

Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 2335 (Valencia) – As Amended March 26, 2026

SUBJECT: Unclaimed property: digital financial assets

SUMMARY: Specifically, **this bill:**

- 1) Defines “high-quality digital asset” to mean a digital financial asset with an average market capitalization of at least one hundred billion dollars (\$100,000,000,000) over the most recent 12-month period.
- 2) Specifies that digital financial assets (DFA) will be immediately put into the Digital Asset Reserve Fund until the rightful owner is identified, and that the assets will be converted into high-quality assets after the 18-month holding period consistent with existing law.
- 3) Requires the Controller to convert DFA in their native form to high-quality digital assets no sooner than 18 months, but no later than 20 months, after the actual date of filing of the report that is required under current law.
- 4) Entitles any person who makes a valid claim before conversion, to receive the DFA in their native form or in fiat currency.
- 5) If the DFA have been converted into high-quality assets, the Controller is required to do either:
 - a) Revert the assets to their native form equivalent to the amount escheated. Or
 - b) Convert the digital financial assets to fiat currency at the prevailing market price at the time the claim is determined to be valid.
- 6) Entitles any person who elects to receive the digital financial assets in fiat currency pursuant to 5(b) to receive the net proceeds from the Controller’s conversion of the assets.

EXISTING LAW:

- 1) Establishes the Unclaimed Property Law (UPL), which establishes when and how intangible property escheats to the state for the state to take custody of, but not own, unclaimed property. (Code of Civil Procedure Section 1500 et seq. All further statutory references are to the Code of Civil Procedure, unless otherwise specified.)
- 2) Provides that property received by the state pursuant to the UPL shall not permanently escheat to the state, and that it is the intent of the Legislature that property owners be reunited with their property. (Section 1501.5.)
- 3) Provides the procedure by which any digital financial asset held or owing by a business association escheats to the state if unclaimed by the owner for more than three years from either: 1) the date a written electronic communication to the owner is returned undelivered or by electronic mail, or 2) the date of the last exercise of an act 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. (Code of Civil Procedure Section 1516.5.)

- 4) Provides that all tangible personal property and all intangible personal property, except as otherwise specified, that is held or owing in the ordinary course of the holder's business and has remained unclaimed by the owner for more than three years after it became payable or distributable escheats to the state.
 - a) Except where a statute establishes a different notice requirement for specific types of property, notice must be given as provided when the property is valued at \$50 or more. The holder shall make reasonable efforts to notify the owner by mail or, if the owner has consented to electronic delivery, electronically; the notice shall be mailed not fewer than 6 and not more than 12 months before the time when the property becomes reportable to the Controller as unclaimed.
 - b) The notice must be accompanied by a form which the owner can return to the holder to indicate that they are active; if the owner signs and returns the form, the escheat period recommences.
 - c) A holder can provide a telephone number or electronic means for the owner to contact them in lieu of the form. (Section 1520.)
- 5) Requires every person holding funds or other property escheated to the state to file a report with the Controller as specified. (Section 1530.)
- 6) Requires every person filing a report of unclaimed property that will escheat to the state to, no sooner than seven months and no later than seven months and 15 days after the final date for filing the report, pay or deliver to the Controller all escheated property specified in the report. (Section 1532 (a).)
- 7) Requires the holder of any digital financial asset that escheats to the state, no more than 30 days after the final date for filing a report of unclaimed property, to transfer the exact digital financial asset type, private keys, and amount, unliquidated, to the Controller's cryptocurrency custodian or as the Controller by regulation may designate. (Section 1532 (e).)
- 8) Authorizes the Controller to convert digital financial assets in its possession to fiat currency at prevailing prices by any method that the Controller may determine to be advisable. Requires the Controller to convert such digital financial assets no sooner than 18 months, but no later than 20 months, after the actual date of filing the report required by the holder of the person holding escheated property. (Section 1563 (c).)
- 9) Entitles a person making a valid claim for digital assets that have been delivered to the Controller and that remain in the custody of the Controller to receive the digital financial assets from the Controller. Entitles a person making a valid claim to receive the net proceeds received by the Controller from its sale if the digital financial assets have been converted. (Section 163 (c).)

