

Date of Hearing: April 9, 2025

ASSEMBLY COMMITTEE ON ELECTIONS
Gail Pellerin, Chair
AB 1029 (Valencia) – As Amended March 20, 2025

SUBJECT: Statements of financial interest: digital financial assets.

SUMMARY: Expands the definition of “investment,” for purposes of the Political Reform Act (PRA) of 1974, to include a digital financial asset, and requires specified public officials to disclose their interests in digital financial assets on their statement of economic interests (SEI), as specified. Requires an agency’s conflict of interest code to require designated employees to disclose their interests in digital financial assets on their SEI, as specified. Specifically, **this bill**:

- 1) Expands the definition of the term “investment” in the PRA to include a direct or indirect interest in a digital financial asset as defined under existing law in the Financial Code, and requires candidates for, and current holders of, specified elected or appointed state and local offices and designated employees of state and local agencies to disclose interests in digital financial assets on their SEIs (also referred to as Form 700), as specified.
- 2) Requires an agency’s conflict of interest code to require designated employees to disclose their interests in digital financial assets on their SEI, as specified.
- 3) Requires the above provisions to become operative January 1, 2027.
- 4) Makes conforming changes.

EXISTING LAW:

- 1) Creates the Fair Political Practices Commission (FPPC), and makes it responsible for the impartial, effective administration and implementation of the PRA. (Government Code §§81000 et seq.)
- 2) Makes violations of the PRA subject to administrative, civil, and criminal penalties. (Government Code §§83116, 91000-91005.5)
- 3) Prohibits a public official at any level of state or local government from making, participating in making, or in any way attempting to use the official’s position to influence a governmental decision in which the official knows or has reason to know that the official has a financial interest. (Government Code §§87100 et seq.)
- 4) Requires candidates for, and current holders of, specified elected or appointed state and local offices and designated employees of state and local agencies to file SEIs disclosing their financial interests, including investments, real property interests, and income. (Government Code §§97200 et seq.)
- 5) Requires every state or local agency to adopt a conflict of interest code that identifies the officials and employees within the agency who make governmental decisions based on the positions they hold, as specified. Provides that a conflict of interest code shall have the force of law. Requires the individuals in the designated positions, commonly referred to as

“designated employees,” to file SEIs that publicly disclose the employees’ financial interests, as specified. (Government Code §§87300, 87302)

- 6) Defines the term “investment” to mean any financial interest in or security issued by a business entity, including, but not limited to, stocks, and any partnership or other ownership interest owned by the public official, or that person’s immediate family, as specified. Specifies that an asset is not an investment unless its fair market value equals or exceeds \$2,000. (Government Code §82034) Provides that the term “investment” does not include cryptocurrency holdings. (2 Code of California Regulations §18237)
- 7) Permits committees to solicit and receive cryptocurrency contributions in any amount not exceeding any applicable contribution limits. Requires any cryptocurrency contribution to be made and received through a United States (US) based cryptocurrency payment processor, to meet specified requirements for contributor verification and information gathering, and to be converted to dollars immediately. (2 Cal Code Regs. §18421.2(c))
- 8) Defines the term “digital financial asset” to mean 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. Provides that the term “digital financial asset” does not include any of the following:
 - a) A transaction in which a merchant grants, as part of an affinity or rewards program, value that cannot be taken from or exchanged with the merchant for legal tender, bank or credit union credit, or a digital financial asset.
 - b) A digital representation of value issued by or on behalf of a publisher and used solely within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform.
 - c) A security registered with or exempt from registration with the US Securities and Exchange Commission or a security qualified with or exempt from qualifications with the department. (Financial Code §3102(g)(1))

FISCAL EFFECT: Unknown. State-mandated local program; contains a crimes and infractions disclaimer.

COMMENTS:

- 1) **Purpose of the Bill:** According to the author:

AB 1029 modernizes the reporting requirements for statements of economic interests, ensuring that public officials cannot leverage their decision-making authority to manipulate cryptocurrency asset values for personal gain. As cryptocurrencies become increasingly integrated into everyday business transactions, it is essential for our state to address this evolving landscape to prevent corruption and uphold public trust in the integrity of our accountability systems.

- 2) **Statements of Economic Interests:** As part of the PRA's comprehensive scheme to prevent conflicts of interest by state and local public officials, existing law identifies certain elected

and other high-level state and local officials who must file SEIs (commonly referred to as a Form 700). Similarly, candidates for those positions must file SEIs. Other state and local public officials and employees are required to file SEIs if the position they hold is designated in an agency's conflict of interest code. A position is required to be designated in an agency's conflict of interest code when the position entails the making or participation in the making of governmental decisions that may foreseeably have a material financial effect on the decision maker's financial interests.

The information that must be disclosed on an SEI, and the location at which an SEI is filed, varies depending on the position held by the individual who is required to file an SEI. The requirement for public officials to file SEIs serves two purposes. First, the SEI provides necessary information to the public about an official's personal financial interests so there is assurance that officials are making decisions that do not enhance their personal finances. Second, the requirement to file an SEI serves as a reminder to the public official of potential conflicts of interests so the official can recuse themselves from making or participating in governmental decisions that are deemed conflicts.

Common reportable interests that are covered by the definition of the term “investments,” include stocks, including those held in an IRA or 401K, and business entities, sole proprietorships, partnerships, LLCs, corporations, and trusts. The definition of investments, however, does not include digital financial assets, also known as cryptocurrency. As a result, digital financial assets are not required to be reported as an investment on a SEI.

