SENATE THIRD READING
SB 1208 (Grayson)
As Amended August 13, 2026
2/3 vote

## SUMMARY

Authorizes, until January 1, 2032, a law enforcement officer or prosecuting agency to obtain a search warrant to seize digital financial assets upon a showing of probable cause that the digital financial assets contain proceeds of a crime or proceeds traceable to a crime or have been used to facilitate a crime.

**Major Provisions**

1) Expands the crime of money laundering to include digital financial assets, as defined, but only until January 1, 2032.

2) Authorizes a law enforcement officer or public prosecutor to obtain a search warrant to seize digital financial assets or wallets, accounts, or similar things containing digital financial assets (collectively "digital financial assets") upon a showing of probable cause that the assets meet either of the following:

    a) Contain or have contained the proceeds of a crime or proceeds traceable to a defined crime.

    b) Have been used to facilitate a defined crime.

    c) Contain or have contained digital financial assets involved in money laundering or traceable to such property.

3) States that the warrant application shall specify any centralized exchanges, addresses, or other locations assets from which digital financial assets will be seized. The affidavit shall describe how the warrant will be served, such as delivery to a known law enforcement portal of a centralized exchange, digital financial assets issuer, or via some other method.

4) Provides that the search warrant shall specify the amount of digital financial assets to be seized from each location, subject to the following:

    a) The search warrant may authorize seizure of either:

        i) All digital financial assets where money laundering can be shown or digital financial assets traceable to such property, or

        ii) The amount of digital financial assets traceable to crime.

    b) The search warrant may authorize seizure of digital financial assets related to crimes and victims in other jurisdictions so long as jurisdiction relating to a California crime is established.

    c) The search warrant may authorize seizure of substitute assets if the target no longer has control of the relevant digital financial assets.

5) Authorizes a law enforcement officer to send a written request to freeze digital financial assets to allow time to pursue a search warrant pursuant to this bill, and requires a centralized exchange, digital financial assets issuer, or other party receiving such a request to freeze the relevant digital financial assets for ten calendar days from receipt of the request.

6) Authorizes the centralized exchange, digital financial assets issuer, or other party to notify the possessor of the digital financial assets that they have been frozen at the request of a California law enforcement agency.

7) Provides that the court shall issue a warrant where jurisdiction is established and probable cause appears in the affidavit.

8) Requires law enforcement, upon issuance of the warrant, to execute the warrant by taking the digital financial assets into law enforcement custody for safekeeping or taking such other actions as are necessary to prevent the property from being transferred or dissipated.

9) States that within 180 days of any seizure of digital assets conducted pursuant to a warrant, a public prosecutor may initiate a special proceeding of a criminal nature by applying to the court on behalf of the People of the State of California to forfeit the seized digital financial assets, but if no such proceeding is initiated, and no other law prohibits the return, the seized digital financial assets shall be returned to the party from whom they were seized, unless prohibited by law. The prosecuting agency shall have the initial burden of establishing by a preponderance of the evidence as shown in a declaration attached to the application, that the seized property falls within the crimes defined by the amended search warrant statute. The court shall summarily dismiss the application if it does not establish that the property falls within the crimes defined by the amended search warrant statute.

10) Provides that if a special proceeding is initiated, the public prosecutor must make efforts reasonably calculated to provide notice to all readily ascertainable potential owners of such property, and anyone with a known security interest. Each person noticed has thirty days to file a verified claim. The thirty-day period begins on the date of service. The court shall not extend the time for filing a claim unless a potential claimant files a request for extension of time, including a declaration showing good cause for the extension. For a special proceeding, the court shall be required to make a finding on the record that establishes by a preponderance of the evidence the court's jurisdiction over the property at issue.

11) States that a verified claim must be filed under penalty of perjury and supported by admissible evidence, and that the claimant bears the burden by a preponderance of the evidence to show that the seized digital financial assets belong to the claimant and were obtained by legitimate means.

12) Establishes that if the claimant is a natural person the claim must include specified identifying information regarding the claimant, including a photograph of the claimant and of an identity document, as specified, and must respond to all allegations in the petition for forfeiture and be supported by the evidence upon which the claimant intends to rely. If the claimant is a legal entity recognized by California law, the verified claim shall set forth the legal entity's registered name and business address, as well as the telephone number and email address of its authorized representative.

13) Provides that all evidence and arguments not included in the initial claim are forfeited, absent a finding of good cause by the court.

