

Date of Hearing: April 20, 2026

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 2674 (Schiavo) – As Introduced February 20, 2026

**SUBJECT:** Financial abuse and deception: preventive measures

**SUMMARY:** Specifically, **this bill:**

- 1) Defines “customer-interacting employee” to mean an employee or contractor of a depository institution whose job duties may include communicating with customers.
- 2) Defines “financial abuse or deception” to mean any of the following:
  - a) Taking, appropriating, obtaining, or retaining the property of a customer, or attempting to take, appropriate, obtain, or retain the property of a customer, for a wrongful use or with intent to defraud.
  - b) The inducement of a payment, or attempted inducement of a payment, by a person misrepresenting that person’s identity, that person’s association with or authority to act on behalf of another person, or the ownership of an account to be credited.
  - c) An act or omission by a person, including through the use of a power of attorney, guardianship, trustee, or conservatorship of an eligible adult, intended to do either of the following:
    - i) Obtain control, through deception, intimidation, or undue influence, over a customer’s money, assets, or property to deprive the customer of the ownership, use, benefit, or possession of the customer’s money, assets, or property.
    - ii) Convert money, assets, or property of the customer to deprive the customer of the ownership, use, benefit, or possession of the customer’s money, assets, or property.
- 3) Defines “suspect transaction” to mean account activity that is an attempted or successful transfer, withdrawal, or deposit of money, into or from the account, in which the surrounding circumstances are suspicious, unusual, consistent with known deceptive tactics, or likely to be the result of financial abuse or deception.
- 4) Requires a depository institution (DI), as specified, to provide any customer-interacting employee information about new patterns and modes of fraud and training to recognize the signs of fraud when new information becomes available but no less often than once every six months.
- 5) Prohibits a DI from ignoring or devaluing any sign of financial abuse or deception based on the age, language capacity, or education of a customer.
- 6) Requires a DI that suspects financial abuse or deception with respect to any in-person suspect transaction shall employ all of the following preventive measures:

- a) Advise the customer to contact the person for whom the customer is initiating the suspect transaction if the customer did not initiate the communication from which the suspected transaction originated and shall inform the customer that the transaction can wait for independent verification because the transaction cannot be undone.
  - b) Encourage the customer to contact a nonprofit, nationally recognized fraud hotline that can help determine if the situation is harmful.
  - c) If a customer has provided the depository institution with the contact information for an optional trusted third party and the depository institution does not have reason to believe that the trusted third party is causing, or will cause, financial harm to the customer, the depository institution may contact the trusted third party for assistance to intervene in the suspect transaction, and
  - d) For any suspect transaction, a depository institution shall disclose to the customer that the depository institution cannot be held liable for harms related to the suspect transaction that result in financial abuse or deception if it has complied with this section.
    - i) The disclosure required by this paragraph shall be provided in the same language in which the customer customarily conducts transactions or communications with the depository institution.
- 7) Requires the DI to display a notice containing information to warn the customer of a scam and fraud if a suspected transaction occurs online and not in an expedited transaction.
- 8) Holds harmless the DI if it has met its requirements when it encounters a suspect transaction and the transaction is found to be harmful to the consumer.
- a) This does not apply to customers who are minors
- 9) Does not require a DI to engage in the activities described in #6 if the DI elects to deny a suspected transaction based on its contractual terms.
- 10) Permits a customer who has 1) suffered harm from financial abuse and 2) did not receive the interventions in #6 to notify the DI of the harm within 60 days of the transaction using oral or written means. The notice must:
- a) Enable the depository institution to identify the name and account number of the customer and to identify the suspect transaction.
  - b) Indicate the customer's belief that the suspect transaction resulted in harm from financial abuse or deception.
- 11) Requires the DI to conduct an investigation with 30 days of receiving the notice into whether or not the interventions of #6 should have been applied. A DI can extend the time needed for investigation by 15 days by notifying the customer in writing of the extension before the expiration of the initial 30 days.
- 12) Requires a DI that determines that any preventive measure should have been employed but was not to notify the customer within one business day of completing its investigation.