- 10) Defines “digital financial asset” as a digital representation of value that is used as a medium of exchange, unit of account, or store of value, and that is not legal tender, whether or not denominated in legal tender; but “digital financial asset” does not include any of the following:
- a) A transaction in which a merchant grants, as part of an affinity or rewards program, value that cannot be taken from or exchanged with the merchant for legal tender, bank or credit union credit, or a digital financial asset.
 - b) A digital representation of value issued on or behalf of a publisher and used solely within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform.
 - c) A security registered with or exempt from registration with the United States Securities and Exchange Commission or a security qualified with or exempt from qualifications with the DFPI. (Financial Code Section 3102 (g).)

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

COMMENTS:

1) Purpose

Statement from the Author

“California faces a chronic multibillion-dollar deficit amid ongoing federal funding reductions and cuts. Without new revenue mechanisms, the state will continue relying on the same fiscal tools that have failed to keep pace with growing demand for public services. AB 2335 would establish the Digital Asset Reserve Fund to supplement the state's General Fund by capitalizing on growth in the digital asset market. The bill uses California's unclaimed property program to implement a cost-neutral investment mechanism, focusing on high-quality digital assets with demonstrated long-term stability. As the global leader in technology and innovation, California is uniquely positioned to modernize its financial systems and ensure public programs remain sustainable for the residents who depend on them.”

2) Background

In 2025, SB 822 was signed into law allowing the State Controller to take custody of unclaimed digital financial assets. California’s unclaimed property law (UPL) governs the process by which unclaimed personal property escheats to the state. The UPL framework is one based on custodial possession instead of ownership. The state assumes possession and holds the property in perpetuity as a trustee for the rightful owner.¹ This custodial model was designed to preserve individual property rights while permitting the state to benefit from the use of dormant funds.²

UPL involves three distinct parties: the owner, or the person/entity with the rightful claim to the property; the holder, who is typically the business or financial institution that is in possession of

¹ *Harris v. Westly* (2004) 116 Cal.App.4th 214, 219 (internal quotations omitted), *Bank of America v. Cory* (1985) 164 Cal.App.3d 66, 75.

² *Azure Limited v. I-Flow Corp.* (2009) 46 Cal.4th 1323, 1328 (internal quotations omitted).

the property that becomes abandoned; and the state Controller who assumes custody of the unclaimed property from the holder and then administers claims and manages the unclaimed property fund on behalf of the state. The holder acts as a fiduciary and must report and remit property to the state when it is presumed abandoned.³ The Controller can retain custody of tangible and intangible property. Once in the Controller's custody, the property is either retained (in the case of tangible property) or liquidated (in the case of securities) and deposited in the Unclaimed Property Fund. Any interest, dividends, or other benefits accrued before or at liquidation of unclaimed property is credited to the owner's account. Any interest or income derived from the investment of money deposited in the Unclaimed Property Fund is transferable to the General Fund.⁴

SB 822 requires the Controller to accept digital financial assets in their native form, holding them as such for no less than 18 months, but no longer than 20 months from the actual date of reporting as required under the statute.⁵ If digital financial assets delivered to the Controller remain in the custody of the Controller, a person making a valid claim for those assets under this chapter shall be entitled to receive the digital financial assets from the Controller. If the digital financial assets have been converted, the owner shall be entitled to receive the net proceeds received by the Controller from its sale.⁶ The Controller may select one or more custodians for the management and safekeeping of digital financial assets that have escheated to the state.⁷

When making a selection for custodian of escheated digital financial assets, the controller must consider the following criteria:

