

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

AB 2409 (Valencia)
Version: June 18, 2026
Hearing Date: June 30, 2026
Fiscal: Yes
Urgency: No
AWM

SUBJECT

Digital assets: meme coins

DIGEST

This bill prohibits state and local officials from issuing a meme coin, as defined, and prohibits a digital asset service provider from listing for sale on behalf of, or for purchase by, a California resident a meme coin issued on or after January 1, 2027, if the meme coin contains the likeness or image of a federal public official or state or local official.

EXECUTIVE SUMMARY

A meme coin is a form of digital asset, i.e., a store of value that exists only in electronic form. Meme coins are considered a form of, or adjacent to, cryptocurrencies, insofar as both meme coins and cryptocurrencies are usually denominated in currency-evoking terms (e.g., "coin") and are traded on the same exchanges. The difference between a meme coin and cryptocurrency is philosophical: the issuers and backers of major cryptocurrencies intend for their digital assets to serve as a medium of exchange to compliment, or instead of, fiat currency, whereas meme coins are upfront about having no value other than hype value. This is, admittedly, a difference of distinction rather than degree: cryptocurrencies also have nothing backing them beyond the collective impression of the coin, and as a result remain susceptible to wild fluctuations in value. The hype-based nature of meme coins, however, makes them ideal for scammers who use artificial buzz to push up a meme coin's value and sell their holdings right before the price collapses.

Just before his second inauguration, President Donald Trump, in partnership with a decentralized finance protocol in which his family has an ownership stake, issued his own meme coin. The coin initially soared in value, trading as high as \$75 per coin, but the value has since tanked; the value spiked briefly when President Trump announced that he would attend a private dinner for the 220 persons with the largest shares of the

coin and grant additional access to the higher owners among those 220 people. President Trump and his family make money every time his coin is traded, on top of whatever profits they have made from sales of the coin.

This bill is intended to prevent meme coins, and the conflicts of interest and appearance of corruption that follow, from eroding the public's trust in the political system. To that end, this bill prevents a state or local public official from issuing a meme coin, as defined. Additionally, this bill prevents a digital asset service provider from listing for sale on behalf of, or for purchase by, a California resident a meme coin issued on or after January 1, 2027, that contains the likeness or image of a federal public official or a state or local public officer. The author has agreed to minor amendments to clarify the definition of "meme coin" and the digital asset service provider restrictions.

This bill is sponsored by the author and is supported by California Common Cause. The Committee has not received timely opposition to this bill.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Establishes the Digital Financial Assets Law (DFAL), which governs the digital financial asset business activity of a person doing business in California or doing business with Californians. (Fin. Code, div. 1.25, §§ 3101 et seq.)
- 2) Defines the following relevant terms within the DFAL:
 - a) "Digital financial asset" means 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; and does not include specified rewards or affinity program transactions, digital representations of value issued on behalf of a publisher and used solely within an online gaming platform, or a security registered, or exempt from registration, with the United States Securities and Exchange Commission. (Fin. Code, § 3102(g).)
 - b) "Stablecoin" means a digital financial asset that is pegged to the United States dollar or another national currency and is marketed in a manner that intends to establish a reasonable expectation or belief among the general public that the instrument will retain a nominal value that is so stable as to render the nominal value effectively fixed. (Fin. Code, § 3601.)
- 3) Establishes the Political Reform Act of 1974, which requires, among other things, public officials to disclose assets and income which may be materially affected by their official actions, and requires that, in appropriate circumstances, an official should be disqualified from acting in order to avoid a conflict of interest. (Gov. Code, tit. 9, §§ 81000 et seq.)

- 4) Requires, beginning January 1, 2027, statements of economic interest and conflict of interest codes under the Political Reform Act of 1974 to include disclosures of, and potential disqualification for conflicts of interest arising from, digital financial asset holdings. (AB 1029 (Valencia, Ch. 85, Stats. 2025).)

