

## AB 2285 (Valencia)

### **SUBJECT:**

Digital Financial Asset Banking

### **SUMMARY:**

Specifically, this bill:

- 1) Provides state-chartered financial institutions the ability to offer digital financial asset (DFA) retail services under specified requirements.
- 2) Defines “active staking” to mean intentional participation in staking services resulting in inaccessibility to one’s digital financial asset for an agreed-upon time in exchange for a staking reward minus a fee that is in a fixed amount or a percentage of the staking reward.
- 3) Defines “passive staking” to mean staking pooled assets by, or on behalf of, the financial institution wherein the customer may receive the customer’s digital financial asset upon demand in exchange for a staking reward minus an agreed-upon fee, in a fixed amount or a percentage of the staking reward, from the financial institution staking service provider.
- 4) Defines “fiduciary capacity” to mean a capacity in which a financial institution possesses investment, management, or administration discretion of a digital financial asset on behalf of a customer that creates for the financial institution a strict duty to act in the best financial interest of the customer, including against its own interest.
- 5) Defines “nonfiduciary capacity” to mean providing digital asset custody services solely for safekeeping without discretionary authority to manage or transfer a digital financial asset and with respect to which legal title and control of the assets remain with the customer.
- 6) Defines “financial institution” means a bank or credit union operating under the examination authority of the Department of Financial Protection and Innovation (DFPI).
- 7) Defines “pooled custody” to mean the collective holding of fungible digital financial assets of like kind belonging to different customers in a shared account or digital asset wallet.

- 8) Defines “segregated custody” to mean the holding separately from the digital financial assets of other customers of the fungible digital financial assets of an individual customer in an account or digital asset wallet.
- 9) Defines “slashing” to mean a penalty imposed by a blockchain protocol that results in the forfeiture or reduction of staked digital assets or staking rewards due to validator misconduct or failure.
- 10) Defines “staking” to mean committing fungible digital financial assets to a blockchain network to participate in the network’s operations by validating transactions, proposing and attesting to blocks, and securing the network.
- 11) Defines “staking reward” to mean any interest, yield, or other compensation earned by a customer from staking a digital financial asset on a blockchain network.
- 12) Provides requirements, as specified, for fiduciary and non-fiduciary custody of DFA.
- 13) Provides requirements, as specified, for custodial services including the use of third party services.
- 14) Provides requirements for annual auditing of custodial services by way of independent audit or review and signed attestation of the DI’s Board of Directors.
- 15) Provides minimum requirements for consumer disclosures.
- 16) Provides a framework for the payment of fees or commissions for staking services.
- 17) Provides anti-money laundering and cybersecurity compliance requirements.

**EXISTING LAW:**

California DFAL:

- 1) Defines “digital financial asset administration” to mean issuing a digital financial asset with the authority to redeem the digital financial asset for legal tender, bank or credit union credit, or another digital financial asset. Financial Code (Fin.Code) section 3201(h).
- 2) Defines “digital financial asset business activity” to mean any of the following:
  - a) Exchanging, transferring, or storing a digital financial asset or engaging in digital financial asset administration, whether directly or through an agreement with a digital financial asset control services vendor.

- b) Holding electronic precious metals or electronic certificates representing interests in precious metals on behalf of another person or issuing shares or electronic certificates representing interests in precious metals.
  - c) Exchanging one or more digital representations of value used within one or more online games, game platforms, or family of games for either of the following:
    - i) A digital financial asset offered by or on behalf of the same publisher from which the original digital representation of value was received.
    - ii) Legal tender or bank or credit union credit outside the online game, game platform, or family of games offered by or on behalf of the same publisher from which the original digital representation of value was received. Fin.Code section 3102 (i).
- 3) Requires persons conducting digital financial business activity to obtain a license as a covered person. Fin.Code section 3102.
- 4) Before engaging in digital financial asset business activity with a resident, a covered person shall disclose, to the extent applicable to the digital financial asset business activity the covered person will undertake with the resident, all of the following:
- a) A schedule of fees and charges the covered person may assess, the manner by which fees and charges will be calculated if they are not set in advance and disclosed, and the timing of the fees and charges.
  - b) Whether the product or service provided by the covered person is covered by either of the following:
    - i) A form of insurance or other guarantee against loss by an agency of the United States as follows:
      - (1) Up to the full United States dollar equivalent of digital financial assets placed under the control of, or purchased from, the covered person as of the date of the placement or purchase, including the maximum amount provided by insurance under the Federal Deposit Insurance Corporation, National Credit Union Share Insurance Fund, or otherwise available from the Securities Investor Protection Corporation.
      - (2) If not provided at the full United States dollar equivalent of the digital financial asset placed under the control of or purchased from the covered person, the maximum amount of coverage for

each resident expressed in the United States dollar equivalent of the digital financial asset.

