ASSEMBLY THIRD READING
AB 2285 (Valencia)
As Amended March 16, 2026
Majority vote

SUMMARY

This bill would generally regulate a bank or a credit union under the examination authority of the Department of Financial Protection and Innovation (DFPI) with respect to its provision of digital asset custody services, staking services, and digital asset transaction services, as those terms are defined, including by requiring certain disclosures to consumers and requiring certain financial safety measures.

Major Provisions

For a detailed list of major provisions, please see the Banking and Finance Committee analysis.

1) Provides definitions for "active staking", "passive staking", "slashing", "pooled custody", "segregated custody", "fiduciary capacity", and "non-fiduciary capacity".

2) Provides requirements, as specified, for fiduciary and non-fiduciary custody of DFA.

3) Provides requirements, as specified, for custodial services including the use of third-party services.

4) 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.

5) Provides minimum requirements for consumer disclosures.

6) Provides a framework for the payment of fees or commissions for staking services.

7) Provides anti-money laundering and cybersecurity compliance requirements.

COMMENTS

1) 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.[1] 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.

2) What this bill does:

a. Custody Service and Accuracy

This bill requires a DI to enter a written contract with its customer[2] 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 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 DFAl, money transmitters law. The agreement between the DI and the subcustodian must be structured to maintain the DI

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[1] "The Majority of the US's Largest Banks Have Embraced Crypto Services", *Bank Exchange* (2025, August, 11)
[2] 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.

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.

3) 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). An update on the closely followed bill was recently released,[3] noting that negotiations on the recently released Senate redlines to the CLARITY Act are fluid. These issues include anti-money

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[3] https://www.reuters.com/legal/transactional/us-senate-committee-weigh-crypto-bill-milestone-digital-assets-2026-05-14/ Last visited 5/14/2026

laundering requirements, elected officials and ethics, and 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.

According to 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."

Arguments in Support
None received. Last certified 5/12/26.

Arguments in Opposition
None received. Last certified 5/12/26.

FISCAL COMMENTS

The following comment is from the analysis of the Assembly Appropriations Committee.

DFPI anticipates minor and absorbable costs to update informational materials to reflect a financial institution's requirements regarding DFAs, provide additional training for staff, and undergo mandatory rulemaking to create the notice form specified in this bill. DFPI notes that it already has authority under existing law to broadly examine a financial institution. However, it is possible for this bill to result in costs to DFPI in excess of $150,000, to the extent a financial institution's current DFA practices (or future practices, pursuant to pending federal legislation) do not align with this bill, leading to more complex examinations and enforcement proceedings regarding an evolving technological asset (Financial Protection Fund).

VOTES

ASM BANKING AND FINANCE: 9-0-0
YES: Valencia, Chen, Dixon, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Schiavo, Soria

ASM PRIVACY AND CONSUMER PROTECTION: 15-0-0
YES: Bauer-Kahan, Macedo, Bryan, DeMaio, Hoover, Irwin, Lowenthal, McKinnor, Ortega, Patterson, Pellerin, Petrie-Norris, Ward, Wicks, Wilson

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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