1. Storage security to ensure the safekeeping of digital financial assets, including robust cybersecurity measures to prevent unauthorized access.
2. Capability to manage private keys associated with digital financial assets and ensure the ability to transfer or transact with the assets when required.
3. Proven experience in handling digital financial assets.
4. Compliance with all applicable federal and state regulations related to digital financial asset custody.
5. Regular reporting mechanisms to the Controller regarding the status and value of the digital financial assets in their custody.
6. Processes to reunite owners with their digital financial assets, including maintaining updated contact records and issuing timely notifications.
7. Qualifying as a "financial institution" under Chapter X of Title 31 of the Code of Federal Regulations, which subjects the qualified custodian to the anti-money laundering

³ Cal. Code Civil Proc. Section 1530-1532

⁴ Cal. Code Civil Proc. Section 1562

⁵ Cal. Code of Civil Proc. Section 1563(c)

⁶ *Id.*

⁷ Cal. Code of Civil Proc. Section 1568

obligations of the federal Bank Secrecy Act (31 U.S.C. Sec. 5311 et seq.), in addition to any state-imposed anti-money laundering obligations.

8. Any other factor that the Controller deems relevant.

3) What this bill does

AB 2335 establishes the Digital Asset Reserve Fund for the custody of escheated digital assets and mandates the Controller to convert DFA into high-quality digital assets. This bill requires asset holders to notify owners that, upon escheatment, assets will be transferred to the Digital Asset Reserve Fund and subsequently converted into high-quality assets following the requisite holding period. Additionally, the bill institutes a Digital Asset Reserve Board to oversee fund administration and requires the Controller to execute specified actions, including the publication of quarterly reports. The Controller must convert escheated DFA into high-quality digital assets no sooner than 18 months, but no later than 20 months, from the filing date of the unclaimed property report. Any person submitting a valid claim prior to conversion is entitled to receive the DFA in its native form or in fiat currency.

4) What is an Asset Reserve Fund?

The California constitution requires the Legislature to pass a balanced budget.⁸ In some years, the state will collect more revenue than its costs, and in other years, it will collect less; reserves smooth out the difference. State reserves ensure stable funding for the state's services over time, even when revenue fluctuates unpredictably. Using reserves during years of shortfall helps avoid increasing taxes or cutting core programs. State investments are conducted through the Office of the Treasurer with Government Code Section 16430 providing the rules for eligible securities for the investment of surplus. Examples of eligible securities are conservative interest bearing U.S. Treasury bonds and shares of money market mutual funds that meet specific conditions.⁹

5) Currently Enacted Digital Financial Asset Reserves

On March 6, 2025, Executive Order 14233 was signed by President Donald Trump establishing the Strategic Bitcoin Reserve and United States Digital Asset Stockpile. The order directed the secretary of the Treasury to do several tasks; 1) establish an office to administer and maintain control of custodial accounts collectively known as the "Strategic Bitcoin Reserve"; 2) establish an office to administer and maintain control of accounts collectively known as the "United States Digital Asset Stockpile," capitalized with all digital assets owned by the Department of the Treasury, other than BTC, that were finally forfeited as part of criminal or civil asset forfeiture proceedings; and 3) with the secretary of Commerce, develop strategies for acquiring additional government BTC provided that such strategies are budget neutral and do not impose incremental costs on United States taxpayers.¹⁰ The Order cites the scarcity of bitcoin and the fact that the Bitcoin protocol has never been hacked as reasons for a "strategic advantage" against other nations to create a bitcoin reserve. The federal government holds a significant amount of bitcoin from criminal forfeiture and civil penalties, but until the Order, there was no established policy to maximize BTC's position as currency in the global market.

⁸ California Constitution Article IV, Section 12

⁹ Cal. Government Code Section 16430 (p)

¹⁰ Executive Order 14233 Section 3 (a), (b), and (c).