- 13) Any DI that refunds, within one business day of completing its investigation, to the customer the amount of the suspect transaction along with any interest that would have accrued but for the completed suspect transaction from the date of the notice is deemed to have cured any violation of the title.
- 14) Requires a DI to deliver to the customer an explanation of its findings within three business days after the conclusion of its investigation and provide a reproduction of any document that the DI relied on to make its determination if the DI determined that no interventions were needed.
- 15) Permits a customer to bring a civil action against a DI if the customer was 1) harmed by financial fraud or deception 2) arising from a suspect transaction 3) with respect to which the depository institution did not comply with this title, or did not refund the customer.
- 16) Permits recovery in a successful action by a customer for actual damages; statutory damages between \$5,000-\$10,000 per violation; declaratory relief as to obligations on the suspect transaction to the DI and any security interests obtained by the DI against the customer in connection with the suspect transaction are void and unenforceable; an injunction restraining the DI for from collecting, or attempting to collect from the victim amounts or security interest related to the suspect transaction; reasonable attorneys fees and costs; treble damages if the customer is a a senior citizen, or if the DI unreasonably concluded that it did not err when it did not provide preventative measures.

#### **EXISTING LAW:**

##### *California*

- 1) Defines “mandated reporter of suspected financial abuse of an elder or dependent adult” as all officers and employees of financial institutions. Welfare and Institutions Code Section 15630.1(a).
- 2) Defines “financial abuse” as:
  - a) Taking, secreting, appropriating, obtaining, or retaining real or personal property of an elder or dependent adult for a wrongful use or with intent to defraud, or both.
  - b) Assisting in taking, secreting, appropriating, obtaining, or retaining real or personal property of an elder or dependent adult for a wrongful use or with intent to defraud, or both.
  - c) Taking, secreting, appropriating, obtaining, or retaining, or assisting in taking, secreting, appropriating, obtaining, or retaining, real or personal property of an elder or dependent adult by undue influence. W.I.C. Section 15610.30.
- 3) Defines “suspected financial abuse of an elder or dependent adult” as occurring when a mandated reporter observes or has knowledge of behavior or unusual circumstances or transactions, or a pattern of behavior or unusual circumstances or transactions, that would lead an individual with like training or experience, based on the same facts, to form a reasonable belief that an elder or dependent adult is the victim of financial abuse. W.I.C. Section 15630.1(h).

- 4) Requires a mandated reporter of suspected financial abuse of an elder or dependent adult who:
  - a) Has direct contact with the person or reviews or approves their transactions records, or documents in connection with providing financial services, and
  - b) Within the scope of their employment, has observed or has knowledge of an incident directly related to the matter within the scope of employment that reasonably appears to be financial abuse; or
  - c) Does not have direct contact with the elder or dependent adult and reasonably suspects financial abuse based solely on information before them at the time of reviewing or approving the transaction, record, or document

to report the known or suspected instance of financial abuse by telephone or from a confidential internet reporting tool immediately or as soon as practicably possible. A report made by telephone must also be submitted in writing, or a confidential internet report made within two working days to the adult protective services agency or local law enforcement. W.I.C. Section 15630.1 (d)(1).

- 5) Does not require a mandated reporter of suspected financial abuse of an elder or dependent adult to investigate any accusations if the mandated reporter is not aware of other corroborating or independent evidence of alleged financial abuse of an elder or dependent adult. W.I.C. Section 15630.1(e)(2).
- 6) The requirement to report financial abuse, suspected or actual, of an elder or dependent adult is not sufficiently triggered by a mere allegation as described in #5, and in the exercise of their professional judgment, the mandatory reporter reasonably believes that financial abuse of an elder or dependent adult did not occur. W.I.C. Section 15630.1(e).
- 7) Provides the Attorney General, district attorney, or county counsel the exclusive ability to pursue a civil action against the financial institution to recover no more than \$1,000 failure to report financial abuse, or no more than \$5,000 if the failure to report is willful. W.I.C. Section 15630.1(f) and (g).