14) States that if the court sets a hearing, the parties may conduct discovery in accordance with the Code of Civil Procedure to the extent permitted by the court.

15) Specifies that upon filing of a claim, unless it is denied as plainly without merit, the court shall give the prosecuting agency time to file a response with any additional evidence and argument related to the claim, and considering all relevant evidence, shall decide the claim and file an order resolving the claim or setting a hearing.

16) States that any resolution of disputed issues related to a claim shall be at a court hearing, and that the court may halt proceedings at any time if it determines that it has sufficient information to resolve the claim and issue an ordering resolving the validity of the claim, as specified.

17) Provides after all claims are resolved, the court shall issue a final judgement forfeiting the remaining digital financial assets. The judgment may be reviewed only by a writ of mandate from the court of appeal. Unless the court of appeal issues a stay, after 30 days ownership the forfeited digital financial assets shall immediately transfer to the prosecuting agency for distribution to the victims, as specified.

18) Specifies that the government's interest in distribution to victims shall take precedence over individual claims based on constructive trust or other civil claims that individual victims may assert.

19) Requires the seized funds to be used to compensate victims of the crimes or fraud schemes underlying an action pursuant to this bill, up to the value of their actual loss, and authorizes the prosecuting agency to establish a claims procedure to include victims whose cases were not used to establish the underlying crimes or fraud schemes, subject to the following requirements:

    a) The agency shall make efforts reasonably calculated to identify and provide notice to additional victims of the crimes or fraud schemes underlying the action and inform them of the procedure to file a claim.

    b) After the expiration of the claims period, the prosecuting agency shall grant or deny each claim and determine the amount of each victim's loss for approved claims. Determinations are not subject to appeal or judicial review.

    c) Once all additional claims are adjudicated, the prosecuting agency must distribute the seized digital financial assets to those victims whose cases were used as part of the action and those additional victims whose claims are approved on a pro rata basis up to the amount of their actual loss.

20) States that if a prosecuting agency determines that a claims procedure to identify additional victims is inappropriate or impractical, the agency shall still be required to return funds to all victims whose cases were used as part of this action on a pro rata basis up to the amount of the actual loss.

21) Establishes that any digital financial assets not distributed to victims as set forth above shall be kept in the custody of the law enforcement or prosecuting agency for a maximum of three years, upon which time the assets shall be deposited into the Restitution Fund exclusively for the purpose of providing victim services.

22) States that jurisdiction extends to digital financial assets in any country when either of the following have been established:

    a) The possessor received a digital financial asset traceable to a crime perpetrated against a victim who was residing in California or was defrauded in this state.

    b) The possessor is a member of a conspiracy to commit money laundering and any member of the conspiracy received a digital financial asset traceable to a crime perpetrated against a victim who was residing in California or defrauded while in this state.

23) Provides that a special proceeding to recover digital financial assets may be filed in any county where any victim of the underlying crimes or fraud schemes resides or in any county where any portion of the crimes or underlying fraud schemes occurred, and may be prosecuted by a City Attorney, District Attorney, or the Attorney General.

24) Specifies that service of process may be made as follows:

    a) If funds are seized from an account at a centralized exchange, notice by one of the following methods shall be deemed to be sufficient notice: email, mail, or telephone, as specified.

    b) If funds are seized from a blockchain address, blockchain service may be made by sending a link to the documents using the blockchain involved in the seizure.

    c) Upon a showing that none of the listed methods of service are possible or practical, the court shall permit service by publication, or in any other means provided by law.

25) States that the court, in making any of its orders under this section, shall seek to protect the legitimately acquired interests of any innocent third persons, including family, who were not involved in the commission of any criminal activity.

26) Establishes that beginning July 1, 2028, and annually thereafter, a prosecuting agency or the law enforcement agency of a law enforcement officer that seeks a search warrant to seize property pursuant to this section shall report to the Department of Justice, in a manner and format determined by the department, all of the following information related to search warrants and property seized:

    a) The number of search warrant applications filed and the numbers of applications granted by a court, rejected by the court, and withdrawn by the agency.

    b) The number of times property was seized and the type and monetary value of the property seized.

    c) The number of verified claims filed pursuant to subdivision (f) and the outcome of those claims.

d) The number of victims compensated for their loss through the seizure of the property and at what percentage compared to the actual loss suffered by the victim.

e) The number of criminal cases filed in connection with seized property and the outcome of those cases.

27) Provides that on or before January 1, 2029, and annually thereafter, the Department of Justice shall report the information provided to the Legislature and publish it on its internet website. A report submitted pursuant to this paragraph shall be submitted, as defined.

