Date of Hearing: August 5, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Buffy Wicks, Chair
SB 505 (Richardson) – As Amended June 22, 2026

Policy Committee: Banking and Finance Vote: 8 - 0

Urgency: No State Mandated Local Program: Yes Reimbursable: No

SUMMARY:

This bill prohibits a licensee under the Money Transmission Act (MTA) from utilizing a user login action that does not include certain security processes, such as two-factor authentication.

Specifically, this bill:

1) Prohibits, beginning January 1, 2028, an MTA licensee from allowing a user login action unless the licensee implements the following: (a) a two-factor, multifactor, or equivalent authentication access control method approved in writing by an individual employed or contracted by the licensee to oversee the licensee's information security program; (b) a process for reverifying the identity of the user, device, or system using such access control methods that meet certain conditions; and (c) the ability for a user to report an error or suspected fraud through the platform or other reasonably accessible alternative.

2) Defines "user login" to mean an action by which a user accesses an account or platform for the purpose of money transmission services for the first time or after a logout.

FISCAL EFFECT:

Minor and absorbable costs to the Department of Financial Protection and Innovation (DFPI) for education and enforcement.

COMMENTS:

1) **Purpose.** According to the author:

> Despite consumers' growing utilization of these services to handle, store, and send their money, money transmitters don't have the same level of protections that other financial services are required by law to provide – including banks and credit unions. SB 505 will help protect Californian's money through common sense account security laws, protecting consumers from fraud, unauthorized account access, and the loss of their hard-earned money.

This bill is supported by a cybersecurity group and consumer groups,

2) **MTA.** The MTA prohibits a person from engaging in the business of money transmission in the state unless the person is licensed by DFPI to provide such services. A violation of the

MTA may result in a civil penalty, license revocation, and, in certain cases, criminal prosecution. Money transmission is the selling or issuing of stored value, or the monetary value representing a claim against the issuer that is stored on an electronic or digital medium, evidenced by an electronic or digital record, and accepted as a payment of goods or services. Thus, money transmitters include businesses such as Venmo, Zelle, and CashApp.

This bill prohibits an MTA licensee from allowing a user to log in to the platform or an account without subjecting the user to two-factor authentication or a reasonably equivalent secure access control method, as well as a similar process for reverifying the identity of the user, device, or system. This bill requires a licensee to use a risk-based approach that balances consumer protection with reasonable user access in implementing the reverification process. As noted in the Assembly Banking and Finance Committee's analysis, this bill "provides licensees a lot of latitude when assessing factors for implementation. This should offer flexibility for different approaches as needed to best work with a licensee's existing infrastructure." However, by requiring a licensee to have an identity reverification process for a user, device, or system that is similar to the user login process, this bill would require a user utilizing more than one device or system to frequently undergo authentication, much more often than upon user logout and login.

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