#### *Federal Law*

- 1) Provides the Secretary of the Treasury authority to require any financial institution and any director, officer, employee, or agent of any financial institution, to report any suspicious transaction relevant to a possible violation of law or regulation. 31 U.S.C. 5318(g).
- 2) Requires every bank to file with the Treasury Department, a report of any suspicious transaction relevant to a possible violation of law or regulation. 31 C.F.R. § 1020.320 (a)(1).
- 3) Requires reporting if a transaction:
  - a) Is conducted or attempted by, at or through a bank,
  - b) It involves or aggregates at \$5,000 in funds or other assets, and the bank knows or has reason to suspect:

- i) That the transaction involves funds derived from illegal activities or is intended or conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any Federal law or regulation or to avoid any transaction reporting requirement under Federal law or regulation;
- ii) The transaction is designed to evade any requirements of other regulations promulgated under the Bank Secrecy Act; or
- iii) The transaction has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage, and the bank knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction. 31 C.F.R. § 1020.320 (a)(2).

**FISCAL EFFECT: Unknown. This bill is keyed Fiscal by Legislative Counsel.**

## COMMENTS:

### 1) Purpose

#### Statement from the Author

“AB 2674 helps protect people from increasingly common and sophisticated financial scams. Today’s scams often use tactics like impersonating trusted individuals, creating a sense of urgency, or even using artificial intelligence to sound convincing, which can lead to devastating and irreversible financial losses. This bill requires banks and financial institutions to better train their employees to recognize these scams, step in when something seems suspicious, and clearly warn customers before money is sent. By taking these simple but important steps, AB 2674 makes it easier to stop fraud before it happens.”

#### Arguments in Support

“Financial scams, including impersonation, coercion, and deception schemes, continue to cause devastating and often irreversible harm to Californians. While banks invest billions of dollars annually in cybersecurity infrastructure, fraud detection systems, and network monitoring tools, these systems are often primarily designed to protect institutional platforms rather than intervene when consumers themselves are being deceived. As a result, consumers frequently bear the full financial loss, even when warning signs were detectable in real time.

AB 2674 takes a balanced and pragmatic approach to tackle this difficult and persistent problem. Through increased education and stronger mechanisms to prevent and intervene in suspicious transactions, AB 2674 tackles financial abuse from all angles.”--Unite Here

#### Arguments in Opposition

“A fundamental concern with AB 2674 is that it effectively shifts liability to financial institutions for authorized transactions that were induced by fraud. Under longstanding payment system rules and federal law, including the Electronic Fund Transfer Act and Regulation E, the key legal

distinction in fraud cases is whether a transaction was authorized or unauthorized. When a consumer personally initiates a payment—even if that consumer was deceived by a scam—the transaction is treated as authorized within the payment system. Financial institutions typically have no visibility into external communications or circumstances that led the consumer to initiate the payment. These scams frequently occur through text messages, phone calls, social media platforms, or online marketplaces that exist entirely outside the financial services system.

By creating liability for transactions that consumers themselves authorized, AB 2674 places responsibility on banks and credit unions for events that occur outside their control and beyond their ability to monitor. In practice, this standard would expose financial institutions to lawsuits whenever a consumer later claims they were persuaded or pressured into making a payment.”-- California Bankers Association

## 2) Background

### Prior Legislation

In 2024 SB 278 attempted to address the issue of financial fraud at the depository institution<sup>1</sup> level as it pertains to elder adults by, in relevant part, requiring a depository institution to contact a designated third party or joint account holder if a transaction is reasonably suspected to be a result of financial fraud. This bill would also require depository institutions to delay by at least three business days, a transaction suspected to be the result of financial fraud which would make a depository institution immune from administrative, civil, or other liability that might arise from a delayed or refused transaction. Ultimately, the bill was vetoed by the Governor with the following statement:

*The mandatory three-day hold on transactions suspected of abuse could lead to unintended consequences, such as delaying legitimate transactions and restricting access to funds, thereby undermining the financial independence of affected account holders. Furthermore, the proposed enforcement provisions need further review to ensure they are legally sound and minimize the risk of costly litigation - a burden that would ultimately fall on taxpayers and diminish the overall effectiveness of the bill.*<sup>2</sup>

## 3) The Current Issue

Federal Trade Commission data show that consumers reported losing more than \$12.5 billion to fraud in 2024, which represents a 25% increase over the prior year.<sup>3</sup> Of people who reported their age, those aged 20-29 reported losing money to fraud in 44% of reports filed with the FTC, while people aged 70-79 reported losing money in 24% of their reports and people aged 80 and over reported it in 21% of their reports.<sup>4</sup> Despite credit card fraud accumulating the greatest number of reports, bank transfers and payments accounted for the highest aggregate losses reported in 2024 (\$2.09 billion); losses were over seven times the amount reported lost to credit

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<sup>1</sup> The term “depository institution” was not used in SB 278, but rather “covered person or entity”. The term “depository institution” is used in this analysis in reference to SB 278 for continuity with the current AB 2674.