This bill expands the definition of the term “investments” to include a digital financial asset, therefore requiring public officials to disclose interests in their digital financial assets, as specified. Additionally, this bill requires an agency’s conflict of interest code to require designated employees to disclose interests in digital financial assets, as specified. According to the author and sponsor, this bill ensures that digital assets are treated with the same level of transparency as traditional investments like stocks, and prevents public officials from secretly holding and influencing the value of cryptocurrency assets for personal financial gain. Without proper disclosure, public officials may be able to influence the value of cryptocurrency holdings without public scrutiny.

- 3) **Cryptocurrency:** According to a 2024 FPPC memo, currency (also referred to as “real” currency) as defined by federal regulations is “the coin and paper money of the United States or of any other country that is designated as legal tender and that circulates and is customarily used and accepted as a medium of exchange in the country of issuance.” In contrast to real currency, “virtual” currency is a medium of exchange that operates like a currency in some environments, but does not have all the attributes of real currency. Virtual currency includes cryptocurrencies, such as Bitcoin. In particular, virtual currency does not have legal tender status in any jurisdiction, is not backed by a governmental body, and is entirely digital. Cryptocurrency is a digital, encrypted, and decentralized medium of exchange. There is no central authority that manages and maintains the value of a cryptocurrency.

Cryptocurrency can be exchanged in two ways; either directly, person to person, or through an intermediary such as a cryptocurrency exchange or payment processor. A cryptocurrency exchange is a platform on which you can buy and sell cryptocurrency, trade one crypto for another, or to buy cryptocurrencies using regular currency, like the U.S. Dollar. Exchanges

reflect current market prices of the cryptocurrencies they offer and can also be used to convert cryptocurrencies back into the U.S. dollar to leave as cash within an account or withdraw to a user's regular bank account. A cryptocurrency gateway enables a client to accept digital payments and receive real currency immediately in exchange.

While the cryptocurrency network operates outside of the purview of regulators, cryptocurrency service providers, like exchanges and payment processors, do not. This means that most of these services are required to implement some degree of know-your-customer ("KYC") protocols, therefore linking a real-world identity to addresses and transactions. KYC rules are a procedure for verifying a customer's identity. This is standard practice for financial institutions and financial service businesses, including banks, stockbrokers, and is now applicable to cryptocurrency exchanges.

Cryptocurrency holdings are highly volatile and unlike investments in stocks or bonds, cryptocurrency markets are unregulated and engage in short-term speculative trading. When a person purchases cryptocurrency they are not buying a security or ownership interest in a business.

- 4) **FPPC's Recent History with Cryptocurrency:** In the 2024 FPPC memo referenced above, the FPPC pointed out that as cryptocurrency gains prevalence in society, it becomes increasingly important to have regulations in place that inform the regulated community how to report these funds. Thus in 2022, the FPPC decided that cryptocurrencies could be contributed to a committee through a payment processor that employed KYC procedures, converted to U.S. dollars, and reported as "in kind" (nonmonetary) contributions. The memo stated that at that time the FPPC did not contemplate whether cryptocurrencies should be reported on SEIs as the focus was primarily on campaign contributions.

According to the memo, while the FPPC has yet to address the issue of SEI reporting requirements in a regulation, FPPC staff have provided advice numerous times via email as to how to report cryptocurrency holdings. When cryptocurrency was still a new concept, staff took a conservative approach and advised that such holdings should be reported as an investment. However, in 2022, upon further research and given that more information had become readily available regarding cryptocurrency and its characteristics, FPPC staff concluded that cryptocurrency is not an "investment" under the PRA and began advising it need not be reported on SEIs. Subsequently, the FPPC approved regulatory changes in 2024 that clarifies cryptocurrency is not an "investment" for the purposes of the PRA and therefore need not be reported on SEIs.

As specified above, this bill changes the definition of "investments" to include digital financial assets, such as cryptocurrency, therefore requiring cryptocurrency to be reported on SEIs.

- 5) **Arguments in Support:** In support, the California Blockchain Advocacy Coalition (CBAC), writes:

Cryptocurrencies have rapidly emerged as a key component of financial transactions, with businesses accepting digital payments and corporations investing in these assets. Given this, just as we do with traditional financial assets,

there should be transparency in cryptocurrency holdings.

Currently, the Political Reform Act of 1974 mandates that public officials disclose investments, income sources, and real property interests, but it does not include cryptocurrency within its definition of "investments."

AB 1029 updates the law with the reality of current investment trends, requiring public officials who file Form 700s to disclose cryptocurrency assets, aligning them with existing stock investment disclosure rules. AB 1029 promotes accountability, strengthens ethical governance, and enhances public trust in government decision-making...

CBAC supports AB 1029 because transparency is essential to building public trust in both government and emerging technologies. As a leading voice for responsible innovation in the digital asset space, we believe that requiring public officials to disclose cryptocurrency holdings—just as they do with traditional financial assets—promotes accountability and reinforces the legitimacy of digital assets. Clear disclosure rules will help dispel misconceptions, prevent potential conflicts of interest, and ensure that California continues to lead with thoughtful, forward-looking policy.

- 6) **Political Reform Act of 1974:** California voters passed an initiative, Proposition 9, in 1974 that created the FPPC and codified significant restrictions and prohibitions on candidates, officeholders and lobbyists. That initiative is commonly known as the PRA. Amendments to the PRA that are not submitted to the voters, such as those contained in this bill, must further the purposes of the initiative and require a two-thirds vote of both houses of the Legislature.

REGISTERED SUPPORT / OPPOSITION:

Support

Fair Political Practices Commission (sponsor)
California Blockchain Advocacy Coalition
California Common Cause
Consumer Watchdog
Oakland Privacy

Opposition

None on file.

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