

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

AB 2335 (Valencia)  
Version: June 22, 2026  
Hearing Date: June 30, 2026  
Fiscal: Yes  
Urgency: No  
AWM

**SUBJECT**

Unclaimed property: digital financial assets

**DIGEST**

This bill establishes the Digital Financial Asset Fund, through which the Controller would be required to invest in digital financial assets using the interest earned on liquidated digital financial assets held by the state under the Unclaimed Property Law (UPL).

**EXECUTIVE SUMMARY**

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 also sets forth how a holder of unclaimed property must transfer unclaimed property to the state, how the Controller must provide notice of the unclaimed property to its apparent owner, and how a rightful owner may apply to receive their property (or the monetary value thereof) after it has been transferred to the state.

Under the UPL, digital financial assets (e.g., cryptocurrencies) escheat to the state after they have gone unclaimed for three years. The Controller is required to convert digital financial assets to fiat currency within 18 to 20 months; an owner who claims their property before the conversion will get their original assets back, but after the conversion, they will receive the monetary value of the assets at the time of the sale.

This bill would create a Digital Financial Asset Fund, through which the Controller would be required to invest in digital financial assets. The bill requires the proceeds from escheated liquidated digital financial assets to be placed in a Digital Asset Claims Reserve Account. Rightful owners will be paid out from that account, but in the meantime, interest earned on the Digital Asset Claims Reserve Account will be

deposited in the Digital Asset Reserve Fund. The Controller must use those moneys to buy “high quality” digital financial assets, as defined, and consistent with the priorities of the Digital Financial Asset Reserve Board, also created by this bill. The bill also modifies provisions of the UCL related to the notification of owners prior to escheatment and the Controller’s sale of escheated digital financial assets. The author has agreed to amend the bill to permit, rather than require, the Controller to purchase digital financial assets for the Digital Asset Reserve Fund.

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

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

Existing law:

- 1) 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.)
- 2) 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.)
- 3) 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 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 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, or utility. (Code Civ. Proc., § 1501(c).)
- e) “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 grants within an affinity rewards program or game platform or securities registered with the United States Securities and Exchange Commission. (Code Civ. Proc., § 1501(d); Fin. Code, § 3102(g).)
  - f) “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 who is indebted to another on an obligation subject to the UPL. (Code Civ. Proc., § 1501(g).)
  - g) “Owner” means a depositor in case of a deposit, a beneficiary in case of a trust, or a 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(i).)
  - h) “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(j).)
- 4) Provides that a digital financial asset held or owing by a business association escheats to the state if unclaimed by the owner for more than three years from 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 other electronic messaging method, as applicable.
  - b) The date of the last exercise of an act 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. (Code Civ. Proc., § 1516.5(a).)
- 5) Provides that the running of the three-year period in 2) shall cease immediately upon the exercise of an act of ownership, as defined, 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. (Code Civ. Proc., § 1516.5(b).)
- 6) Requires the business association holding the digital financial asset to send a notice to the owner, between 6 and 12 months before the expected date of escheat, stating that the digital assets might be transferred to the state if the owner does not contact the holder. (Code Civ. Proc., § 1516.5(g).)

- 7) Requires the holder of any partial key to any digital financial asset subject to escheat to attempt to maintain the minimum number of keys required to transfer the digital financial assets within 60 days of determination that the digital financial assets are eligible for escheatment. (Code Civ. Proc., § 1516.5(i).)
- 8) Establishes processes through which the Controller must contact apparent owners of property that has escheated to the state, and for actual owners to reclaim their property held by the Controller under the UPL. (Code Civ. Proc., §§ 1531, 1540, 1541.)
- 9) Provides that all digital financial assets in the Controller's custody may be converted to fiat currency at prevailing prices by any method at the Controller may determine to be advisable.
  - a) The Controller must convert digital financial assets held pursuant to the UPL no sooner than 18 months, but no later than 20 months, after the assets were reported to the Controller as subject to escheat.
  - b) If the Controller still has custody of the digital financial assets when the owner makes a claim, the owner shall receive the digital financial assets from the Controller.
  - c) If the digital financial assets have been converted, the person shall receive the net proceeds received by the Controller from the sale. (Code Civ. Proc., § 1563(c).)
- 10) Provides that interest is not payable on a claim from an owner for property in the Controller's custody under the UPL. (Code Civ. Proc., § 1540(c).)