<sup>2</sup> <https://www.gov.ca.gov/wp-content/uploads/2024/09/SB-278-Veto-Message.pdf>

<sup>3</sup> <https://www.ftc.gov/news-events/news/press-releases/2025/03/new-ftc-data-show-big-jump-reported-losses-fraud-125-billion-2024><https://www.ftc.gov/news-events/news/press-releases/2025/03/new-ftc-data-show-big-jump-reported-losses-fraud-125-billion-2024> Last accessed 4/13/26.

<sup>4</sup> Data Book 2024. Consumer Sentinel Network, 2024. pp 4.

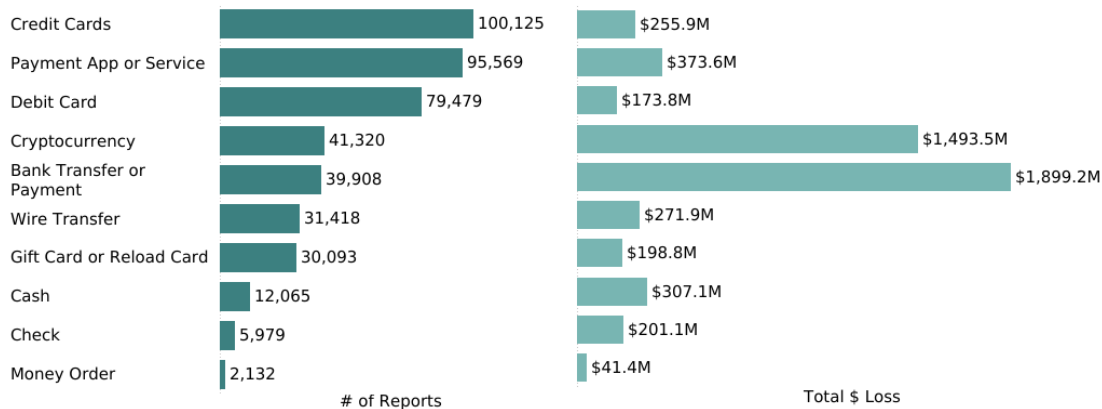
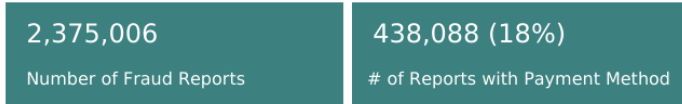
card fraud.<sup>5</sup> The same report found that military consumers reported over 99,000 fraud complaints, including 44,587 imposter scams that reportedly cost them over \$199 million in 2024. As of 2022, 99% of families owned at least one financial asset, and 98.6% owned a transaction account.<sup>6</sup>

FTC CONSUMER SENTINEL NETWORK

Published December 11, 2025  
(data as of September 30, 2025)

All Fraud Reports by Payment Method  
Year: 2025 YTD

All  
 FTC  
 Data Contribu...  
 Contact Method  
 Payment Meth...  
 Year: 2025  
 Quarter: All



Other payment methods includes Payroll Allotment and Telephone Bill.

FEDERAL TRADE COMMISSION · [ftc.gov/exploredata](https://ftc.gov/exploredata)

#### 4) Fraud v. Identity Theft

The difference between fraud and identity theft is the difference between a victim having a claim to recover their funds or not. *Identity theft* is the unauthorized use of a victim’s identity or other personal identifying information to gain access to their property. *Fraud*<sup>7</sup> is the inducement of action by the victim under false pretenses in order to gain access to their property. Aside from statutory recourse under the California Identity Theft Act and the federal Electronic Funds Transfer Act, at a fundamental level, because some unauthorized person conducts the transaction, identity theft is a breach of the contractual agreement against unauthorized transactions for credit cards and DIs with their customers. But the latter, fraud, is not because the *customer* is the party that conducts the transaction; state of mind is not consequential. From a theoretical standpoint, this is conventionally sound; customers should have access to their funds

<sup>5</sup> *Ibid.*

<sup>6</sup> *Changes in U.S. Family Finances from 2019 to 2022*, <https://www.federalreserve.gov/publications/october-2023-changes-in-us-family-finances-from-2019-to-2022.htm> at page 16. A “transaction account” includes checking accounts, savings accounts, money market accounts, call accounts, and prepaid debit cards.

