutes of 2023. This legislation created the DFAL and established a licensing program for digital asset companies serving California customers. Under the DFAL, crypto companies must obtain or have applied for a license by July 1, 2026, and adhere to a set of new regulations covering policies and procedures, customer service standards, and financial stability.

DFPI sent out two invitations for comments ahead of the formal rulemaking process.

- In December 2023, DFPI sent out an Invitation for Comments to seek public comment on the DFAL application, licensure requirements, and stablecoin approval topics. Those comments were published in March 2024.
- On October 2, 2024, the DFPI invited public comments related to the DFAL license application, application fees, and other topics. Those comments were published on November 18, 2024 ¹

On April 4, 2025, DFPI began the formal rulemaking process and released regulations to implement the provisions of the Digital Financial Assets Law. Comments must be submitted by May 19, 2025. DFPI has not scheduled a public hearing on this proposed action. DFPI will then decide if they change the proposed regulations which may trigger additional public comment periods.

- 3) Adoption of Cryptocurrency.

- a) As of 2023, 14% or 78.8 million Americans own cryptocurrency.²

¹ <https://dfpi.ca.gov/regulated-industries/digital-financial-assets/>

- b) As of October 2024, Binance Square lists major retailers that accept cryptocurrency as a form of payment. Some major retailers accept cryptocurrency directly, while others allow indirect via use of a payment processor, which converts cryptocurrency to cash (dollars).

Major retailers and payment processors include Starbucks via Bakkt, Home Depot via Flexa Spedn, and Whole Foods via Spedn. Payment platforms like Shopify allow store owners to enable cryptocurrency payment solutions.³

Retailers who accept payments directly often use payment processors to convert cryptocurrency into dollars at the point of sale to mitigate the price volatility risk. Converting cryptocurrency into dollars adds additional fees, including static transaction fees ranging from 1-2% and some based on the payment amount.

- 4) Unclaimed Property Law. California’s Unclaimed Property Law (UPL) requires businesses and financial institutions (“holders”) to report and transfer property to the State Controller’s Office when there has been no account activity or owner contact for three years or more. Whether DFAL companies are subject to UPL has been the subject of litigation that resulted in updated notices to customers. This bill would clarify the law.
- 5) Political Reform Act. This bill is double referred to the Assembly Elections Committee who will review the prohibition on public officials from issuing, sponsoring, or promoting a digital asset, security, or commodity.
- 6) Policy Items for Consideration.
- a) As the use of digital financial assets as payments for goods and services grows, so does our understanding of how it will be applied to consumer purchases. Section 5 - 3802 (c), (d), and (e) tie the hands of public entities to address the unique complexities of this industry and the impacts on consumers, including prohibiting consumer protection measures, requiring additional costs unique to the acceptance of digital financial assets.

Additionally, recent legislation passed and signed by the Governor to regulate digital financial asset businesses (DFAL) and ATM kiosks could be jeopardized. The author may consider removing or clarifying these provisions.

- b) The bill refers to “digital asset” in Section 1 and Section 6. Those terms are defined differently. The bill also refers to “digital financial asset.” To ensure consistency in the law, the author may consider changing “digital asset” to “digital financial asset” and cross reference the definition in Financial Code Section 3102.

“Digital financial asset” has the same meaning as in subdivision (g) of Section 3102 of the Financial Code.

Fin. Code Section 3102.

(g) “Digital financial asset” means a digital representation of value that is used as a

² <https://coinweb.com/trends/how-many-americans-own-crypto/>

³ <https://www.binance.com/en/square/post/14377548742553>

medium of exchange, unit of account, or store of value, and that is not legal tender, whether or not denominated in legal tender.

- c) Licensing of digital financial asset business activity begins on July 1, 2026. The author may consider aligning the implementation of this bill with that date.

REGISTERED SUPPORT / OPPOSITION:

Support

Satoshi Action Fund (Sponsor)

Opposition

None on file.

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