This bill:

- 1) Adds the following definitions to the UPL:
  - a) "Digital Asset Reserve Fund" means a fund consisting of high-quality digital assets purchased with interest, earnings, and investment income credited to the Digital Asset Claims Reserve Account established by this measure.
  - b) "High-quality digital asset" means a digital financial asset with an average market capitalization of at least \$100 billion over the most recent 12-month period.
  - c) "Digital Asset Claims Reserve Account" means the segregated account established within the State Controller pursuant to this measure.
  - d) "Net proceeds" means the amount received following the sale of the financial asset after all necessary administrative costs are deducted.
- 2) Requires the notice sent by a business association to an owner of digital financial assets that may be subject to escheat via electronic means; the business owner may also send the notice by United States mail if the business association sends physical correspondence to the owner in the ordinary course of business, or if it is the

preferred method of contact for the owner as indicated in the business association's records.

- 3) Provides that the business association satisfies the electronic notification requirement in 2) by using the apparent owner's preferred method of contact as indicated in the business association's records, and thereafter by using at least two of the following methods:
  - a) Push notifications.
  - b) Text messages.
  - c) Email correspondence.
- 4) Provides that 2) and 3) apply regardless of the value of the digital financial asset and whether the apparent owner has consented to electronic service.
- 5) Modifies the content of the required notice to reflect the possible liquidation of the digital financial assets into fiat currency and the deposit of any net proceeds from the liquidation into the Digital Asset Claims Reserve Account.
- 6) Provides that the Controller may direct the holder of a digital financial asset to sell or to otherwise liquidate the digital financial asset and deliver the net proceeds in lieu of the native digital financial asset if any of the following conditions are met:
  - a) The digital financial asset cannot reasonably be accepted for custody due to technological, security, or regulatory limitations.
  - b) The costs of custody, administration, or security of the digital financial asset would exceed its value.
- 7) Requires a holder directed under 6) to liquidate a digital financial asset to sell or liquidate the digital financial asset by any commercially reasonable method for no less than the prevailing market price of the digital financial asset at the time of the sale.
- 8) Requires digital financial assets delivered to the controller to be held in their native form for between 18 and 20 months, and thereafter to be liquidated and deposited by the Controller into the Digital Asset Claims Reserve Account established by this measure.
- 9) Provides that any person making a valid claim before the digital financial assets are converted to fiat currency is entitled to receive the digital financial assets in their native form; or, at the person's election, the Controller shall instead convert the digital financial assets to fiat currency at the prevailing market price at the time the claim is determined to be valid, and the person is entitled to receive the net proceeds from that conversion; if the digital financial assets have already been converted, the person is entitled to receive the net proceeds from that disposition, paid in cash from the Digital Asset Claims reserve account.

