Office of Senate Floor Analyses
(916) 651-4171

UNFINISHED BUSINESS

Bill No: SB 1208
Author: Grayson (D)
Amended: 8/20/26
Vote: 27

SENATE PUBLIC SAFETY COMMITTEE: 6-0, 4/21/26
AYES: Arreguín, Seyarto, Caballero, Cortese, Pérez, Wiener

SENATE APPROPRIATIONS COMMITTEE: 7-0, 5/14/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

SENATE FLOOR: 39-0, 5/19/26
AYES: 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
NO VOTE RECORDED: Niello

ASSEMBLY FLOOR: Passed, 8/25/26

**SUBJECT:** Money laundering: digital assets

**SOURCE:** Department of Justice

**DIGEST:** This bill, until January 1, 2032, expands the crime of money laundering to include digital assets, and establishes a process by which a law enforcement officer or prosecuting agency may seize digital assets that contain proceeds of a crime, are traceable to a crime, or have been used to facilitate a crime, as specified, for the purpose of returning those assets to a victim.

*Assembly Amendments* applies this bill's provisions to "digital assets," as defined, rather than "digital financial assets"; limit the crimes for which related digital assets may be seized; require the prosecution to meet an initial evidentiary burden; establish a limited appeals process for resolved claims; require seized funds to revert to the Restitution Fund after a specified period; strikes an intent statement regarding jurisdiction; creates reporting requirements for local law enforcement and prosecuting agencies; sunsets this bill's provisions in 2032.

**ANALYSIS:**

Existing law:

1) The Digital Financial Assets Law (DFAW), generally governs the digital financial asset business activity of a person doing business in California or, wherever located, who engages in or holds itself out as engaging in the activity with, or on behalf of a resident, except for activity by several specified entities. (Financial (Fin.) Code, §§ 3101 et. seq.)

2) Defines "digital financial asset" and "digital financial asset business activity" for the purposes of DFAW. (Fin. Code, § 3102, subds. (g), (i).)

3) Provides that, beginning July 1, 2025, a person shall not engage in digital financial asset business activity, or hold itself out as being able to engage in digital financial asset business activity, with or on behalf of a resident of the state unless any of several specified conditions are true. (Fin. Code, § 3201; see id., §§ 3201-3225.)

4) Defines "criminal profiteering" as an act committed or attempted or a threat made for financial gain or advantage, which act or threat may be charged as a crime under several specified criminal statutes, including as embezzlement, extortion, receiving stolen property, violation of laws governing corporate securities, money laundering, offenses relating to unauthorized access to computers, computers systems, or computer data, and several others. (Penal (Pen.) Code, §186.2)

5) Provides that in any case in which a person is alleged to have been engaged in a pattern of criminal profiteering activity, as defined, upon a conviction of the underlying offense, the assets specified assets shall be subject to forfeiture upon proof of the profiteering activity. (Pen. Code, §186.3, subd. (a).)

6) Sets forth requirements and procedures regarding a forfeiture action filed by the prosecution resulting from criminal profiteering crimes. (Pen. Code, §§ 186.4 – 186.8.)

7) Provides that any person who conducts or attempts to conduct a transaction or more than one transaction within a seven-day period involving a monetary instrument or instruments of a total value exceeding $5,000, or a total value

exceeding $25,000 within a 30-day period, through one or more financial institutions (1) with the specific intent to promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on of any criminal activity, or (2) knowing that the monetary instrument represents the proceeds of, or is derived directly or indirectly from the proceeds of, criminal activity, is guilty of the crime of money laundering. (Pen. Code, § 186.10, subd. (a).)

8) Provides that the aggregation periods do not create an obligation for financial institutions to record, report, create, or implement tracking systems or otherwise monitor transactions involving monetary instruments in any time period. (*Ibid.*)

9) Provides that in consideration of the constitutional right to counsel afforded by the Sixth Amendment to the United States Constitution and Section 15 of Article I of the California Constitution, when a case involves an attorney who accepts a fee for representing a client in a criminal investigation or proceeding, the prosecution shall additionally be required to prove that the monetary instrument was accepted by the attorney with the intent to disguise or aid in disguising the source of the funds or the nature of the criminal activity. (*Ibid.*)

10) Provides that a violation of this statute shall be punished by imprisonment in a county jail for not more than one year or as a realigned felony, by a fine of not more than $ 250,000 or twice the value of the property transacted, whichever is greater, or by both that imprisonment and fine. However, for a second or subsequent conviction for a violation of this section, the maximum fine that may be imposed is $500,000 or five times the value of the property transacted, whichever is greater. (*Ibid.*)

11) Provides that, for the purposes of this statute, each individual transaction conducted in excess of $5,000, each series of transactions conducted within a seven-day period that total in excess of $5,000, or each series of transactions conducted within a 30-day period that total in excess of $25,000, shall constitute a separate, punishable offense. (Pen. Code, § 186.10, subd. (b).)

