

**SENATE JUDICIARY COMMITTEE**  
**Senator Thomas Umberg, Chair**  
**2025-2026 Regular Session**

AB 1052 (Valencia)  
Version: May 23, 2025  
Hearing Date: July 1, 2025  
Fiscal: Yes  
Urgency: No  
AWM

**SUBJECT**

Digital assets

**DIGEST**

This bill adds a mechanism for digital assets to escheat to the state under the Unclaimed Property Law (UPL) and requires the Controller to engage an outside party to hold any escheated digital assets; and states that digital financial assets are deemed valid and legal consideration in a private transaction.

**EXECUTIVE SUMMARY**

Current law, the UPL, provides for the “escheat” of unclaimed personal property to the state, which is the reversion of property to the state due to the failure of the owner of the property to inherit or claim the property. When property escheats to the state, the state assumes custody of the property in perpetuity, unless and until the owner claims the property. The UPL provides procedures by which the holder of unclaimed property – including specified categories of intangible property – must transfer unclaimed property to the Controller, and for a rightful owner to apply to receive their property (or the monetary value thereof) after it has been transferred to the state.

This bill establishes a mechanism by which digital assets – a broad category that includes cryptocurrency, NFTs, and in-game stores of value – would escheat to the state. Among other things, the bill requires the Controller to engage a “qualified party” to hold any escheated digital assets, on the basis that the Controller is not able to safely hold and liquidate those assets. The author has agreed to amend the bill to narrow the scope to “digital financial assets,” as defined, and to permit, but not require, the Controller to engage a custodian to hold escheated digital financial assets.

Current law also establishes that “consideration,” for purposes of forming a contract – the value exchanged between parties to make a contract binding – can be more or less anything the parties agree on (provided it’s not illegal). This open-ended definition

gives private parties the maximum freedom to agree among themselves what goods and services are worth, rather than letting the state dictate what the terms of a contract should be.

This bill states that individuals may accept payment in the form of a digital financial asset – a narrower subset of digital assets – and that “the use of a digital asset as a form of payment in a private transaction shall be deemed valid and legal consideration.” The bill also states that a public entity is not required to accept digital financial assets in the form of payment. The author has agreed to amend the bill to remove this provision.

This bill is sponsored by the Satoshi Action Fund and is supported by the California Blockchain Advocacy Coalition. This bill is opposed by the Consumer Federation of California; Elder Law & Advocacy, Public Counsel, and Public Law Center are opposed to the bill in print but are neutral with the amendments set forth in this analysis. If this Committee passes this bill, it will then be referred to the Senate Banking and Financial Institutions Committee.

### **PROPOSED CHANGES TO THE LAW**

Existing law:

- 1) Defines “consideration” as any benefit conferred, or agreed to be conferred, upon the promisor, by any other person, to which the promisor is not lawfully entitled, or any prejudice suffered, or agreed to be suffered, by such person, other than such as they are at the time of consent lawfully bound to suffer, as an inducement to the promisor, is a good consideration for a promise. (Civ. Code, § 1605.)
- 2) Establishes the 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 Civ. Proc., pt. 3, tit. 10, ch. 7, §§ 1500 et seq.)
- 3) 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. (Code Civ. Proc., § 1501.5.)
- 4) Defines the following relevant terms:
  - a) “Unclaimed property,” unless specifically qualified, means all property (1) which is unclaimed, abandoned, escheated, permanently escheated, or distributed to the state, or (2) which, under any provision of law, will become unclaimed, abandoned, escheated, permanently escheated, or distributed to the state, or (3) to the possession of which the state or will become entitled, if not claimed by the person or persons entitled thereto within the time allowed by law, whether or not there has been a judicial determination that such