This bill:

- 1) Makes the following findings and declarations:
 - a) Public officials must not use the authority entrusted to them for private financial gain.
 - b) When public officials issue or promote financial instruments, it undermines public confidence in government, creates opportunities for conflicts of interest and pay-to-play arrangements, and risks exploitation and corrupt foreign influence.
 - c) Public office is a public trust that must be exercised solely for the benefit of the people of California.
- 2) Defines the following terms:
 - a) "Digital asset" means a digital representation of value recorded on a cryptographically secured, distributed ledger, including a blockchain or similar technology, including, but not limited to, a digital financial asset, a stablecoin, or a token, including a fungible token or nonfungible token (NFT).
 - b) "Digital asset exchange" means an online marketplace or platform where users can buy, sell, or swap digital assets.
 - c) "Digital financial asset" has the same meaning as in the DFAL.
 - d) "Issue" means to make available for public purchase, donation, or exchange of any value, whether promoted or not.
 - e) "Meme coin" means a type of digital asset inspired by internet memes, characters, current events, or trends, for which the promoter seeks to attract an enthusiastic online community to purchase the meme coin and engage in its trading.
 - f) "NFT" means a unique digital representation of an asset, an object, the rights of the holder, or any other item, whether tangible or not, that is built on an existing blockchain.
 - g) "Public employee" means an employee of a state or local government entity who has decisionmaking authority over bids and contracts for that entity.
 - h) "Public officer" includes a state or local elected or appointed officer, including a Member of the Legislature, and an elected or appointed member of a governmental board, commission, committee or other body, including a governmental body that has only advisory powers.
 - i) "Stablecoin" has the same meaning as defined in the DFAL.
 - j) "Token" means a digital representation of an asset, object, rights of the holder, or any other item, whether tangible or not, that is built on an existing blockchain.

- 3) Prohibits a public official or employee from issuing a meme coin.
- 4) Prohibits a business that operates a digital asset exchange from listing a meme coin for sale on behalf of, or for purchase by, a California resident if the meme coin contains the likeness or image of a federal public official or a state or local public officer.
- 5) Provides that 3) and 4) may be enforced through a civil action brought by the Attorney General, a district attorney, a city attorney, or county counsel for injunctive relief and disgorgement.

COMMENTS

1. Author's comment

According to the author:

Digital assets have created new opportunities for innovation, but also new risks that California's corruption laws were not built to address. The rapid growth of digital asset platforms has made it easier than ever to create meme coins, producing opportunities for bad actors to circumvent existing economic disclosure and conflict-of-interest laws. As these platforms grow, so does the risk that these technologies could be used to profit from or influence public decision-making. AB 2409 strengthens California's anti-corruption standards for the digital age, ensuring that elected officials and public employees cannot issue digital financial assets to personally benefit from their positions. The bill is drafted broadly to cover both current technologies and future developments. The bill also authorizes the Attorney General to seek injunctive relief and require disgorgement of any funds generated in violation.

2. Background on digital assets, digital financial assets, and meme coins

The term "digital assets" encompasses a broad range of electronic-only assets that can be understood to have value. Digital assets include assets styled in monetary terms – including cryptocurrencies – as well as unique assets such as NFTs.

A digital financial asset is, broadly speaking, a digital representation of value that is not issued or backed by a government or central bank. Unlike the dollar, cryptocurrency is not considered legal tender, but private parties may agree to its use to facilitate an economic exchange. 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. Cryptocurrencies such as bitcoin are the classic example of digital financial assets; bitcoin's biggest supporters are "decentralized finance," or "defi," proponents who believe people are better off conducting financial transactions without the intermediary of a bank or other third-party firm.

A meme coin is a digital financial asset characterized less by philosophical principles and more by ironic nihilism and raw avarice. Meme coins “were born when coins were created as a joke inspired by an internet meme or cartoonish animal faces.”¹ They’ve been described as a “novelty investment,”² which seems like an oxymoron, and as “a highly volatile type of crypto token that generally ha[s] no inherent value and trade[s] based on online fervor.”³ Because meme coins, even more so than “established” cryptocurrencies, are backed by nothing more than vibes, meme coins are susceptible to massive fluctuations in value. The Securities and Exchange Commission has declined to regulate meme coins because they “lack [] utility, other than for entertainment or other non-functional purposes.”⁴