<sup>7</sup> The terms “fraud” and “scam” may be used interchangeably.

upon demand. However, existing law recognizes the need for further safeguards from DIs given their unique vantage point.

Under existing law, employees of DIs are trained to recognize behaviors and patterns that may indicate that an elderly customer<sup>8</sup> is falling victim to a scam. Common examples of such indicators are confusion, out of pattern spending, changes in transaction patterns, and requests that fall outside of a customer's normal behavior. Upon recognition of the scam, employees are trained to use different discreet intervention methods to attempt to dissuade the customer from completing the suspicious transaction. Ultimately, under the current law, the DI can choose to entirely deny the transaction or complete the transaction as requested by the customer. AB 2674 builds on these existing practices by requiring additional interventions, both in-person and online, when a transaction is suspected to be a result of fraud.

### 5) What the Bill Does-In-Person Transactions

In 2024, the Federal Bureau of Investigations (FBI) issued an announcement about the use of generative artificial intelligence (AI) to commit financial fraud.<sup>9</sup> The announcement shared the ways criminals used generative AI to create convincing text, images, voice cloning, and videos to fool consumers into financial traps. One of the tips for consumers to protect themselves provided in the announcement was independent verification: *“Verify the identity of the person calling you by hanging up the phone, researching the contact of the bank or organization purporting to call you, and call the phone number directly.”* The Consumer Financial Protection Bureau (CFPB) warns<sup>10</sup> *“Criminals and con artists use many scams to target unsuspecting people—of all ages—who have access to money. Consumer scams happen on the phone, through the mail, e-mail, or over the internet. They can occur in person, at home, or at a business.”* The CFPB lists several signs of a scam, but categorically, these signs share a common theme of pressuring a person to pay immediately, in a form that is cash-like and irreversible.

AB 2674 requires the DI's employees to deploy their fraud recognition and prevention training when a suspicious transaction arises as well as 1) encourage the customer to independently verify the need for the transaction by contacting the person for whom the transaction is initiated if the customer did not initiate the first communication, 2) encourage the customer to contact a nationally recognized third-party fraud support hotline to help determine if the situation is harmful, 3) contact a trusted designated contact person if the DI does not have reason to suspect that the contact person would cause harm, and 4) notify the customer that the DI cannot be held liable for harm caused by any deception related to the transaction if it completed these steps.

Under the first intervention, the customer is encouraged to independently verify the need for the transaction by calling not the source of the original communication, but rather the subject for whom the transaction is made. For example, if the caller is seeking bail money for a niece, call the niece directly, or look up the number of the jail independently to verify, not the number of the jail if one is provided by the caller. Because financial frauds rely on a sense of urgency and

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<sup>8</sup> Customers of credit unions are referred to as “members”. For purposes of this analysis, the term “customer” will be used to mean both bank customers and credit union members.

<sup>9</sup> <https://www.ic3.gov/PSA/2024/PSA241203>. Last visited 4/14/26

<sup>10</sup> <https://www.consumerfinance.gov/ask-cfpb/what-are-some-classic-warning-signs-of-possible-fraud-and-scams-en-2094/> Last visited 4/14/26

emotional attachment, an intervention to break the illusion can be effective, though not in all instances. There are scams where there is no ability to independently verify information reliably.

The second and third interventions encourage the customer to seek help from an outside party. Experts have recommended a national fraud hotline as an effective tool because some customers believe that a relative or known person may be unreliable because they stand to gain an inheritance or gift. Additionally, the hotline helps victims walk through their illusion to better differentiate fact from fiction.

The fourth intervention is another approach to appealing to a customer's judgement. This intervention puts forward the risk involved with the transaction. Taken in context with the other interventions, naming the risk that the customer is about to incur can be effective enough to encourage the customer to follow through with independent verification.