- property is unclaimed, abandoned, escheated, permanently escheated, or distributed to the state. (Code Civ. Proc., § 1300(b).)
- b) "Escheat," unless specifically qualified, means the vesting in the state of title to property the whereabouts of whose owner is unknown or whose owner is unknown or which a known owner has refused to accept, whether by judicial determination or by operation of law, subject to the right of claimants to appear and claim the escheated property or any portion thereof. (Code Civ. Proc., § 1300(c).)
  - c) "Apparent owner" means the person who appears from the records of the holder to be entitled to property held by the holder. (Code Civ. Proc., § 1501(a).)
  - d) "Business organization" means any private corporation, joint stock company, business trust, partnership, or any association for business purposes of two or more individuals, whether or not for profit, including, but not by way of limitation, a banking organization, financial organization, life insurance corporation, and utility. (Code Civ. Proc., § 1501(c).)
  - e) "Holder" means any person in possession of property subject to the UPL belonging to another, or who is a trustee in case of a trust, or is indebted to another on an obligation subject to the UPL. (Code Civ. Proc., § 1501(e).)
  - f) "Owner" means a depositor in case of a deposit, a beneficiary in case of a trust, or creditor, claimant, or payee in case of any other choses in action, or any person having a legal or equitable interest in property subject to the UPL, or their legal representative. (Code Civ. Proc., § 1501(g).)
  - g) "Person" means any individual, business association, government or governmental subdivision or agency, two or more persons having a joint or common interest, or any other legal or commercial entity, whether that person is acting in their own right or in a representative fiduciary capacity. (Code Civ. Proc., § 1501(h).)
- 5) Provides that all tangible personal property and, subject to 4)-5), 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 phone, 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. (Code Civ. Proc., § 1520.)
- 6) Provides that, unless otherwise provided, intangible personal property escheats to this state under 3) and 5) when the following conditions are met:
- a) The last known address, as shown on the records of the holder, of the apparent owner is in this state.
  - b) No address of the apparent owner appears on the records of the holder and (1) the last known address of the apparent owner is in the state; (2) the holder is domiciled in this state and has not previously paid the property to the state of the last known address of the apparent owner; or (3) the holder is a government or governmental subdivision of the state and has not previously paid the property to the state of the last known address of the apparent owner.
  - c) The last known address, as shown on the records of the holder, of the apparent owner is in a state that does not provide by law for the escheat of such property and the holder is (1) domiciled in this state or (2) a government or governmental subdivision or agency of this state.
  - d) The last known address, as shown on the records of the holder, of the apparent owner is in a foreign nation and the holder is (1) domiciled in this state or (2) a government or governmental subdivision or agency of this state. (Code Civ. Proc., § 1510.)
- 7) Establishes the specific conditions under which intangible or personal property held by a business association escheats to the state; intangible property held by a business association generally escheats after three years of specified inactivity by the owner, except as specified. (Code Civ. Proc., §§ 1513-1521.)
- 8) Requires a holder of funds or other personal property to report to the Controller, on a form prescribed by the Controller, specified information relating to the property and the holder. (Code Civ. Proc., § 1530.)
- 9) Requires the holder, no sooner than 7 months and no later than 7 months and 15 days after filing the report in 6), to pay or deliver to the Controller all escheated property specified in the report.
- a) Any payment of unclaimed cash in an amount of at least \$2,000 shall be made by electronic funds transfer.
  - b) If a person establishes their right to receive the property specified in the report before it is delivered to the Controller, the holder shall instead file a report with the Controller containing information regarding the returned property. (Code Civ. Proc., § 1532.)
- 10) Permits the Controller, if they determine, in their discretion, that it is not in the interest of the state to take custody of tangible personal property, to notify the

holder within 120 days of the report that the state will not be taking custody of the property. (Code Civ. Proc., § 1533.)

11) Provides that any person, excluding another state, who claims to have been the owner of property paid or delivered to the Controller under the UPL may file a claim to the property or to the net proceeds from its sale. There is no time limit in which an owner may make a claim.

- a) "Owner," for purposes of 9), means the person who had a legal right to the property before its escheat, their heirs or personal representative, their guardian or conservator, or a public administrator acting pursuant to the Probate Code; and also includes specified dissolved organizations.
- b) The Controller shall consider each claim within 180 days after it is filed to determine if the claimant is the owner.
- c) If the Controller denies the claim, notice must be given in writing.
- d) If the Controller fails to make a decision on the claim within 180 days of filing, or denies the claim in whole or in part, the claimant may file an action for review in the superior court. (Code Civ. Proc., §§ 1540, 1541.)