In the absence of oversight, meme coins are frequently used by sophisticated financial players and scam artists to profit from the misguided enthusiasm of the financially naïve.⁵ For example, in “rug pull” and “pump and dump” schemes, the bad actor generates hype around a coin and sells before the market tanks (i.e., when everyone remembers they’re buying something inherently worthless); a “rug pull” is committed by the issuer, while “pump and dump” works for any actively traded meme coin. Third parties can also cause dramatic spikes and dives in a meme coin’s value just by talking about the coin. For example, Elon Musk is a superfan of the Dogecoin meme coin; his public statements about the coin can “send that market into fits of exuberance]” or cause it to tank, depending on his mood.⁶

Is every meme coin a scam? “According to David Gerard, author of *Attack of the 50 Foot Blockchain*: ‘Basically, literally, yes.’ ”⁷ “Another way of defining a memecoin...is

¹ Lipton, *Trump Begins Selling New Crypto Token, Raising Ethical Concerns* (Jan. 18, 2025) New York Times, available at <https://www.nytimes.com/2025/01/18/us/politics/trump-meme-coin-crypto.html>. All links in this analysis are current as of June 25, 2026.

² Lipton & Yaffe-Bellamy, *Auction to Dine With Trump Creates Foreign Influence Opportunity* (May 12, 2025) New York Times, available at <https://www.nytimes.com/2025/05/12/us/politics/trump-crypto-coin-auction.html>.

³ Harty, ‘F--k this coin’: Trump set to attend memecoin conference after 96 percent wipeout (Apr. 23, 2026) Politico, <https://www.politico.com/news/2026/04/23/crypto-traders-disenchanted-trump-memecoin-00888035>.

⁴ United States Securities and Exchange Commission, Staff Statement on Meme Coins (Feb. 27, 2025) <https://www.sec.gov/newsroom/speeches-statements/staff-statement-meme-coins>.

⁵ E.g., Khalili, *Crypto FOMO is Back. So Are the Scams* (Apr. 15, 2024) WIRED, <https://www.wired.com/story/cryptocurrency-scams-memecoins/>; Shittu, *Meme Coin Market Crash: \$28 Billion Vanishes as Prices Plunge 40% to July Lows* (Oct. 2025) cryptonews, <https://cryptonews.com/news/meme-coin-market-crash-28-billion-vanishes-as-prices-plunge-40-to-july-lows/>.

⁶ Barber, *When Musk Tweets About Crypto, It’s Eloncoin All the Way Down* (May 17, 2021) WIRED, <https://www.wired.com/story/elon-musk-dogecoin-bitcoin-tweets-prices/>. Musk’s statements have also cause wild fluctuations in the value of more established cryptocurrencies, such as bitcoin, illustrating the nebulous distinction between meme coins and digital financial assets. (*Ibid.*)

⁷ Shea, *Is every memecoin just a scam? Experts on whether Andrew Tate and Trump are fleecing their followers* (May 30, 2025) The Guardian, <https://www.theguardian.com/technology/2025/may/30/is-memecoin-scam-crypto-trump>.

a cryptocurrency token that has an acknowledged inherent lack of value.”⁸ “In other words, crypto is bullshit, but memecoins are consciously bullshit.”⁹ The problem is, not everyone is in on the joke. “It’s printing your own made-up money. You print your own Monopoly money and then people buy it from you for fake money.”¹⁰

3. The \$TRUMP affair

Although the author does not expressly call out President Donald Trump’s issuance of his own meme coin, it’s the elephant in the room.

Shortly before his second inauguration, President Trump announced the launch of a cryptocurrency token, denominated as “\$TRUMP.”¹¹ The value of \$TRUMP went from \$7 to \$75 per coin in two days, then dropped to around \$40 two days later.¹² Melania Trump launched her own meme coin, \$MELANIA, shortly after the launch of \$TRUMP.¹³

In April 2025, President Trump agreed to attend a dinner with \$TRUMP’s largest investors.¹⁴ The public announcement promised that the top 220 \$Trump buyers would get to attend a “gala dinner” with the president, “the top 25 would win access to a ‘Private V.I.P. Reception’ with Mr. Trump, as well as a White House tour,” and the top four buyers “would receive a Trump-branded timepiece.”¹⁵ White House officials rejected the suggestion that there was any impropriety or appearance of corruption, noting that the dinner was “ ‘a private event’ that would take place during the president’s personal time.”¹⁶ The winners spent an estimated combined \$148 million on

⁸ *Ibid.* (internal quotation marks omitted).