28) States that the DOJ reporting requirement shall remain in effect only until January 1, 2032, and as of that date is repealed.

29) Includes legislative findings and declarations.

## COMMENTS

*Practical Concerns:* The challenges associated with prosecuting entities engaged in cryptocurrency scams could mean a civil asset forfeiture approach may be the only viable method of providing restitution to the victims of fraudulent schemes. Yet, even if this approach is a realistic one, there remain numerous practical and legal concerns.

The author seems to acknowledge the difficulty of securing a criminal conviction in cases involving digital financial assets due to the complex and transnational components common to these crimes. Similar difficulties almost assuredly will arise during the process of attempting to force forfeiture of digital assets. While certain exchanges and the tracking of assets will be relatively straightforward, like working with Binance or tracking certain activity on the blockchain, investigators nevertheless may face great difficulty in trying to access data on crypto exchanges. Even in the case of a cooperative exchange, out-of-state companies ultimately may prove obstinate or inaccessible. Counsel for these companies may caution against involvement. Internationally based companies could be entirely untouchable, particularly without cooperation or intervention from the federal government and California’s current relationship with the federal government remains understandably strained. It is unclear whether California courts even have the authority to exercise their power to force seizure or dispossession of digital assets that may be accessible but do not explicitly reside within California's borders. If the primary purpose of the bill is to return assets to those from whom they have been stolen, then the volatility of digital financial assets may render many investigations unprofitable as certain assets may have significant value one day and no value the next. The ability to turn digital assets into hard currency and/or precious metals may create difficulties fully tracing the assets from victim to recovery. The complexity of certain investigations may create outsized financial and resource burdens, particularly on local agencies.

Given the practical challenges with recovering these assets, in combination with California’s jurisdictional limitations, an unusually great number of things may have to go right to achieve the bill’s desired outcomes.

**According to the Author**
"SB 1208 is an important bill in California's fight against consumer fraud and scams. Criminal organizations, especially transnational organizations, use digital financial assets in their complex schemes to defraud Californians and to launder the proceeds from their criminal activities. Using

blockchain analysis, law enforcement agencies can track the movement of digital financial assets and work with digital asset custodians to freeze funds. Existing state law, however, requires a criminal conviction to effect forfeiture of fraud proceeds, a hurdle that is nearly impossible to clear when the alleged criminal is located overseas in a jurisdiction that does not cooperate with U.S. law enforcement agencies.

"This bill helps to remedy the challenges posed by existing law in returning assets to scam victims. The bill establishes a process whereby California law enforcement agencies can issue a warrant to seize funds when they have reasonable cause and administer a fair process for the owner of the funds to show that the assets were not related to criminal activities. While more needs to be done from stopping these criminals from reaching Californians in the first place, this is a critical bill to improve the outcomes for victims of fraud and scams."

**Arguments in Support**
According to the bill's sponsor, *California Department of Justice*, "Attorney General Bonta . . . urges your support for this legislation to enhance the ability of state and local law enforcement to combat the rapidly expanding scourge of cryptocurrency scams and, just as importantly, help return cryptocurrency (also known as "digital financial assets") to the victims of such fraud.

"'Pig butchering,' a cryptocurrency scam wherein scammers manipulate and gain the trust of potential victims to induce them to transfer funds into fake cryptocurrency projects, has been estimated to result in over $75 billion dollars stolen and laundered via cryptocurrency from 2021 to 2024 nationwide.0F1 In 2025, 116,414 California victims reported over $3.67 billion lost to scams, ranking first among states for both number of victims and overall loss amount in the FBI’s annual Internet Crime Report.1F2 In short, cryptocurrency fraud is a serious threat to public safety that is only growing worse, and victims of crypto scams are far too often unable to recover their losses and be made whole again.

"Existing seizure laws require a criminal conviction for the forfeiture of fraud proceeds. When it comes to cryptocurrency scams, however, prosecutors are limited in their ability to identify individual perpetrators, extradite them, and obtain a criminal conviction because these scammers are often part of transnational criminal organizations located overseas, protected by government corruption, or both. In such cases when the perpetrators are effectively beyond the reach of state and local law enforcement, it is much more difficult to effectuate the legal seizure and remission of stolen assets back to the victims of the fraud if a criminal conviction is a precondition.