12) Provides that, when the Controller takes custody of unclaimed securities listed on an established stock exchange, the Controller shall sell the securities at the prevailing prices on that exchange; other securities may be sold over the counter at prevailing prices or by any other method that the Controller may determine to be advisable. A person making a valid claim for the securities shall be entitled to receive the securities as long as they remain in the custody of the Controller; if they have been sold, the person shall be entitled to receive the net proceeds received by the Controller in the sale. (Code Civ. Proc., § 1563.)

13) Establishes the Digital Financial Asset Law (DFAL), which governs businesses offering digital financial assets to, trading digital financial assets with, and storing digital financial on behalf of, persons in this state. (Fin. Code, div. 1.25, §§ 3101 et seq.)

14) Defines "digital financial asset" within the DFAL 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. (Fin. Code, § 3102(g).)

This bill:

1) Adds definitions within the UPL:

- a) “Digital account holder” means a customer account, wallet, or other repository device maintained by an owner with a holder, which could contain one or more types of digital assets, fiat currency, or other property.
- b) “Digital asset” means a virtual currency, cryptocurrency, or other digital-only asset that confers economic, proprietary, or access rights or powers.
- c) “Private key” means a unique element of cryptographic data, used for signing transactions on a blockchain, and is known to the owner of the element.
- d) “Qualified custodian” means either of the following:
  - i. A company possessing a license granted by the state that facilitates the sale of digital assets to customers and offers custody services for them; or
  - ii. A federal or state-chartered bank, trust company, or special purpose depository institution that is licensed or authorized to facilitate the sale of digital assets or offer custody services for them.

2) Provides that property 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 by the United States Postal Service or by electronic mail or by electronic messaging method, as applicable. The running of this three-year period ceases immediately upon an act of ownership interest in the digital asset account or written, oral, or electronic communication with the holder as evidenced by a memorandum or other record on file with the holder or its agents.
- 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) Provides that, for purposes of 2), an “exercise of an act of ownership interest” includes any of the following actions by the owner regarding the digital asset account:

- a) Conducting a transaction regarding the digital asset account, including buying or selling digital assets or 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.
- 4) Provides that, if the digital asset account that escheats to the state pursuant to 2) contains digital assets and the holder has full control of the necessary private keys to transfer those digital assets, the holder shall report and deliver the digital assets in their native form to the qualified custodian designated by the Controller pursuant to 6) within 30 days of reporting, and such placement within the Controller's designated qualified custodian constitutes delivery. The holder shall provide the controller with proof of delivery upon request.
- 5) Provides that, in the event the holder of digital assets that escheat to the state pursuant to 2) possesses only a partial private key to the digital asset or is otherwise unable to move the digital asset to the Controller's designated qualified custodian, 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 custodian.
- 6) Requires the Controller to select a qualified custodian for the management and safekeeping of digital assets that have escheated to the state pursuant to 2) no later than January 1, 2027.
- 7) Requires the Controller to select a qualified custodian based on evaluation of the following criteria:
  - a) Secure storage to ensure the safekeeping of digital assets, including robust cybersecurity measures to prevent unauthorized access.
  - b) Capability to manage private keys associated with digital assets and ensure the ability to transfer or transact with the assets when required.
  - c) Proven experience in handling digital assets.
  - d) Compliance with all applicable federal and state regulations related to digital asset custody.
  - e) Regular reporting mechanisms to the Controller regarding the status and value of the digital assets in their custody.
  - f) Processes to reunite owners with their digital assets, including maintaining updated contact records and issuing timely notifications.
  - g) Whether the entity qualifies as a "financial organization" under specified federal regulations, which subject the entity to federal anti-money-laundering obligations.
  - h) Other factors the Controller deems relevant.
- 8) Adds a new section within the DFAL (Section 3802).