⁹ *Ibid.*

¹⁰ *Ibid.* (internal quotation marks omitted).

¹¹ Lipton, *supra*.

¹² Turk, *From Dogecoin to \$Trump: everything you need to know about the wild world of meme coins* (Feb. 9, 2025) The Guardian, <https://www.theguardian.com/technology/2025/feb/09/from-dogecoin-to-trump-everything-you-need-know-about-the-wild-world-of-meme-coins>.

¹³ Hoskins & Tidy, *Melania Trump launches her own cryptocurrency* (Jan. 20, 2025) BBC, <https://www.bbc.com/news/articles/c98y47vrv2jo>.

¹⁴ Khalili, *Trump’s Quest for Crypto Riches Is a Constitutional Scandal Waiting to Happen* (May 1, 2025) WIRED, <https://www.wired.com/story/trumps-quest-for-crypto-riches-is-a-constitutional-scandal-waiting-to-happen/>.

¹⁵ Lipton & Yaffe-Bellany, *Auction to Dine With Trump Creates Foreign Influence Opportunity* (May 12, 2025) New York Times, available at <https://www.nytimes.com/2025/05/12/us/politics/trump-crypto-coin-auction.html>.

¹⁶ *Ibid.*

\$TRUMP to gain personal time with the president.¹⁷ The winners included foreign nationals and foreign companies.¹⁸

President Trump's dinner-for-coins offer had at least three tangible outcomes. First, offering access in exchange for investment, predictably, increased the value of \$TRUMP: the announcement "instigated a trading frenzy that, on paper, added hundreds of millions dollars to his net worth."¹⁹ Second, "the Trumps and their partners [took in] in more than \$1.3 million in fees, taking a cut every time the coin changed hands."²⁰ Third, previous \$TRUMP purchasers were able take advantage of the surge in interest to sell their \$TRUMP coins at a profit – for example, one buyer purchased \$2.2 million in \$TRUMP a couple of weeks before the contest started and flipped it while the contest was ongoing, for a profit of close to \$1 million.²¹ Many of the contest winners also offloaded their \$TRUMP before the post-contest price crash – the contest rules looked at the value of a person's holdings over a three-week period, not the value at the end of the contest period – which suggests they sold their artificially inflated \$TRUMP coins to less-sophisticated buyers.²²

In the spring of 2026, \$TRUMP was down over 95 percent from its January 2025 high.²³ The president and his family have reportedly made over \$280 million from \$TRUMP and related trading fees.²⁴ One analyst claims that \$TRUMP was an unprecedented crypto-based transfer of wealth, estimating that everyday investors spent about \$4.3 billion on \$TRUMP, \$1.2 billion of which went to "wallets controlled by insiders."²⁵ \$MELANIA is the subject of a lawsuit alleging a pump-and-dump fraud; the First Lady

¹⁷ Conlin, *Buyers of \$TRUMP meme spent \$148 million to win dinner with President Trump* (May 12, 2025) Reuters, <https://www.reuters.com/world/us/buyers-trump-meme-coin-pay-millions-win-dinner-with-president-trump-2025-05-12/>. Other estimates put the total spending by the "winners" at \$394 million. (Collier, *Trump's crypto dinner cost over \$1 million per seat on average* (May 21, 2025) NBC News, <https://www.nbcnews.com/tech/crypto/trumps-crypto-dinner-cost-1-million-seat-average-rcna207802>).

¹⁸ Conlin, *supra*.

¹⁹ Khalili, *Trumps Quest for Crypto Riches Is a Constitutional Scandal Waiting to Happen*, *supra*.

²⁰ Lipton & Yaffe-Bellany, *supra*.

²¹ Lipton, Freedman, & Yaffe-Bellany, *Some Bidders in Trump's Contest Sold All Their Digital Coins but Still Won* (May 12, 2025) New York Times, available at <https://www.nytimes.com/2025/05/12/us/politics/trump-memecoin-winners.html>.

²² *Ibid*.

²³ Harty, *supra*.

