

## ASSEMBLY THIRD READING

AB 1052 (Valencia)

As Amended May 23, 2025

Majority vote

**SUMMARY**

This bill authorizes individuals and businesses in California to accept digital financial assets as payment for goods and services. This bill also updates Unclaimed Property Law (UPL) 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.

**Major Provisions**

- 1) Authorizes an individual or business to accept payment in the form of a DFA for the sale of any goods or services and deems the form of payment in a private transaction to be valid and legal consideration.
- 2) Provides, under the UPL, that intangible property held in a digital asset account (DAA) escheats to the state in three years after written or electronic communication to the owner is returned undelivered, or the date of the last exercise of ownership interest by the DAA owner. The holder of a private key for a DAA that has escheated to the state must transfer the DFA to a qualified custodian designated by the State Controller (SCO) within 30 days.
- 3) Requires the SCO to select, by January 1, 2027, a qualified custodian for the management and safekeeping of DFAs that have escheated to the state.

**COMMENTS**

Recent amendments remove language prohibiting public entities from restricting the use of or imposing an assessment on digital assets and imposing any requirements on the use of hardware to control digital financial assets.

- 1) *Digital Financial Assets.* A digital financial asset—such as cryptocurrency, crypto asset, or virtual currency—is a digital form of value not backed by a government or central bank. Though not legal tender, it can be used in private transactions. Unlike traditional money, cryptocurrencies like Bitcoin operate on decentralized protocols rather than centralized issuance systems.

Proponents of cryptocurrency argue that these decentralized systems offer viable alternatives to traditional financial systems by enabling peer-to-peer transactions, fast and easy payments, portfolio diversification, inflation hedging, cross-border payments, financial inclusion, and transactional freedom. However, these benefits come with significant consumer risks due to a lack of regulatory clarity and established rules. Recent market turmoil has revealed vulnerabilities such as fraud, hacks, scam products, extreme volatility, insider trading, and limited legal protections. These risks have led to major financial losses for consumers, exemplified by the 2022 collapse of FTX and the arrest of its CEO, Sam Bankman-Fried.

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 new regulations covering policies and procedures, customer service standards, and financial stability.

- 2) *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.

### **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.

### **Arguments in Support**

Satoshi Action Fund writes in support:

Approximately 6 million California residents own digital assets such as Bitcoin, yet current law does not clearly define individuals' rights to transact with these assets or set limits on state and local restrictions. This lack of clarity leaves consumers and businesses uncertain about how they can legally use digital assets in everyday commerce and allows for a patchwork of potential regulations across jurisdictions. AB 1052 provides important protections for digital asset users in California.

### **Arguments in Opposition**

The Consumer Federation of California is oppose unless amended and notes concerns with Section 5 of the bill.

This section allows for individuals or businesses to accept digital financial assets as a form of payment for a good or service, but it also deems it a "valid and legal consideration" as a form of payment in a private transaction, which could have wide-ranging unintended consequences.

As it relates to the portions of the bill relating to unclaimed property and escheatment to the state via the State Controller's office we urge caution, since elements of law enforcement have already been guardians of digital financial assets garnered via fraud investigations and prosecutions.

## **FISCAL COMMENTS**

Ongoing costs of an unknown amount, likely in the millions of dollars, to the SCO to enter into a contract with a qualified custodian to manage and keep safe unclaimed DFAs, add DFAs to the SCO's online database of unclaimed properties, and establish new procedures to review DFA

claims and accompanying proof of ownership documents (Unclaimed Property Fund). The SCO is sponsoring a different bill to add DFAs to the UPL and notes that costs associated with that bill, which sets different program rules for DFAs and does not require a qualified custodian, would be in the millions of dollars annually depending on the volume of claims, beginning at up to \$717,000 for five positions in fiscal year (FY) 2026-27 to up to \$1.8 million for 13 positions in FY 2029-30 and annually thereafter.

## VOTES

### ASM BANKING AND FINANCE: 9-0-0

**YES:** Valencia, Chen, Dixon, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Schiavo, Soria

### ASM APPROPRIATIONS: 11-0-4

**YES:** Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Solache

**ABS, ABST OR NV:** Sanchez, Dixon, Ta, Tangipa

## UPDATED

VERSION: May 23, 2025

CONSULTANT: Darci Sears / B. & F. / (916) 319-3081

FN: 0000843