- 10) Provides that, notwithstanding 9), during the period that the digital financial assets are held by the Controller in their native form, the Controller may sell or otherwise liquidate the digital financial assets before the end of the period required under 8) if either of the following conditions is met:
  - a) The digital financial asset cannot reasonably be maintained in custody due to technological, security, or regulatory limitations.
  - b) The costs of custody, administration, or security of the digital financial asset would exceed its value.
- 11) Requires net proceeds from a sale or liquidation under 10) to be deposited into the Digital Asset Claims Reserve Account.
- 12) Provides that the Legislature may, through subsequent legislation, direct the Controller to deposit 10 percent of the digital financial assets held in the Digital Asset Reserve Fund into the General Fund.
- 13) Provides that the Controller may spend digital financial assets in the Digital Asset Reserve Fund or may sell digital financial assets and spend the net proceeds from the sale to pay reasonable costs associated with administering and managing the Digital Asset Reserve Fund.
- 14) Requires the Controller to publish a quarterly report on its website that includes:
  - a) The amount of each digital financial asset held in the Digital Financial Asset Reserve Fund.
  - b) An estimate of the monetary value of each digital financial asset in the Digital Asset Reserve.
  - c) Any change in the amount and estimated monetary value of digital financial assets in the Digital Asset Reserve Fund.
  - d) The balance of the Digital Asset Claims Reserve Account at the end of the reporting period.
  - e) The amount of interest, earnings, and investment income credited to the account and transferred to the Digital Asset Reserve Fund during the reporting period.
  - f) The amount of cash paid out of the account in satisfaction of verified claims during the reporting period.
- 15) Permits the Controller to hire or engage the services of an investment analysis to assist in investment decisions for the Digital Financial Asset Reserve Fund.
- 16) Provides that all interest, earnings, and investments credited to the Digital Asset Claims Reserve Account during a calendar quarter shall be transferred to the Digital Asset Reserve Fund within 30 days after the end of that quarter.

- a) The Controller, consistent with the investment policies established by the Digital Asset Reserve Fund Board, shall use the transferred amounts to purchase high-quality digital assets for the Digital Asset Reserve Fund.
  - b) The Controller may make purchases for the Fund at any time consistent with the Board's investment policy.
- 17) Provides that the Digital Asset Reserve Fund Board shall be established, and shall:
- a) Create guidelines for valuing assets in the Digital Asset Reserve Fund.
  - b) Establish prudent investment policies relating to the investment objectives of and allocation in the Digital Asset Reserve Fund.
- 18) Provides that the Digital Asset Reserve Fund Board shall consist of:
- a) The Controller.
  - b) The State Treasurer.
  - c) The Director of the Department of Finance.
  - d) One member appointed by the Speaker of the Assembly.
  - e) One member appointed by the Senate Rules Committee.
  - f) Two members appointed by the Governor.
- 19) Provides the following with respect to Board members:
- a) The appointed members shall have expertise in digital financial asset investments.
  - b) The members shall serve without compensation but shall be reimbursed for actual and necessary expenses incurred through service on the Board.
  - c) The members are subject to the Political Reform Act of 1974.
  - d) The members appointed by the Senate Committee on Rules, the Speaker of the Assembly, and the Governor shall have three-year staggered terms. The initial appointees of the Senate Committee on Rules and the Speaker of the Assembly shall serve two-year terms, and any vacancy during an unexpired term shall be filled by appointment for the unexpired term.
- 20) Establishes the Digital Asset Claims Reserve Account and the Digital Asset Reserve Fund within the State Controller.
- 21) Provides that the net proceeds received by the Controller from the disposition or liquidation of any digital financial asset under the UPL shall be deposited into the Digital Asset Claims Reserve Account is continuously appropriated to the Controller, without regard to fiscal year, for the following purposes:
- a) The payment of valid claims for digital financial assets that have been disposed of or liquidated under the UPL, in the amount of the net proceeds received by the Controller from the disposition or liquidation of those digital financial assets.

- b) The transfer of interest, earnings, and investment income credited to the Digital Asset Claims Reserve Account to the Digital Asset Reserve Fund, as specified.
- 22) Requires money in the Digital Asset Claims Reserve Account to be invested by the State Treasurer, as specified, and all interest, earnings, and investment income shall be credited to the Digital Asset Claims Reserve Account.
- 23) Provides that 20)-22) apply only to net proceeds from the disposition or liquidation of digital financial assets that occurs on or after the effective date of this measure; net proceeds from an earlier liquidation shall not be redeposited or transferred to the Digital Asset Claims Reserve Account.