²⁴ Belanger, *Investors lost billions on Trump's memecoin. Another gala won't fix that* (Apr. 22, 2026) ars technica, <https://arstechnica.com/tech-policy/2026/04/investors-lost-billions-on-trumps-memecoin-another-gala-wont-fix-that/>.

²⁵ Encila, *Trump Memecoin Gala Leaves Crypto Battling Fresh Credibility Crisis* (Apr. 28, 2026) NEWSBTC, <https://www.newsbtc.com/altcoin/trump-memecoin-gala-leaves-crypto-battling-fresh-credibility-crisis/>.

is not named as a party, but it's alleged that the \$MELANIA issuers "used her and other familiar faces as 'window dressing' for their crimes."²⁶

4. This bill prohibits public employees and officials from issuing meme coins, and prohibits digital asset exchanges from listing meme coins containing the likeness or image of a federal public official or state or local public officer

In recognition of the erosion of public trust that occurs when public officials use their office for personal gain, this bill places restrictions on the issuance and exchange of meme coins issued by, or in connection with, public officials.

First, the bill prohibits a public employee or public officer from issuing a meme coin. A "public employee" is an employee of a state or local government who has decisionmaking authority over bids and contracts for that entity, and a "public officer" is a state or local elected or appointed officer, including a Member of the Legislature and an elected or appointed member of a governmental board, commission, committee, or other body, including a governmental body that has only advisory powers. This definition is intended to cover the persons who sit in a position of public trust with respect to policy decisions and/or the expenditure of public funds.

Second, the bill prohibits a digital asset service provider, as defined, from listing a meme coin for sale on behalf of, or for purchase by, a California resident, if the meme coin was issued before January 1, 2027, and contains the likeness or image of a federal public official or a state or local official. The provision for meme coins issued prior to January 1, 2027, is to ensure that persons who bought meme coins issued by public officials (e.g., \$TRUMP) before this bill's effective date do not get stuck with the coins in the event of a price spike that would let them regain some of their lost funds.

Both provisions are enforceable only through a civil action brought by the Attorney General, a district attorney, a city attorney, or county counsel, in which they may seek injunctive relief and disgorgement.

The author has agreed to amend two provisions of the bill for clarity and precision:

- Definition of "meme coin": there is no uniform definition of "meme coin." The MEME Act, discussed below, does not, despite its name, ever define "meme coin." The definition in the bill broadly captures the spirit of meme coins, but may be too narrow to encompass all of the activities the author intends to capture. The author has, therefore, agreed to amend the bill to add "shared humor, celebrities, and noteworthy people or events" to the list of categories that can inspire a meme coin.

²⁶ Guardian staff and agency, *Melania Trump's meme coin architects accused of pump-and-dump fraud in lawsuit* (Oct. 23, 2025) The Guardian, <https://www.theguardian.com/us-news/2025/oct/23/melania-trump-cryptocurrency-lawsuit>.

- “containing the likeness or image”: the bill prohibits digital asset service providers from engaging in specified conduct with respect to meme coins that “contain the likeness or image” of a federal public official or a state or local public officer. The bill’s definitions allow for the possibility that a meme coin could be issued in the form of an NFT, which does have a visual component, but the majority of meme coins do not have a physical existence which can contain anything. The author has, therefore, agreed to amend the bill to provide that a digital asset service provider cannot list a meme coin for sale on behalf of, or for purchase by, a Californian, if the meme coin was “offered by, or in partnership with, a federal public official or a state or local public officer.

4. The federal MEME Act

This bill is similar to the Modern Emoluments and Malfeasance Act, or the MEME Act, pending in the United States Congress.²⁷ The MEME Act would prohibit specified executive officers (including the President and Vice President), high-level uniformed servicemembers, and other officers or employees as determined by the Office of Government Ethics, as well as their children and spouses, from issuing, sponsoring, or promoting securities, futures, commodities, digital assets, and derivatives for pecuniary gain. The MEME Act was introduced in 2025 but appears to have stalled.

5. Constitutional issues

This bill’s direct prohibition on the conduct of state and local officials’ economic activity is unusual – most of California’s laws directed at avoiding the appearance of corruption as a result of financial interests require disclosure of those interests, rather than prohibiting specific types of conduct.²⁸ There is nothing to suggest, however, that the state cannot choose to prohibit this specific conduct in light of the risk to the public trust.

