Office of Senate Floor Analyses
(916) 651-4171

THIRD READING

Bill No: AB 2409
Author: Valencia (D)
Amended: 8/21/26 in Senate
Vote: 21

SENATE JUDICIARY COMMITTEE: 13-0, 6/30/26
AYES: Umberg, Niello, Allen, Ashby, Caballero, Durazo, Laird, Reyes, Stern, Valladares, Wahab, Weber Pierson, Wiener

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

ASSEMBLY FLOOR: 77-0, 5/27/26 - See last page for vote

SUBJECT: Digital assets: meme coins

SOURCE: Author

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 is offered by, or in partnership with, a federal public official or state or local official.

Senate Floor amendments of 8/21/26 define "federal public official" and modify the definition of "meme coin."

ANALYSIS:

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. (Financial (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. (Government (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, Chapter 85, Statutes of 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) “Federal public official” includes, but is not limited to, a federal elected or appointed officer, and an elected or appointed member of a federal governmental board, commission, committee, or other body, including a federal governmental body that has only advisory powers.

e) “Issue” means to make available for public purchase, donation, or exchange of any value, whether promoted or not.

f) “Meme coin” means a type of digital asset that is marketed or recognized primarily based on its association with internet memes, public figures, fictional characters, animal cultural phenomenon, current events, shared humor, celebrities, noteworthy people or events, or social trends, and whose value is derived primarily from public interest, speculation, or community engagement.

g) “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.

h) “Public employee” means an employee of a state or local government entity who has decision-making authority over bids and contracts for that entity.

i) “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.

j) “Stablecoin” has the same meaning as defined in the DFAL.

k) “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 is offered by, or in partnership with, 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

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 is offered by, or in partnership with, a federal public official or a state or local public officer.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 8/19/26)

California Common Cause

OPPOSITION: (Verified 8/19/26)

None received

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.
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> 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.
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> 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.
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> 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.

ASSEMBLY FLOOR: 77-0, 5/27/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Gallagher, Celeste Rodriguez, Tangipa

Prepared by: Allison Whitt Meredith / JUD. / (916) 651-4113
8/24/26 13:19:37

****** END ******