Furthermore, a scammer can coach a person into bypassing known intervention. For this reason, the training to recognize and intervene in suspected fraud is left broad 1) for flexibility as fraud techniques change, 2) to prevent criminals from coaching victims through all possible interventions if otherwise prescribed by law, and 3) to permit DI to develop trainings on a localized level that is effective for its customers.

Conversely, if a customer makes an out-of-pattern transaction that they are certain is legitimate, these interventions do not stop the transaction or otherwise prevent the customer from receiving their money from the DI.

The author acknowledges that this bill will not capture all scam, such as long-term fraud like romance scams or "pig butchering"--the name given to scams involving the building of trust over time to gain a victim's confidence to invest largely in a fake business or investment. However, it will help a significant number of consumers, especially since the banks are better positioned to see trends than a consumer who may encounter a trendy scam for the first time.

## **6) What the Bill Does- Online Transactions**

The bill also seeks to address online transfers of money to scammers. The bill applies to non-expedited bank transfers and requires a warning message to be displayed in the language that the consumer customarily conducts business.

Advocates have concerns about the effectiveness of a single warning. Consumers disillusioned by fraud usually require guided questioning to allow the consumer to reach their own conclusion. This approach is used for seniors considering reverse mortgages.<sup>11</sup> Additionally, similar warnings are prevalent in other money transmission applications in addition to many DIs, albeit in different terms. Given the frequency of such warnings, there is an argument that this warning may not be particularly effective due to warning desensitization.

## **7) What the Bill Does- Transaction Dispute**

The bill permits a consumer who has been defrauded, but did not receive at least the statutory interventions to request an investigation by the DI within 60 days of the transaction to determine

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<sup>11</sup> <https://canhr.org/reverse-mortgage-suitability-self-evaluation-worksheet/> Last visited 4/14/26.

whether or not interventions should have been provided for the transaction. There are three possible outcomes:

- a) If the DI finds that an intervention should have been provided, and chooses to refund the consumer for the amount of the transaction, the DI would have no further obligations or liability as to that transaction.
- b) If the finding is such, but the DI decides not to refund the consumer, the consumer would be required to seek the refund through a civil action, but the consumer would be entitled to recover reasonable attorneys' fees and costs, statutory damages, and injunctive relief. Treble damages are available for consumers who are senior citizens as defined, and where there is evidence that a DI unreasonably determined that it did not err.
- c) If the DI determines that no intervention was necessary, it must provide the consumer with the documents upon which it made its determination. The consumer would then need to determine whether or not to pursue a civil action. If the consumer prevails, the same recovery in #2 would be available.

Unlike other consumer protection laws,<sup>12</sup> this bill would limit the right to bring a claim to a party who has suffered actual harm, and only after an investigation has been conducted. Arguably, the investigation requirement could reduce litigation risk under the proposal as an early dispute resolution tool. Even if a DI were to determine that no intervention was necessary, the requirement to produce the documents upon which they relied to make the determination allows the consumer, likely through a potential attorney, to make an early judgement as to the likelihood of success if a case were to be brought.

This dispute process is similar to the federal Electronic Funds Transfer Act (EFTA).<sup>13</sup> All DIs are subject to the EFTA. The EFTA applies to the use of electronic systems to transfer funds; commonly, but not limited to unauthorized transactions. The EFTA also provides a 60 window for a consumer to report an error and it requires an investigation by the DI as to whether or not an error did occur.<sup>14</sup> Unlike this bill, the EFTA requires a DI to correct the error, including any applicable interest if an error is found.<sup>15</sup> Unlike this bill, if an error is not found, the DI need only provide an explanation of its findings to the consumer, however a consumer may request the documents upon which the DI relied on to make its determination. The EFTA also permits treble damages for willful behavior, or a bad faith investigation.