New Hampshire, Texas, and Arizona have recently passed legislation to create digital financial asset reserve funds in their respective states. Enacted in May 2025, New Hampshire established a strategic reserve that encompasses exchange-traded products,¹¹ precious metals, and digital financial assets. The new law allows the state treasurer to invest no more than a total of five percent of public funds in precious metals and any digital assets with a market capitalization of over \$500 billion averaged over the previous calendar year from the general fund, the revenue stabilization fund, and any other funds as authorized by the legislature.¹²

Soon after New Hampshire, Texas enacted its Strategic Bitcoin Reserve; a special fund operating outside of the state's treasury under the state's comptroller. The fund is used to purchase bitcoin and other digital financial currency.¹³ The Texas statute empowers the comptroller to administer and manage the reserve, including maintaining custody of digital financial assets and the power to purchase, exchange, and sell assets with reasonable care on par with a prudent investor. The state's legislature may appropriate funds for deposit 1) to the credit of the reserve to invest in bitcoin or other cryptocurrency and 2) administering and managing the reserve.¹⁴

Around the same time, Arizona enacted a statute creating the Bitcoin and Digital Asset Reserve Fund.¹⁵ This model is a budget-neutral approach to funding its reserve. This reserve fund is administered and operated through the state treasurer. Unlike the Texas and New Hampshire statutes, Arizona's statute does not provide for the purchase of bitcoin and other cryptocurrencies. In matters of unclaimed property, the state of Arizona assumes custody and control of unclaimed property, not an ownership interest; a framework similar to California's. To fund its digital asset reserve fund, it uses the state's unclaimed digital financial assets to generate rewards from staking and *airdrops* (a marketing or engagement strategy used to build awareness or encourage early adoption of a new blockchain project by distributing free tokens or coins to wallet holders who may need to complete certain tasks like sharing the information on social media or making a video). If after three years from the date of transfer the property remains unclaimed, any staking rewards and airdrops may be transferred to the reserve fund.¹⁶

6) Proposed Legislation in Other States

Massachusetts has three bill proposals regarding digital financial asset reserve funds.

The first, SB 1967, establishes a strategic reserve to be managed by the state treasurer. The bill authorizes investment of unexpended state funds, up to 10% of annual Stabilization Fund deposits, into bitcoin or other digital assets, and also allows the reserve to hold digital assets seized by the state. Assets may be held directly by the treasurer, through qualified custodians, or through regulated exchange-traded products. The treasurer is also permitted to loan bitcoin or digital assets, if it can be done without increasing financial risk, in order to generate additional returns for the state.

¹¹ Exchange-traded products means any financial instrument that is approved by the Securities and Exchange Commission, the Commodities Future Trading Commission or the state securities commissioner that is traded on a United States-regulated exchange and derives its value from an underlying pool of assets, such as stocks, bonds, commodities, or indexes. NH Rev. Stat §6:8-d (I)(a).

¹² NH Rev. Stat §6:8-d(II) and (III).

¹³ TX Government Code Section 403.701-403.709, effective June 2025.

¹⁴ TX Government Code Section 403.703(c).

¹⁵ AZ Rev Stat § 41-180 (2025)

¹⁶ AZ Rev Stat § 44-308(d)

Similarly, SB 2008 and House Bill 3279 authorize the state treasurer and public pension funds to invest in bitcoin and other “stable digital financial assets” as a hedge against inflation and to enhance fiscal resilience. The bills allow for a maximum of 10% of specific state financial reserves—such as the general fund, stabilization fund, and the retiree benefits trust—to be invested in bitcoin. The measures establish a 5% excise tax on digital currency revenues. Furthermore, it permits the state to lend its digital assets to earn returns. The revenue generated from these activities will be deposited into the general fund, with provisions for reimbursement and strict oversight to ensure financial security.

Michigan’s proposed legislation, HB 4087, is very similar to Massachusetts’ proposed legislation, nearly combining the three proposals. The Michigan proposal limits available funds from the general fund and economic stabilization fund to 10% for the state to invest in cryptocurrency, it allows the treasurer to hold cryptocurrency through secure custody solutions, qualified custodians, or exchange-traded products, and to loan the cryptocurrency if it does not increase financial risk.