### COMMENTS

#### 1. Author's comment

According to the author:

California faces a chronic multibillion-dollar deficit amid ongoing federal funding reductions and cuts. Without new revenue mechanisms, the state will continue relying on the same fiscal tools that have failed to keep pace with growing demand for public services. AB 2335 would establish the Digital Asset Reserve Fund to supplement the state's General Fund by capitalizing on growth in the digital asset market. The bill uses California's unclaimed property program to implement a cost-neutral investment mechanism, focusing on high-quality digital assets with demonstrated long-term stability. As the global leader in technology and innovation, California is uniquely positioned to modernize its financial systems and ensure public programs remain sustainable for the residents who depend on them.

#### 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>

Unclaimed digital financial assets, such as cryptocurrencies, escheat to the state after three years of inactivity.<sup>8</sup> The holder – likely a financial institution or crypto trading platform holding the digital financial assets – 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 must hold digital financial assets in their original form for between 18 to 20 months, after which the digital financial assets must be converted into fiat currency.<sup>12</sup> If and when the rightful owner makes a claim for their property’s return, the Controller must return the digital financial assets or the value of the sale from the assets, whichever is then in the Controller’s custody.<sup>13</sup> The Controller retains the interest or other income on property or moneys that accrue after the state takes custody of the property.<sup>14</sup>

The transfer of digital financial assets to the Controller is a little more complicated than the transfer of other assets. Many digital financial assets are specifically intended to exist outside the centralized financing apparatus, and therefore include security measures designed to prevent the safe transfer of assets without digital “passkeys” which may be held only by the owner. When digital financial assets are held in an account that doesn’t also hold the owner’s passkeys, there may be no way for the holder of the assets to transfer them to the Controller (or, if the owner has lost their passkeys, for them to ever recover their assets). By one estimate, 3.8 million bitcoins are in

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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., §§ 1516.5, 1520.

<sup>9</sup> *Id.*, § 1530.

<sup>10</sup> *Id.*, § 1533.

<sup>11</sup> *Id.*, § 1532.

<sup>12</sup> *Id.*, § 1563.

<sup>13</sup> *Id.*, §§ 1540, 1563.

<sup>14</sup> *Id.*, § 1562.

inaccessible accounts, an amount currently worth over \$100 billion.<sup>15</sup> Many more mainstream digital financial asset repositories, however, have passkey recovery processes.

### 3. What's up with cryptocurrency these days?

Technically speaking, cryptocurrency is a type of digital asset that uses distributed ledger (blockchain) technology to enable a secure transaction. More colloquially, cryptocurrency is a digital store of value. Unlike the dollar or other fiat currencies, cryptocurrency is not considered legal tender, but private parties may agree to use it 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.

Cryptocurrency has its legitimate uses: for proponents of decentralized finance, or “DeFi,” cryptocurrencies are “an alternative, even superior, financial instrument tat reduce[] reliance on centralized financial institutions and brokerages while enabling ‘individuals, merchants, and enterprises to execute financial transactions utilizing cutting-edge technology.’”<sup>16</sup>

Cryptocurrency is also used for crime. 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>17</sup> Similarly, 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>18</sup> The Federal Bureau of

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<sup>15</sup> Royal, *Are your lost bitcoins gone forever? Here's how you might be able to recover them* (Oct. 10, 2024) Yahoo! Finance, <https://finance.yahoo.com/news/lost-bitcoins-gone-forever-might-201517564.html>. Not all of these bitcoins are necessarily lost forever; there's now a cottage industry of firms promising they can recover lost cryptocurrency keys, some of whom use hacking techniques to circumvent security protections. E.g., Greenberg, *They Cracked the Code to a Locked USB Drive Worth \$235 Million in Bitcoin. Then It Got Weird* (Oct. 24, 2023) WIRED, available at <https://www.wired.com/story/unciphered-ironkey-password-cracking-bitcoin/>. All links in this analysis are current as of June 26, 2026.

<sup>16</sup> Wang, *Dancing With the Devil? Decentralized Finance (DeFi), Its Challenges, and Possible Regulatory Solutions* (May 2026) 26 U.C. Davis Bus. L. J. 1, 4.

<sup>17</sup> FinCEN, *Online Child Sexual Exploitation and Human Trafficking: Threat Pattern & Trend Information*, January 2020 to December 2021 (Feb. 2024) pp. 5-8.