- 9) Defines “public entity” within Section 3802 to mean either of the following:
- a) A state office, officer, department, division, bureau, board, commission, or agency.
  - b) A city, county, city and county, district, public authority, public agency, or any other political subdivision of the state.
- 10) Provides the following within Section 3802:
- a) An individual or business located within this state may accept payment in the form of a digital financial asset for the sale of a good or service.
  - b) The use of a digital asset as a form of payment in a private transaction shall be deemed valid and legal consideration.
  - c) Section 3802 does not require a public entity to accept digital financial assets as a form of payment.

### COMMENTS

#### 1. Author’s comment

According to the author:

AB 1052 provides necessary statutory clarity by recognizing digital assets – such as cryptocurrency, stablecoins, and tokenized instruments – as subject to California’s unclaimed property law. As digital assets become increasingly integrated into commerce, this bill ensures the state’s financial regulations evolve accordingly. This bill enhances consumer protections, reduces legal ambiguity, and modernizes the statutory treatment of virtual currencies. In doing so, AB 1052 positions California to responsibly regulate emerging financial technologies while preserving the integrity of its unclaimed property system

#### 2. Background on the UPL

The UPL provides for the “escheat” of unclaimed personal property to the state, which is the reversion of property to the state due to the failure of the owner of the property to inherit or claim the property.<sup>1</sup> When property escheats to the state, the state assumes custody of the property in perpetuity, unless and until the owner claims the property.<sup>2</sup> “The UPL is not a permanent or ‘true’ escheat statute” because it does not transfer legal ownership of the property to the state.<sup>3</sup>

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<sup>1</sup> Code Civ. Proc., pt. 3, tit. 10, ch. 7, §§ 1500 et seq.

<sup>2</sup> *Id.*, § 1540.

<sup>3</sup> *Azure Limited v. I-Flow Corp.* (2009) 46 Cal.4th 1323, 1328 (some internal quotation marks removed); Civ. Code, § 1501.5.



There are three significant players under the UPL: the owner, the holder, and the state. The “owner” is the person to whom the property actually belongs.<sup>4</sup> The “holder” is the person who has possession of the property, such as a bank holding funds or a brokerage account holding securities.<sup>5</sup> Holders of unclaimed property have no interest in the unclaimed property; they are simply trustees of the property while the property is in their possession.<sup>6</sup> The third party is the state, which assumes custody of unclaimed property from the holder. The state’s custody has two purposes: by assuming custody of unclaimed property, the state can protect the owner’s interests; and, less altruistically, custody of unclaimed property allows the state to benefit from the use of the unclaimed property until the rightful owner comes along.<sup>7</sup>

The UPL establishes procedures to be followed when property goes unclaimed, generally for a period of three years, and custody reverts to the state.<sup>8</sup> The holder must file an annual report on unclaimed property and turn the property over to the Controller at the time the report is filed.<sup>9</sup> Assuming the Controller does not decline to take custody of the property,<sup>10</sup> the holder then must transfer the property to the Controller within a specified time.<sup>11</sup> The Controller then holds the property or sells it and holds the proceeds in perpetuity, unless and until the rightful owner makes a claim for its return.<sup>12</sup> The Controller retains the interest or other income on property or moneys that accrue after the state takes custody of the property.<sup>13</sup>

### 3. Background on digital financial assets and the DFAL

Digital assets are, broadly speaking, digital stores of value or representations of value in a digital space that do not have a physical manifestation. Digital financial assets are a subset of digital assets, and generally are framed as alternatives to fiat currency, that is, currency issued or backed by a government or central bank. Also unlike the dollar, there is no physical manifestation of a digital financial asset that can be possessed in the physical realm; it exists only virtually. 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. Other digital assets can include tokens collected in a video game, loyalty points, and Dave and Buster’s Game Chips.

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<sup>4</sup> *Id.*, § 1501(g).

<sup>5</sup> *Id.*, § 1501(e).

<sup>6</sup> *Bank of America v. Cory* (1985) 164 Cal.App.3d 66, 74

<sup>7</sup> *Azure Limited, supra*, at p. 1328.

<sup>8</sup> Code Civ. Proc., § 1520.