In Ohio, two measures, HB 18 and SB 57, also reflect the same terms seen in the Massachusetts proposals: the authority to invest in cryptocurrency and the establishment of a digital asset reserve fund. HB 18 permits the treasurer to invest up to 10% of interim funds from the general fund and budget stabilization fund, along with other specific funds. However the investments are restricted to exchange-traded products with a minimum average market capitalization of \$750 billion over the preceding twelve months. The bill also amends several existing sections of the statute to explicitly allow state retirement boards to invest in these exchange-traded products, while maintaining their fiduciary responsibilities to prioritize financial returns. SB 57 enacts a bitcoin reserve fund in the state treasury. Additionally, the bill allows law enforcement agencies to transfer forfeited bitcoin to the state’s bitcoin reserve fund.

7) Rewards Earning Potential through Staking

“Staking” is a service in which any user with the right hardware and software, reliable and high internet speed, and the right amount of currency can partake. Proof of stake (PoS) is a consensus mechanism used by some blockchains to validate transactions efficiently, unlike “mining” which consumes a large amount of energy. “Staking” is the act of locking away a portion of a participant’s (known as a validator) currency, like a good-will security deposit, to gain and maintain eligibility to participate in the selection process for securing the network and creating more blocks in exchange for payment. The more coins a validator stakes, the higher their chances of being selected and thus to earn payment. Since the value of the payments fluctuate, and PoS is based on a behavioral incentivization, these payments for services are characterized as “rewards”. This “skin-in-the-game” model encourages participants to perform accurately—good behavior results in payment, malicious or undesirable behavior results in penalization against the participants personal stake or slashing of the entire amount. Slashing results in prevention from participation and forcible exit. Thus, staking is a service for which validators are given rewards. Any losses the validator incurs is at their own hands.

The Digital Asset Reserve Fund has the potential to gain rewards for its own administration and maintenance by staking DFA. However, staking escheated assets alone is not that simple, Committee amendments reached with the author have been provided, but the author may wish to further consideration the following issues raised by industry experts:

- Principal-liability mismatch creates an “underwater” pathway. Unclaimed property is a liability, not a discretionary investment pool. Claims can arrive at any time. If the principal backing those claims is held in volatile reserve assets, a drawdown can leave the reserve temporarily or persistently below the claim base. Even if long-term expected returns are positive, the program can still face shortfalls at precisely the moment claims must be paid.
- Option A: Use the existing custodial window and fund the reserve only from value accretion while assets are held in native form, then follow the current liquidation and sweep structure for principal.
 - This approach keeps the existing statutory structure intact, including the existing custodial period before conversion. During that custodial window, the Controller could be authorized to capture protocol-based rewards, distributions, or other value accretion that occurs without impairing principal, and dedicate only those incremental amounts to purchasing “high-quality” digital assets for the reserve. After the current conversion timeline, principal would be handled the same way it is today: converted and treated under the existing cash framework.
 - This matters because the unclaimed property program receives new property continuously. That means there will always be a rolling balance of digital assets in custody across cohorts, and therefore a continuing stream of potential value accretion.
- Option B: Keep the existing liquidation timing, but segregate the resulting cash principal and fund the reserve only from interest on that cash, without reducing principal.
 - This approach keeps digital assets in native form until liquidation on the existing schedule, then places the resulting cash into a segregated claims-paying fund that is not swept into the General Fund for this category. The principal stays intact and reclaimable in cash. The state would then use only interest earned on that cash pool to purchase “high-quality” digital assets for the reserve.

COMMITTEE AMENDMENTS

Add the following definitions:

1. “Qualified staking service provider” means a financial institution or technology service provider that offers staking services for digital financial assets and that meets the selection criteria established by the Digital Asset Reserve Fund Board pursuant to Section 1563.5, including, at a minimum, demonstrated operational experience, cybersecurity protocols, insurance or bonding adequate to protect staked assets against loss, and compliance with applicable state and federal law.
2. “Slashing” means the partial or total forfeiture of staked digital financial assets imposed automatically by a blockchain protocol as a penalty for validator misconduct, including, but not limited to, double-signing, extended downtime, or other violations of the protocol’s consensus rules.
3. “Staking” means the process of committing digital financial assets to a blockchain protocol’s consensus mechanism, or delegating digital financial assets to a validator or

validator pool, in order to support the operation, security, or validation of the blockchain network, in exchange for rewards generated by the protocol.