## 8) Preemption

The opponents of this bill argue that requiring a refund where it is determined that interventions should have been provided would be preempted by federal law. The bill makes providing a refund optional. Even so, preemption is very narrow with specific requirements. In its the 2024 opinion, the Supreme Court unanimously held “in applying the significant-interference test under *Barnett Bank*, 116 S.Ct. 1103... to the issue of whether the National Bank Act preempts a state law must make a practical assessment of the nature and degree of the interference caused by the state law; if the state law prevents or significantly interferes with the national bank's exercise of

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<sup>12</sup> See *Yeh v. Barrington Pacific*, Cal.App.5th (2026)

<sup>13</sup> 15 U.S.C. §1693 *et seq.*

<sup>14</sup> 15 U.S.C. §1693f(a)

<sup>15</sup> 15 U.S.C. §1693f(b)

its powers, the law is preempted, but if the state law does not prevent or significantly interfere with the national bank's exercise of its powers, the law is not preempted”<sup>16</sup>

The Court’s decision provides a clear framework for determining the question of federal preemption of state laws regulating banks in relation to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which ruled out field preemption.

“Instead, Dodd-Frank provides that the National Bank Act preempts a state law “only if” the state law (i) discriminates against national banks as compared to state banks; or (ii) “prevents or significantly interferes with the exercise by the national bank of its powers,” as determined “in accordance with the legal standard for preemption”<sup>17</sup>

Because this bill does not apply to a financial institution based on its charter, any potential questions of preemption can only be raised on the “prevents or significantly interferes” preemption standard.

There is no clear demarcation of where a state law significantly interferes with a national bank’s ability to exercise its powers, and thus prior decisions must be taken into account. For example, in the *Barnett* case, a dispute arose because a national bank wanted to sell insurance in a small Florida town, but the state prohibited most banks from selling insurance. The Court held the Florida law was preempted because it significantly interfered with the national bank's ability to sell insurance—a federally authorized power. The Court reasoned that “normally Congress would not want states to forbid, or to impair significantly, the exercise of a power that Congress explicitly granted.”<sup>18</sup> However, in *National Bank v. Commonwealth*, the Court determined that a Kentucky tax law was not preempted. The Kentucky law at issue there taxed the shareholders of all banks on their shares of bank stock.

“The Court explained that national banks are “exempted from State legislation, so far as that legislation may interfere with, or impair their efficiency in performing the functions” that federal law authorizes them to perform. But national banks are not “wholly withdrawn from the operation of State legislation”; rather, they remain subject to state law governing “their daily course of business” such as generally applicable state contract, property, and debt-collection laws.”<sup>19</sup>

As applied to this bill in its current form, any issues of preemption would hinder on whether or not an option to refund defraud funds to a consumer who should have received interventions prevents or significantly interferes with the financial institution’s ability to exercise its powers. This seems unlikely for two reasons 1) the refund is optional, and 2) refunding money pursuant to a known error is already required as part of federal banking law.

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<sup>16</sup> *Cantero v. Bank of America, N. A.* (2024) 144 S.Ct. 1290

<sup>17</sup> *Id.* citing *Barnett Bank of Marion Cty., N. A. v. Nelson*, 517 U.S. 25, 116 S.Ct. 1103

<sup>18</sup> *Barnett Bank of Marion Cty., N. A. v. Nelson*, 517 U.S. 25, 116 S.Ct. 1103

<sup>19</sup> *National Bank v. Commonwealth*, 9 Wall. 353, 76 U.S. 353, 361-362 (1870)

## COMMITTEE AMENDMENTS

While the Committee is in support of interventions to address the real issue of fraud, amendments to the bill have removed the investigation requirement and private right of action for defrauded consumers. While the DI is the last touchpoint between the consumer and their money, the DI, nonetheless, is not the perpetrator of the scam. Nor will the DI find all transactions based in fraud to be suspicious enough to trigger an intervention. The Committee has concerns that creating a private right of action in an area that has a growing issue under a vague standard of “suspicion” will lead to abuse of the legal system.

To address these concerns the Committee recommends:

Repeal Sections 60002 and 60003

### REGISTERED SUPPORT / OPPOSITION:

#### Support

##### Last verified 4/15/26

California Alliance for Retired Americans  
California Retired Teachers Association  
California Senior Legislature  
Santa Clarita Valley Committee on Aging Corporation  
Unite Here International Union, Afl-cio

#### Opposition

##### Last verified 4/15/26

American Financial Services Association  
California Bankers Association  
California Chamber of Commerce  
California Community Banking Network  
California Credit Union League  
Civil Justice Association of California (CJAC)

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