<sup>9</sup> *Id.*, § 1530.

<sup>10</sup> *Id.*, § 1533.

<sup>11</sup> *Id.*, § 1532.

<sup>12</sup> *Id.*, §§ 1540, 1563.

<sup>13</sup> *Id.*, § 1562.

In 2023, the Legislature enacted AB 39 (Grayson, Ch. 792, Stats. 2023) and SB 401 (Limón, Ch. 871, Stats. 2023) which together comprise the DFAL, a comprehensive licensing and regulation regime for cryptocurrency and other digital financial assets.<sup>14</sup> The DFAL requires, beginning July 1, 2026, any person engaging in digital financial asset business activity with residents of this state must have a license obtained from the DFPI.<sup>15</sup> The DFAL also establishes criteria for obtaining a license and grants the DFPI enforcement authority over the DFAL's provisions.<sup>16</sup> Additionally, the DFAL regulates digital financial asset transaction kiosks – kiosks that are kind of like an ATM, except instead of allowing a user to access fiat currency from a bank account, they let a user convert fiat currency into a digital asset or vice versa.<sup>17</sup> The DFPI is currently in the rulemaking process in anticipation of the July 1, 2026, digital financial asset licensing date.<sup>18</sup> The kiosk-specific requirements are already in effect.<sup>19</sup>

While the DFAL will regulate legitimate digital financial asset businesses, digital financial assets have also enabled vast criminal networks which, through the anonymity of the blockchain, can exchange vast amounts of value for unlawful purposes and cash out their proceeds without any of the oversight, or traceability, of fiat currency transactions. For example, the Financial Crimes Enforcement Network (FinCEN) of the United States Treasury found that cryptocurrencies are increasingly used to facilitate human trafficking and the exchange of child sexual abuse material.<sup>20</sup> Earlier this year, the European Union Serious and Organized Crime Threat Assessment 2025 reported that cryptocurrency is part of a sea change in organized and serious crime, permitting bad actors to exchange funds without oversight and defraud individuals at a scale never before seen.<sup>21</sup> And here in the United States, President Trump has enriched himself – to the tune of billions of dollars – by offering several cryptocurrency tokens for sale.<sup>22</sup> President Trump has publicly rewarded large investors in his \$Trump token

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<sup>14</sup> See Fin. Code, div. 1.25, §§ 3101 et seq.

<sup>15</sup> *Id.*, § 3201. The DFAL's licensing requirements were originally set to take effect on July 1, 2025, but they were extended by one year to give the DFPI more time to ramp up its digital-asset-related operations. (See AB 1934 (Grayson, Ch. 945, Stats. 2024).)

<sup>16</sup> *Id.*, §§ 3202, 3225.

<sup>17</sup> See *id.*, div. 1.25, Ch. 9, §§ 3901 et seq.

<sup>18</sup> See DFPI, Digital Financial Assets, <https://dfpi.ca.gov/regulated-industries/digital-financial-assets/>. All links in this analysis are current as of June 26, 2025.

<sup>19</sup> See Fin. Code, §§ 3901-3907. To the extent any digital financial asset kiosk operator also engages in digital financial asset business activity, that operator will also be required to comply with the DFAL's broader licensing requirements. (*Id.*, § 3907.)

<sup>20</sup> FinCEN, Online Child Sexual Exploitation and Human Trafficking: Threat Pattern & Trend Information, January 2020 to December 2021 (Feb. 2024) pp. 5-8.

<sup>21</sup> See generally, European Union Serious and Organized Crime Threat Assessment 2025, The changing DNA of serious and organized crime (2025) available at <https://www.europol.europa.eu/publication-events/main-reports/changing-dna-of-serious-and-organised-crime>.