The United States Supreme Court has, in recent years, pulled back on the degree to which states can regulate political spending to reduce the appearance of corruption, under their theory that spending money is protected speech under the First Amendment to the United States Constitution.²⁹ The issuance of a meme coin, however, is conduct, not speech. Moreover, even the Court has recognized that regulations targeting quid pro quo corruption, which is “the notion of a direct exchange of an official act for money,”³⁰ justify restricting speech;³¹ given that meme coins exist pretty much only to funnel cash to the issuer, it’s difficult to see how the state could not have a legitimate interest in preventing its political officials from profiting from scams.

²⁷ See S.1620 (119th Cong., 1st Sess.); H.R. 1712 (119th Cong., 1st Sess.).

²⁸ E.g., Gov. Code, §§ 87202-87204.

²⁹ E.g., *McCutcheon v. FEC* (2014) 572 U.S. 185, 191-192.

³⁰ *Id.* at p. 192.

³¹ *FEC v. Cruz* (2022) 596 U.S. 289, 305.

With respect to the restrictions on digital asset service providers, the author has, as noted above, agreed to replace the language referring to meme coins that “contain the likeness or image” of a federal public official or state or local public officer with language referring to meme coins issued or launched by public officials. By focusing on conduct, rather than images associated with any particular meme coin, this amendment should strengthen the bill and avoid any First Amendment pitfalls.

6. Amendments

As noted above in Comment 3, the author has agreed to minor amendments to clarify and strengthen the bill. The amendments are set forth below, subject to any nonsubstantive changes the Office of Legislative Counsel may make.

Amendment 1

At page 3, in line 20, after “events,” insert “shared humor, celebrities, noteworthy people or events,”

Amendment 2

At page 4, delete line 9 after “2027,” and “image of” in line 10 and insert “offered by, or in partnership with,”

7. Arguments in support

According to California Common Cause:

AB 2409 addresses a significant and emerging gap in California's ethics laws. While the Political Reform Act of 1974 (PRA) has evolved to require the disclosure of digital financial assets, existing law does not adequately address circumstances in which public officials themselves create, issue, or promote digital assets that capitalize on their public office or governmental position. As a result, California's conflict-of-interest framework has not kept pace with rapidly evolving cryptocurrency markets.

The risks posed by these arrangements extend well beyond traditional financial disclosures. Digital assets associated with public officials create opportunities for self-dealing, conflicts of interest, and undisclosed influence. Unlike many traditional financial transactions, cryptocurrency transactions frequently occur through pseudonymous digital wallets, making it difficult to determine who is purchasing, holding, or trading an official's digital asset. This creates opportunities for special interests, regulated entities, government contractors, and even foreign actors to provide financial benefits to public officials outside of traditional campaign finance and lobbying disclosure systems.

Recent events at the national level have demonstrated how digital assets can be leveraged to monetize political influence and public notoriety. These ventures often generate significant profits for insiders while exposing retail investors to substantial financial risk. When public officials engage in such activities, the public may reasonably question whether governmental decisions are being made in the public interest or influenced by the financial interests of digital asset holders.

AB 2409 appropriately addresses this concern through a clear prophylactic rule. Rather than relying solely on disclosure after the fact, the bill prohibits public officials from using their public office as the basis for personal cryptocurrency ventures. This approach is consistent with longstanding ethics principles that seek to prevent conflicts of interest before they arise rather than attempting to remedy them after public trust has been compromised.

SUPPORT

California Common Cause

OPPOSITION

None received

RELATED LEGISLATION

Pending legislation: None known.

Prior legislation: AB 1029 (Valencia, Ch. 85, Stats. 2025) required, beginning January 1, 2027, the disclosure of digital financial assets under the Political Reform Act of 1974.

PRIOR VOTES:

Assembly Floor (Ayes 77, Noes 0)
Assembly Appropriations Committee (Ayes 11, Noes 0)
Assembly Banking and Finance Committee (Ayes 9, Noes 0)
Assembly Judiciary Committee (Ayes 12, Noes 0)