<sup>18</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>.

Investigation (FBI) reports that, in 2024, it received 149,686 complaints of cryptocurrency-related fraud, resulting in \$9.3 billion in losses.<sup>19</sup>

Because the value of most cryptocurrencies is based on nothing more than vibes, cryptocurrency values are prone to wild swings in value. These mood swings can be traced, in part, to political events. During the 2024 election, Donald Trump was seen as the “crypto candidate” and hopes were high that he would legitimize DeFi.<sup>20</sup> Once he got elected, though, he issued a “meme coin” to profit off his fame and, subsequently, offered personal access to large-scale purchasers of his coin.<sup>21</sup> For DeFi true believers, this was heartbreaking.<sup>22</sup> That loss of optimism, plus factors like the Iran War and the perceived strength of other investments, has led to another cryptocurrency crash: the cryptocurrency market has lost nearly \$2 trillion from its combined market capitalization in October 2025.<sup>23</sup>

At the time this analysis was drafted, three cryptocurrencies exceed this bill’s \$100 billion market capitalization threshold for being a “high-quality” digital financial asset: Bitcoin, Ethereum, and Tether.<sup>24</sup> Tether is a stablecoin that is pegged to the U.S. dollar, so its value doesn’t fluctuate much.<sup>25</sup> With respect to the remaining two:

- Bitcoin is currently trading in the low \$60,000s per coin, down from a year-to-date high of \$96,917.94 and a one-year high of \$124,71.485.
- Ethereum is trading around \$1,580 per coin, down from a year-to-date high of \$3,353.82 and a one-year high of \$4,829.83.

#### 4. This bill requires the Controller to purchase and hold cryptocurrency in a Digital Asset Reserve Fund

The author of this bill believes that California needs to modernize its financial system by investing in cryptocurrency. To that end, this bill establishes the Digital Asset

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<sup>19</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>20</sup> Stokel-Walker, *How Donald Trump became the crypto candidate in the 2024 election* (Jun. 13, 2024) Fast Company, <https://www.fastcompany.com/91139292/donald-trump-crypto-candidate-2024-election>.

<sup>21</sup> 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/>.

<sup>22</sup> 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>.

<sup>23</sup> Bambrough, *Collapsing At An ‘Alarming Pace’ – Sudden \$2 Trillion Crypto Price Crash Sparks Bitcoin Panic* (Jun. 3, 2026) Forbes, <https://www.forbes.com/sites/digital-assets/2026/06/03/bitcoin-is-suddenly-braced-for-a-devastating-price-crash/>.

<sup>24</sup> See CoinMarketCap, <https://coinmarketcap.com/>.

<sup>25</sup> Tether, Transparency, <https://tether.to/en/transparency/?tab=usdt>. Tether is also an essential bridge for many crypto-based crimes and scams: the scammer exchanges their stolen cryptocurrency for Tether, and then Tether for U.S. dollars, giving them fiat currency that is virtually impossible to trace to the original scam. (Faux, Number Go Up (2023) p. 192.)

Claims Reserve Account and the Digital Asset Reserve Fund, which will be administered by the Controller and governed by the Digital Asset Reserve Fund Board. The Board will be comprised of the Controller, the State Treasurer, the Director of the Department of Finance, and four appointed members who must have expertise in digital financial asset investments.

Under this bill, when digital financial assets escheat to the state, the Controller still must convert the assets to digital financial assets to fiat currency within 18 to 20 months. If an owner claims their property before the liquidation, the owner can now receive their original digital financial assets or demand that the Controller sell the digital financial assets for them and receive the proceeds in cash.

If the digital financial assets go unclaimed before liquidation, the net proceeds from the sale are deposited in the Digital Asset Claims Reserve Account. UPL claims for escheated digital financial assets will be paid from this fund in the event that an actual owner makes a claim for their property. All interest earned from the Digital Asset Claims Reserve Account must be transferred to the Digital Asset Reserve Fund on a quarterly basis.