<sup>22</sup> E.g., Alexander, *This Is How Much Trump Has Made From Crypto – So Far* (Jun. 5, 2025) Forbes, available at <https://www.forbes.com/sites/danalexander/2025/06/05/this-is-how-much-trump-has-made-from-crypto-so-far/>.

with a dinner at Mar-a-Lago, and ethicists can only speculate as to what benefits he's granting major \$Trump buyers behind closed doors.<sup>23</sup>

Digital financial assets are also increasingly used in consumer fraud schemes. The Federal Bureau of Investigation (FBI) reports that, in 2024, it received 149,686 complaints of cryptocurrency-related fraud, resulting in \$9.3 billion in losses.<sup>24</sup> Both the number of complaints and the total losses represent a substantial increase over 2023.<sup>25</sup> Persons over 60 years of age were the hardest hit, with over 33,000 complaints and over \$2.8 billion in losses.<sup>26</sup> These numbers likely understate the scope of the problem because they reflect only complaints made to the FBI's Internet Crime Complaint Center and do not include complaints to other law enforcement agencies or persons who were defrauded but elected not to report.

4. This bill establishes a process by which digital assets would escheat to the state, under which the Controller would be required to contract with an outside entity to hold the assets

While the UPL establishes procedures for the escheat of a number of forms of intangible property,<sup>27</sup> it does not clearly address digital assets or, more specifically, digital financial assets.

This bill establishes a regime for the escheat of digital assets to the state. The definition of "digital assets" includes not only digital financial assets but also any "digital-only asset that confers economic, proprietary, or access rights or powers." Because this definition is significantly broader than the definition of "digital financial assets" in the DFAL, it appears that the Controller could be responsible for taking control of digital assets that are tethered to the medium in which, or merchant by whom, they were issued, such as in-game currencies and customer loyalty points. It is unclear why the state would want the Controller to take possession of, e.g., Robux.

The bill's UPL mechanism for the escheat of digital assets generally conforms to the existing UPL procedures, but it includes an unusual mechanism for holding escheated digital assets: the Controller must engage a "qualified custodian" who will be tasked with the "management and safekeeping" of digital assets that have escheated to the

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<sup>23</sup> E.g., Weissert & Sunderman, *Trump hosts top crypto investors as some industry leaders fear he's putting personal profits first* (May 22, 2025) AP News, <https://apnews.com/article/trump-crypto-projects-industry-scam-memecoin-0e2d7ca5170bf594d44a391884ec52b3>; Traylor, Harty, & Sentner, *Trump's week of crypto embrace continues despite ethics red flags* (May 28, 2025) Politico, <https://www.politico.com/news/2025/05/28/trump-crypto-bitcoin-ethics-conflicts-00372688>.

<sup>24</sup> FBI Internet Crime Complaint Center, Internet Crime Report 2024, p. 35, available at [http://www.ic3.gov/AnnualReport/Reports/2024\\_IC3Report.pdf](http://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf).

<sup>25</sup> *Ibid.*

<sup>26</sup> *Ibid.*

<sup>27</sup> Civ. Code, §§ 1510-1528.

state. According to the author, the Controller does not have the infrastructure to safely hold and liquidate digital assets.

In order to narrow the bill's application to digital assets with meaningful exchange value, and to ensure that the Controller has the discretion necessary to best implement the UPL, the author has agreed to amend the UPL provisions of the bill to (1) apply to "digital financial assets," as defined in the DFAL, rather than all digital assets, and (2) permit, but not require, the Controller to engage an entity or entities to hold digital financial assets which have escheated to the state. The amendments are set forth in Comment 6 of this analysis.

5. This bill states that digital financial assets are valid and legal consideration

"The general rule is that every executory contract requires consideration."<sup>28</sup>

Consideration is what separates a legally binding agreement from a mere promise:

"[t]he fact that a promise is made with the purpose or hope of profit will not sustain it if in fact nothing of value is received."<sup>29</sup>

California law does not tell people what can constitute consideration. Instead, the law defines consideration in terms of the value it has to the recipient:

Any benefit conferred, or agreed to be conferred, upon the promisor, by any other person, to which the promisor is not lawfully entitled, or any prejudice suffered, or agreed to be suffered, by such person, other than such as he is at the time of consent lawfully bound to suffer, as an inducement to the promisor, is a good consideration for a promise.<sup>30</sup>

This abstract definition is necessary because the notion of what constitutes a benefit, or what has value, is so subjective — one person's trash is another person's treasure, etc. Accordingly, other than stating that consideration cannot be something illegal — the law will not enforce, e.g., a contract for the sex trafficking of a minor<sup>31</sup> — California law does not tell private parties what they can and cannot bargain for.<sup>32</sup> This definition has been untouched since it was first codified in 1872.