"To modernize the law for the cryptocurrency age, SB 1208 will provide statutory authority to CA prosecutors to initiate a special proceeding of a criminal nature to seize cryptocurrency wallets and exchange accounts being used to launder fraud proceeds. This provides prosecutors with a much-needed tool to seize and return digital financial assets to victims of cryptocurrency fraud that does not require a criminal conviction, which is difficult for the reasons previously described. At the same time, SB 1208 provides robust due process protections, including specific criteria for obtaining a search warrant and due process for claimants to file a verified claim for the return of the seized property.

"Existing law also needs to be updated to make it easier to facilitate the return of digital financial assets to victims of cryptocurrency fraud. To the extent that current law provides for the return of stolen cryptocurrency, prosecutors must do so by proving that one victim is the true owner of the specific cryptocurrency that was seized. However, commingling and money laundering can make it difficult to prove which specific victim is the owner of the cryptocurrency, particularly when investigating multi-victim fraud schemes and organized money laundering.

"To address this, SB 1208 provides a mechanism to return seized cryptocurrency to identifiable victims of crime based on proof of the crime and the loss to the victims, rather than requiring proof of ownership through commingling. The bill requires digital assets recovered from seized cryptocurrency accounts to be used to compensate victims of the crimes or fraud, on a pro rata basis, up to the amount of their actual loss, and victims of similar or related crimes or frauds.

"SB 1208 is urgently needed legislation that will help law enforcement to disrupt the operations of criminal groups and scammers committing crypto fraud and better enable prosecutors to legally seize and return digital financial assets to Californian victims. For these reasons, Attorney General Bonta requests your support for SB 1208 to strengthen protections against cryptocurrency fraud and help make victims of such fraud whole again."

**Arguments in Opposition**
According to the *California Public Defenders Association*, "The California Public Defenders Association (CPDA), a statewide organization of public defenders, private defense counsel, and investigators, regrets to inform you that we oppose Senate Bill 1208 ("SB 1208") by Senator Grayson unless it is amended to provide guardrails to prevent the abuse of the money laundering statute against unbanked indigent individuals.

"Although the goal of combating transnational fraud and cryptocurrency-based money laundering is well intentioned, SB 1208 inadvertently creates a tool that will be misused against drug users and low level drug dealers and others who are unbanked and use cryptocurrency in place of cash resulting in more pretrial detention, greater disparity in plea bargaining and longer sentences.

## FISCAL COMMENTS

According to the Assembly Appropriations Committee:

1) Court cost pressures of an unknown, but potentially significant amount (Trial Court Trust Fund, General Fund). The Judicial Council identifies four sources of workload:

    a) Expanding the crime of money laundering would generate additional hearings, in a volume dependent on how often filings are brought.

    b) The bill's search warrant requirements would likely lead to additional warrants being submitted for judicial determination and would require additional time to review the jurisdictional questions the bill poses; the Judicial Council characterizes this as an unknown, potentially significant impact on judicial officer workload.

    c) The new civil asset forfeiture procedure would generate new hearings involving an unknown number of claimants.

    d) The Judicial Council states that under existing case law, each claimant could request a jury trial to establish a claim and recover the assets, and the Judicial Council states that depending on the total number of filings and the mix of bench and jury trials, the new forfeiture process could create significant impacts on court calendars at both the trial and appellate levels.

Actual cost pressures will depend on the number of proceedings prosecuting agencies elect to bring and the complexity of each. Although courts are not funded on the basis of workload, increased pressure on the Trial Court Trust Fund (TCTF) may create a demand for increased funding for courts from the General Fund (GF). The state budget provides annual GF backfills to the TCTF to offset revenue reductions, totaling approximately $117.3 million in 2025-26.

2) Costs of an unknown amount (GF) to the Department of Justice (DOJ) to develop the reporting manner and format, receive and compile submissions from prosecuting agencies and law enforcement agencies statewide beginning July 1, 2028, and prepare and publish an annual report to the Legislature on or before January 1, 2029, and annually thereafter through the repeal

## VOTES

**SENATE FLOOR: 39-0-1**
**YES:** Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
**ABS, ABST OR NV:** Niello

**ASM PUBLIC SAFETY: 9-0-0**
**YES:** Schultz, Alanis, Mark González, Haney, Harabedian, Lackey, Nguyen, Ramos, Sharp-Collins

**ASM APPROPRIATIONS: 11-0-4**
**YES:** Wicks, Arambula, Calderon, Caloza, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache
**ABS, ABST OR NV:** Hoover, Dixon, Ta, Tangipa

## UPDATED

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