The Controller, under direction from the Digital Asset Reserve Fund Board, must use the monies transferred to the Digital Asset Reserve Fund to purchase “high-quality” digital assets; as discussed, this currently includes only Bitcoin, Ethereum, and Tether. As noted above, both Bitcoin and Ethereum are half to one-third of what they were worth less than a year ago. The author has agreed to amend the bill to permit, rather than require, the Controller to purchase digital financial assets for the Fund.

In addition to the creation of the Fund, this bill modifies the terms under which (1) the holder of property can notify an owner that their digital financial assets may be subject to escheat, and (2) the specific requirements relating to the Controller’s sale of digital financial assets within the 18-20 month window.

## 5. Amendments

As noted above, the author has agreed to permit, rather than require, the Controller to purchase digital financial assets with monies in the Digital Asset Reserve Fund. The amendment is as follows, along with any other conforming amendments the Office of Legislative Counsel believes are necessary.

### Amendment

At page 15, in line 8, delete “shall” and insert “may”

6. Arguments in support

According to the California Blockchain Advocacy Coalition:

First, the bill appropriately recognizes that consumers increasingly interact with financial service providers through digital channels rather than traditional postal mail. Existing notice requirements were developed for an era in which physical mail was the primary means of communication. Today, consumers routinely receive account notifications through email, text messages, and mobile applications. Individuals move frequently, may not promptly update mailing addresses, and often disregard physical mail that appears promotional, unsolicited, or otherwise unimportant.

AB 2335 allows digital financial asset platforms to communicate with consumers using electronic methods that better reflect how consumers engage in today's marketplace. By authorizing notices through preferred electronic communication channels, including email, text messages, and push notifications, the bill substantially increases the likelihood that consumers will receive and respond to notices regarding potentially abandoned property before escheatment occurs. In doing so, the bill strengthens consumer due process, improves owner notification, and better fulfills the fundamental purpose of California's Unclaimed Property Law: reuniting owners with their property whenever possible.

Second, CBAC supports the bill's continued commitment to safeguarding consumers' digital financial assets in their native form during the statutory holding period. Consistent with the policy objectives reflected in SB 822, AB 2335 requires the Controller to maintain digital financial assets in their native form for a period of 18 to 20 months following delivery by the holder. This approach recognizes that digital assets are unique forms of property and ensures that owners retain the opportunity to recover the same assets they originally held.

Importantly, this treatment is consistent with California's longstanding approach to other investment assets, such as securities, which are similarly held for a statutory period before disposition. By preserving digital financial assets in-kind during the period in which owners are most likely to come forward and assert their rights, the bill promotes parity across asset classes while better protecting consumers from unnecessary loss of value, utility, or ownership interests associated with the original asset...

Third, AB 2335 establishes a prudent and transparent governance framework for the administration of both the Digital Asset Claims Reserve Account and the Digital Asset Reserve Fund. The bill creates the Digital Asset Reserve Fund Board, requires regular public reporting regarding balances, transfers, claims, and fund activity, and establishes clear oversight responsibilities for the management of these funds. These

governance mechanisms promote accountability, transparency, and responsible stewardship of public resources.

### **SUPPORT**

California Blockchain Advocacy Coalition

### **OPPOSITION**

None received

### **RELATED LEGISLATION**

Pending legislation: SB 1066 (Niello, 2026) modifies period of activity before which property escheats under the UCL, to seven years for all property types; and requires the Controller to maintain the property in the form in which it was escheated, as specified. SB 1066 is pending before the Assembly Appropriations Committee.

Prior legislation:

SB 822 (Becker, Ch. 660, Stats. 2025) amended the Unclaimed Property Law (UPL) to provide when and how digital financial assets, as defined, escheat to the state.

AB 1052 (Valencia, 2025) would have established an alternative process for the escheat of digital financial assets to the Controller under the UPL than the one adopted in SB 822. AB 1052 died in the Senate Appropriations Committee.

### **PRIOR VOTES**

Assembly Floor (Ayes 78, 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)

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