12) Provides that in any instance where money laundering is punished as a felony, the defendant shall be subject to additional terms of imprisonment depending on the value of the transaction or transactions. (Pen. Code, § 186.10, subd. (c)(1).)

13) Specifies that any additional term of imprisonment shall not be imposed unless the facts of a transaction or transactions, or attempted transaction or transactions,

of the alleged value, are charged in the accusatory pleading, and are either admitted to by the defendant or are found to be true by the trier of fact. (Pen. Code, § 186.10, subd. (c)(2).

14) Creates the Restitution Fund to facilitate the restitution of victims of crime who incur an economic loss as a result of the commission of a crime. (Pen. Code, § 1202.4; Gov. Code, §§ 13950 et. seq.)

This bill:

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

2) Defines “digital asset” as any digital representation of value which is recorded on a cryptographically secured distributed ledger or similar technology.

3) Authorizes a law enforcement officer or public prosecutor to obtain a search warrant to seize digital assets or wallets, accounts, or similar things containing digital assets (collectively "digital 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 specified crime.

   b) Have been used to facilitate a specified crime.

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

4) States that the warrant application shall specify any centralized exchanges, custodians of digital assets, addresses, or other locations assets from which digital assets will be seized, and that the affidavit shall describe how the warrant will be served, such as delivery to a known law enforcement portal of a person engaged in business activity related to digital assets.

5) Provides that the search warrant shall specify the amount of digital assets to be seized from each location, and that the search warrant may authorize seizure of either:

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

   b) The amount of digital assets traceable to crime.

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

7) Authorizes a law enforcement officer to send a written request to freeze digital assets to allow time to pursue a search warrant pursuant to this bill, and requires a person or group of persons receiving such a request to freeze the relevant digital assets for ten calendar days from receipt of the request, if the person or group is capable of complying.

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

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

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

11) 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 assets, but if no such proceeding is initiated, and no other law prohibits the return, the seized digital 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.

12) 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.

13) 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 assets belong to the claimant and were obtained by legitimate means.

14) 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.

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 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 assets shall immediately transfer to the prosecuting agency for distribution to the victims, as specified.

18) 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 specified requirements.

19) 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.

20) Establishes that any digital 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.

21) Provides that a special proceeding to recover digital 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.

22) Specifies the manner in which service of process may be made.

23) Sunsets the forfeiture process outlined above on January 1, 2032.

24) Requires, beginning July 1, 2028, and annually thereafter until 2032, 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 to report to the Department of Justice specified information related to search warrants and property seized:

25) Provides that on or before January 1, 2029, and annually thereafter until 2032, the Department of Justice shall report the information provided to the Legislature and publish it on its internet website.

26) Includes legislative findings and declarations.

**FISCAL EFFECT:** Appropriation: Yes Fiscal Com.: Yes Local: Yes

According to the Assembly Appropriations Committee:

- Court cost pressures of an unknown, but potentially significant amount (Trial Court Trust Fund, General Fund). The Judicial Council identifies four sources of workload:
  - Expanding the crime of money laundering would generate additional hearings, in a volume dependent on how often filings are brought.
  - 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.

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

- 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.

- 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

**SUPPORT:** (Verified 8/25/26)

Department of Justice (source)
Arcadia Police Officers' Association
Brea Police Association
Burbank Police Officers' Association
California Association of School Police Chiefs
California Bankers Association
California Coalition of School Safety Professionals
California Community Banking Network
California Credit Union League
California District Attorneys Association
California Narcotic Officers' Association
California Police Chiefs Association

California Reserve Peace Officers Association
Claremont Police Officers Association
Corona Police Officers Association
Culver City Police Officers' Association
Fullerton Police Officers' Association
Little Hoover Commission
Los Angeles County District Attorney's Office
Los Angeles School Police Management Association
Los Angeles School Police Officers Association
Murrieta Police Officers' Association
Newport Beach Police Association
Palos Verdes Police Officers Association
Placer County Deputy Sheriffs' Association
Pomona Police Officers' Association
Riverside County District Attorney
Riverside Police Officers Association
Riverside Sheriffs' Association

**OPPOSITION:** (Verified 8/25/26)

ACLU California Action
California Public Defenders Association
Judicial Council of California

Prepared by: Alex Barnett / PUB. S. /
8/25/26 12:59:55

**** END ****