- ii) Private insurance against theft or loss, including cybertheft or theft by other means.
- c) Upon request of a resident with whom a covered person engages in digital financial asset business activity, a covered person shall disclose the terms of the insurance policy to the resident in a manner that allows the resident to understand the specific insured risks that may result in partial coverage of the resident's assets.
- d) The irrevocability of a transfer or exchange and any exception to irrevocability.
- e) A description of all of the following:
  - i) The covered person's liability for an unauthorized, mistaken, or accidental transfer or exchange.
  - ii) The resident's responsibility to provide notice to the covered person of an unauthorized, mistaken, or accidental transfer or exchange.
  - iii) The basis for any recovery by the resident from the covered person in case of an unauthorized, mistaken, or accidental transfer or exchange.
  - iv) General error resolution rights applicable to an unauthorized, mistaken, or accidental transfer or exchange.
  - v) The method for the resident to update the resident's contact information with the covered person.
- f) That the date or time when the transfer or exchange is made and the resident's account is debited may differ from the date or time when the resident initiates the instruction to make the transfer or exchange.
- g) Whether the resident has a right to stop a preauthorized payment or revoke authorization for a transfer and the procedure to initiate a stop-payment order or revoke authorization for a subsequent transfer.
- h) The resident's right to receive a receipt, trade ticket, or other evidence of the transfer or exchange.
- i) The resident's right to at least 14 days' prior notice of a change in the covered person's fee schedule, other terms and conditions that have a material impact on

digital financial asset business activity with the resident, or the policies applicable to the resident's account.

- j) That no digital financial asset is currently recognized as legal tender by California or the United States.
- k) A list of instances in the past 12 months when the covered person's service was unavailable to 10,000 or more customers seeking to engage in digital financial asset business activity due to a service outage on the part of the covered person and the causes of each identified service outage.
  - i) As part of the disclosure required by this paragraph, the covered person may list any steps the covered person has taken to resolve underlying causes for those outages. Fin.Code section 3501.

California Banking and Credit Union

- 1) California Law regulates, through examination, state chartered banks and credit unions under the authority of the Department of Financial Protection and Innovation (DFPI). Fin.Code section 1000-1901 and Fin.Code section 14000-16906.

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

**COMMENTS:**

**1) Purpose**

Statement from the Author

"As federal regulations continue to evolve, California banks need the tools to responsibly integrate this technology into their existing systems, while ensuring consumers are protected from potential mismanagement of digital assets.

Blockchain technology is increasingly shaping the future, with new applications emerging across everyday use cases. By providing our state-chartered banks and credit unions, the go-to choice for many residents, a responsible framework for offering this technology, we give our state financial institutions a reputational advantage from the start."

AB 2285 provides an innovative and modern framework for California banks seeking to offer digital asset services, positioning California to lead in balancing strong consumer protections with continued innovation in the digital asset space."

## 2. Background

In May, 2025, the Office of the Comptroller of the Currency (OCC) which oversees nearly 4,000 federal institutions across the country, issued guidance to clarify that national banks and federal savings associations can buy and sell digital financial assets held in custody at its customer's direction if they follow the practices they use for traditional assets. This clarification also included the permissibility of the use of third-party sub-custodians. Since this guideline was issued, five applications to either newly charter or convert existing institutions into national trust banks that will engage in digital financial asset activity have been conditionally approved.

On July 30, 2025, JP Morgan Chase issued an announcement regarding its partnership with Coinbase to offer seamless bank to exchange access. "We're excited to partner with JPMorganChase to onboard the next generation of consumers into crypto. Together, we are expanding choice and lowering barriers to entry for consumers to participate in the future of financial services onchain," said Max Branzburg, Head of Consumer & Business Products at Coinbase.

As of August, 2025, more than half of the 25 largest banks in the United States are now either considering or actively rolling out crypto-related products.<sup>1</sup> Digital financial assets (DFA) afford financial institutions the opportunity to establish novel revenue streams and expand market presence by facilitating cryptocurrency access without geographical constraints. Institutions integrating digital asset services can have significant advantages in financial inclusion and benefit from the enhanced transaction speed, settlement finality, and automation inherent in smart contracts. Additionally, the adoption of blockchain technology promotes heightened security and substantial operational efficiencies within the existing financial framework.

State chartered banks and credit unions are regulated by the Department of Financial Protection and Innovation, not the OCC. Despite progress on the Digital Financial Asset Law (DFAL), there is no pathway for banks and credit unions to participate in an emerging and global market.