4. “Staking rewards” means the digital financial assets generated and received as compensation for staking, including any protocol-level incentives, transaction fees, or other distributions received as a direct result of staking activities.

To section 1516.5, provide notice to owners that their DFA may be staked, add:

Specify that digital financial assets held in the Digital Asset Reserve Fund may be staked through a qualified staking service provider to generate network participation rewards, and that the return of assets to a verified claimant may require completion of an unstaking process.

To the quarterly reports required by the Controller, add:

1. The amount and type of each digital financial asset currently staked, the qualified staking service provider used, and the staking method and validator or protocol used.
2. The amount of staking rewards earned during the reporting period, the cumulative staking rewards earned since inception of the fund, and the amount of high-quality digital assets purchased with staking rewards.
3. Any slashing events incurred during the reporting period, including the amount of digital financial assets lost and the qualified staking service provider and validator involved.

Provide staking services, add:

1. The Controller is authorized to engage one or more qualified staking service providers to stake digital financial assets held in the Digital Asset Reserve Fund, whether in their native form or as high-quality digital assets, and to engage in related network participation activities on behalf of the fund, subject to the staking policies established by the Digital Asset Reserve Fund Board pursuant to Section 1563.5. The Digital Asset Reserve Fund Board shall prioritize direct protocol-level staking over methods that introduce intermediary smart contract risk. Until the Digital Asset Reserve Fund Board adopts its initial staking policy, the Controller may engage a qualified staking service provider to stake digital financial assets.
2. All staking rewards derived from digital financial assets in the Digital Asset Reserve Fund are the property of the Digital Asset Reserve Fund. The Controller shall use staking rewards to purchase high-quality digital assets for the Digital Asset Reserve Fund.
3. Upon verification of a valid claim to escheated digital financial assets that are staked at the time of the claim, the Controller shall do all of the following:
 - a) Notify the claimant in writing within five business days of verification that the digital financial assets are currently staked, the estimated unstaking timeline, and the expected date of return.
 - b) Direct the qualified staking service provider to initiate unstaking procedures within three business days of claimant verification.

- c) Return the digital financial assets to the claimant within 60 calendar days of claimant verification, or within five business days following the completion of the unstaking process, whichever is later. The claimant's entitlement to the form of the digital financial asset, whether in native form or as a high-quality digital asset, shall be determined under paragraph (1). The claimant shall not be entitled to any share of staking rewards.
 - d) If the claimant elects to receive fiat currency in lieu of digital financial assets, the Controller shall convert the digital financial assets to fiat currency at prevailing market prices upon completion of the unstaking process and remit the net proceeds to the claimant.
4. The Digital Asset Reserve Fund shall bear any loss resulting from a slashing event or other protocol-level penalty incurred during the staking of fund assets. A verified claimant shall be entitled to the full amount of their claim as calculated under paragraph (1), regardless of any slashing loss. The Digital Asset Reserve Fund Board shall establish risk management policies that include, at a minimum, qualified staking service provider selection criteria, validator diversification requirements, and reserve adequacy standards to protect against slashing losses.

From section 1563.5(b) strike "fund" and insert:

Fund, including staking policies that specify eligible assets, approved staking methods and protocols, maximum staking percentages, qualified staking service provider selection criteria, and risk management requirements. In establishing qualified staking service provider selection criteria, the Digital Asset Reserve Fund Board shall prioritize the adequacy of insurance or bonding maintained by the provider to protect the fund against loss of staked assets.

REGISTERED SUPPORT / OPPOSITION:

Support

Last verified 4/16/26

Blockchain Cooperative Coalition
Satoshi Action Fund

Opposition

Last verified 4/16/26

None received.

Analysis Prepared by: Desiree Nguyen Orth / B. & F. / (916) 319-3081