This bill, however, would add a provision to the DFAL — Section 3802 — stating that "an individual or business located within this state may accept payment in the form of a digital financial asset for the sale of a good or service" and that "the use of a digital financial asset as a form of payment in a private transaction shall be deemed valid and legal consideration." The author and sponsor claim that these provisions are necessary to provide clarity in the law but have not provided any examples of a case in which

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<sup>28</sup> 1 Witkin, Summary of Cal. Law (11th Ed. 2025) Contracts, § 202; *see* Civ. Code, § 1550.

<sup>29</sup> 1 Witkin, Summary of Cal. Law (11th Ed. 2025) Contracts, § 202.

<sup>30</sup> Civ. Code, § 1605.

<sup>31</sup> *Id.*, § 1669.5.

<sup>32</sup> *Id.*, §§ 1606-1608, 1667.

willing parties wanted to use a digital financial asset as consideration but refrained from doing so. To the contrary, as discussed in Comment 3, above, the use of digital financial assets is flourishing for licit – and illicit – purposes.

An additional provision also raises questions about the effect of the “valid and legal consideration” language. Specifically, the bill states that Section 3802 “does not require a public entity to accept digital financial assets as form of payment.” This suggests that the goal of the preceding terms is, in fact, to *require* private parties to accept digital financial assets as consideration; otherwise no such exemption for public entities would be necessary. Requiring private parties to accept a specific form of consideration in their private agreements is unheard of – private parties are not even required to accept U.S. dollars as consideration.<sup>33</sup> Given the myriad reasons a person might not want to accept or receive cryptocurrency, it is unclear why digital financial assets should be given such preferential treatment under state law.

In response to these concerns and the concerns raised by the opposition, the author has agreed to remove this portion of the bill. The amendments are set forth in Comment 6 of the analysis.

## 6. Amendments

As noted above, the author has agreed to amend the bill to narrow and focus the changes to the UPL, and to delete the provision relating to digital financial assets as “valid and legal consideration.” The amendments are set forth below, subject to any nonsubstantive changes the Office of Legislative Counsel may make.

### Amendment 1

On page 3, in line 1, insert “financial” between “digital” and “assets”

### Amendment 2

On page 3, delete lines 3-5 and insert:

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

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<sup>33</sup> See 31 U.S.C. § 5103; see Board of Governors of the Federal Reserve System, FAQs, “Is it legal for a business in the United States refuse cash as a form of payment?” (last updated Jul. 21, 2020) [https://www.federalreserve.gov/faqs/currency\\_12772.htm](https://www.federalreserve.gov/faqs/currency_12772.htm) (“There is no federal statute mandating that a private business, a person, or an organization must accept currency or coins as a form of payment”).

Amendment 3

On page 4, delete lines 3-10.

Amendment 4

In Sections 2 and 3 of the bill, replace all instances of “digital asset” with “digital financial asset”

Amendment 5

On page 2, delete lines 6-21 and insert:

(d) (1) If the digital financial asset account that escheats to the state pursuant to this section contains digital financial assets and the holder has full control of the necessary private keys required to transfer those digital financial assets, the holder shall report and deliver the digital financial assets in their native form to Controller, and such placement with the Controller constitutes delivery. The holder shall provide the Controller with proof of delivery upon request.

(2) In the event the holder possesses only a partial private key to the digital financial asset or is otherwise unable to move the digital financial asset to the Controller, the holder shall maintain the digital financial asset until the additional keys required to transfer the digital financial asset become available or the holder is otherwise able to transfer the digital financial asset to the Controller.