## 3. What this bill does

### a. Custody Service and Accuracy

This bill requires a DI to enter a written contract with its customer<sup>2</sup> with clear disclosures regarding whether or not the relationship is fiduciary or non-fiduciary. If the relationship is non-fiduciary, the agreement must make clear that the DI will only act on the customer's explicit instructions. In either a fiduciary or non-fiduciary relationship the agreement must clearly disclose whether or not the DFA held in custody by the DI are insured by the Federal Deposit

---

<sup>1</sup> "The Majority of the US's Largest Banks Have Embraced Crypto Services", *Bank Exchange* (2025, August, 11)

<sup>2</sup> Customers of credit unions are normally referred to as "members". For purposes of this analysis, the term "customer" will be used to mean both bank customers and credit union members.

Insurance Corporation, the National Credit Union Administration, or any other federal or state deposit insurance or share insurance program, and Whether or not a DFA held in custody by the DI is a deposit, obligation, or other liability of the DI. This bill requires disclosure of any thresholds or triggering mechanisms that may cause a DI to take action on a customer's behalf in a fiduciary relationship. And the bill requires any changes to the agreement to be provided to the customer 45 days before its effective date.

As to the funds itself, this bill requires at least a one-to-one reserve of each type of digital asset held in passive staking. This is to ensure demand withdrawals can be executed. The bill prohibits the pooling of DFA unless the DI maintains accurate records to identify each customer's specific interests in the DFA. To ensure compliance, annual independent auditing or review and certification by the entire board of directors is required.

*b. Third party activity and engagement*

A DI may use a third party contractor to conduct digital asset custody services, however, use of the subcustodian must be prominently disclosed on the first page of the agreement. The bill puts the onus on the DI to ensure compliance with the requirements of this bill, which include: 1) insurance to protect against breaches or theft and 2) licensure under DFAI, money transmitters law. The agreement between the DI and the subcustodian must be structured to maintain the DI as the custodial recordholder of the DFA, and that the DFA remains the property of the DI's customers.

*c. Staking Services and Fiduciary DFA transaction authority*

This bill requires disclosures of the following information regarding staking services:

1. The fact that the DI may automatically stake an eligible DFA in the customer's account unless the customer affirmatively opts out of participation.
2. The key risks associated with staking, including the potential for loss of staked assets or staking rewards due to slashing or other network events, and cybersecurity or operational risks inherent in the staking process.
3. Any applicable lockup, unbonding, or notice period before a staked DFA can be withdrawn or transferred and the implications of that period for the customer's access to the customer's digital financial assets.
4. The customer's rights and obligations related to the staking service, including the right to discontinue participation in staking at any time and the entitlement to receive staking rewards earned on the customer's digital financial assets.
5. The amount or rate of any fee or commission that the DI will deduct from a staking reward as compensation for providing staking services.

AB 2285 requires the DI to identify policies and procedures to protect from, effectively identify, monitor, and manage risks associated with staking, including operational risks, cybersecurity threats, and slashing.

This bill adds specifications to the management of DFA trading activity, whether automated or not. The required specifications speak to transparency and accountability of money, returns, and losses.

#### **4. Ongoing Considerations**

Non-DI digital asset exchanges have raised concerns that these higher standards and practices may become a precedent for their industry, whether in whole or in part. Some potential DI's have raised concerns with some terms of the bill, specifically regarding: auditing, fee cap rigidity, slashing insurance requirement, 45-day contract amendment notice, and cybersecurity incidents. Stakeholders have also requested to put the state law in parity with the federal law.

This bill comes at a time when it appears that federal DFA regulation is on the precipice of passage. Congress has been at an impasse on the CLARITY Act, a bill aimed at establishing a comprehensive regulatory framework for digital assets, dividing oversight between the Securities and Exchange Commission, (SEC) and the Commodity Futures Trading Commission (CFTC). One benefit of late-night, marathon analysis writing is getting news first; during this writing, an update on the closely followed bill was released,<sup>3</sup> noting that lawmakers are nearing an agreement with only two to three issues remaining. One of those issues is whether platforms should be able to issue yield-like rewards on fiat-backed digital assets (stablecoin) to users. Banks contend that allowing yield will cause deposits to move from insured bank accounts to less regulated stablecoins, threatening traditional lending capacity.

The author has agreed to continue dialogue with stakeholders as the CLARITY Act moves through the Senate in Congress.

#### **REGISTERED SUPPORT / OPPOSITION**

##### **Support. Last verified 4/16/26**

Blockchain Cooperative Coalition  
Satoshi Action Fund

##### **Opposition. Last verified 4/16/26**

None received.

---

<sup>3</sup>

<https://www.coindesk.com/policy/2026/04/15/jpmorgan-says-clarity-close-to-deal-as-stablecoin-fight-enters-final-stage>