Amendment 6

On page 5, delete lines 24-29 and insert:

1516.6. (a) The Controller may, in its discretion, select one or more custodians for the management and safekeeping of digital financial assets that have escheated to the state. An entity selected to serve as a custodian must hold a valid license issued by the Department of Financial Protection and Innovation pursuant to Chapter 2 of Division 1.25 of the Financial Code.

(b) If the Controller elects to select a custodian pursuant to subdivision (a), the Controller shall consider the following criteria in making the selection:

Amendment 7

Delete Section 5 of the bill.

7. Arguments in support

According to the Satoshi Action Fund:

Satoshi Action Fund is pleased to support AB 1052, relating to the use of digital financial assets. 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. Transactions with these assets is becoming more common as companies like Steak and Shake are accepting Bitcoin and both California Senators voted in favor of stablecoin (digital financial assets pegged to the dollar) that recently passed the Senate.

The deeming of digital financial asset transactions as legal is an important first step to clarifying tax obligations and other related questions in further legislation. In 8 states, such protections for transactions are paired with answers to these core questions. The first step to California addressing them is ensuring that the transactions themselves are legal.

In addition, AB 1052 establishes a clear framework for handling unclaimed digital assets under California's Unclaimed Property Law, ensuring those assets are safeguarded by licensed custodians and returned to their rightful owners when claimed. This prevents Californians from missing out on gains due to their assets being unnecessarily liquidated. Such legislation has been enacted in Arizona on a bipartisan basis.

8. Arguments in opposition

According to the Consumer Federation of California (CFC):

CFC has been extremely active in the regulation and licensing of Digital Financial Assets such as cryptocurrency. We were the outside sponsor of AB 39 (Grayson) during the 2023-24 session, which created California's Digital Financial Assets Law (DFAL). DFAL is an important development in consumer protection in California, and our state's Department of Financial Protection and Innovation (DFPI) is standing up much of California's crypto licensing law at this time. Parts of AB 1052 would impede this process in a way that CFC is concerned may not work in the best interests of California consumers.

Our main concern with the bill is Section 5, which adds Section 3802 to the Financial Code. 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. Although we appreciate the amends to Section 5 of the bill removing the limits placed on

public entities in California we still urge the elimination of Section 5 from the bill.

### **SUPPORT**

Satoshi Action Fund (sponsor)  
California Blockchain Advocacy Coalition

### **OPPOSITION**<sup>34</sup>

Consumer Federation of California  
Elder Law & Advocacy  
Public Counsel  
Public Law Center

### **RELATED LEGISLATION**

#### **Pending legislation:**

SB 849 (Weber Pierson, 2025) provides that property distributable in the course of a court-ordered or court-approved settlement is deemed abandoned in specified circumstances, and provides for the escheat to the state of that property. SB 849 is pending before this Committee.

SB 822 (Becker, 2025) amends the Unclaimed Property Law (UPL) to provide when and how digital financial assets, as defined, escheat to the state, except that it does not require the Controller to pay an outside vendor to maintain digital financial assets on its behalf. SB 822 is pending before the Assembly Judiciary Committee.

AB 1447 (Gipson, 2025) provides that the Controller need provide physical mail notice to a potential owner under the UPL only if the mail address provided for the person is a valid deliverable address. AB 1447 is pending before this Committee and is set to be heard on the same date as this bill.

#### **Prior legislation:**

AB 2280 (Reyes, Ch. 282, Stats. 2022) authorized the Controller to establish the California Voluntary Compliance Program, for the voluntary compliance of holders for the purpose of resolving unclaimed property that is due and owing to the state under the UPL.

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<sup>34</sup> As noted in the Executive Summary, Elder Law & Advocacy, Public Counsel, and Public Law Center are neutral on the bill with the amendments set forth in this analysis.



SB 301 (Min, Ch. 103, Stats. 2021) lowered the amount under the UPL at which point a transfer of unclaimed cash must be paid to the Controller via electronic transfer, from \$20,000 to \$2,000.

**PRIOR VOTES:**

Assembly Floor (Ayes 78, Noes 0)

Assembly Appropriations Committee (Ayes 11, Noes 0)

Assembly Banking and Finance Committee (Ayes 9, Noes 0)

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