

Amended Mock-up for 2025-2026 SB-1208 (Grayson (S))

**Mock-up based on Version Number 97 - Amended Senate 5/14/26
Submitted by: Staff Name, Office Name**

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

- (a) The global accessibility and transferability of digital financial assets present unique challenges to law enforcement, particularly in their effort to combat online frauds targeting Californians.
- (b) Existing asset forfeiture laws require California state and local law enforcement to locate a suspect, charge them with a crime, and obtain a conviction before forfeiture can occur.
- (c) Transnational criminal organizations are targeting California residents with sophisticated internet scams using cryptocurrency to steal and launder the fraud proceeds.
- (d) Transnational criminal organizations often operate from countries with limited diplomatic cooperation and are protected by government corruption. Many organizations engage in human trafficking so that the person committing the scam is actually the victim of the criminal enterprise. Given all of these challenges, California state and local law enforcement have limited ability to identify the individual perpetrator, extradite them, and obtain a criminal conviction. However, these organizations can be disrupted by seizing traceable proceeds of fraud and other funds they use in laundering the proceeds of fraud. Other funds may include legitimate funds and proceeds of other crimes, such as drug trafficking.
- (e) Existing state laws need to be updated to combat the devastating consequences of this new and emerging threat.
- (f) It is the intent of the Legislature to enable state and local law enforcement to return seized cryptocurrency to Californians and victims in other states who are victims of fraud, deny cryptocurrency to perpetrators and organizations committing fraud, and disrupt their ability to use cryptocurrency for money laundering.

SEC. 2. Section 186.10 of the Penal Code is amended to read:

186.10. (a) (1) 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 five thousand dollars (\$5,000), or a total value exceeding twenty-five thousand dollars (\$25,000) within a 30-day period, through one or more financial institutions, or using any digital financial asset as defined in Section 3102 of the Financial Code, either with the specific intent to promote, manage, establish, carry on, or facilitate the promotion, management, establishment, or carrying on of any criminal activity, or 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. 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. 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.

(2) A violation of this section shall be punished by imprisonment in a county jail for not more than one year or pursuant to subdivision (h) of Section 1170, by a fine of not more than two hundred fifty thousand dollars (\$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 five hundred thousand dollars (\$500,000) or five times the value of the property transacted, whichever is greater.

(b) Notwithstanding any other law, for purposes of this section, each individual transaction conducted in excess of five thousand dollars (\$5,000), each series of transactions conducted within a seven-day period that total in excess of five thousand dollars (\$5,000), or each series of transactions conducted within a 30-day period that total in excess of twenty-five thousand dollars (\$25,000), shall constitute a separate, punishable offense.

(c) (1) Any person who is punished under subdivision (a) by imprisonment pursuant to subdivision (h) of Section 1170 shall also be subject to an additional term of imprisonment pursuant to subdivision (h) of Section 1170 as follows:

(A) If the value of the transaction or transactions exceeds fifty thousand dollars (\$50,000) but is less than one hundred fifty thousand dollars (\$150,000), the court, in addition to and consecutive to the felony punishment otherwise imposed pursuant to this section, shall impose an additional term of imprisonment of one year.

(B) If the value of the transaction or transactions exceeds one hundred fifty thousand dollars (\$150,000) but is less than one million dollars (\$1,000,000), the court, in addition to and consecutive to the felony punishment otherwise imposed pursuant to this section, shall impose an additional term of imprisonment of two years.

(C) If the value of the transaction or transactions exceeds one million dollars (\$1,000,000), but is less than two million five hundred thousand dollars (\$2,500,000), the court, in addition to and consecutive to the felony punishment otherwise imposed pursuant to this section, shall impose an additional term of imprisonment of three years.

(D) If the value of the transaction or transactions exceeds two million five hundred thousand dollars (\$2,500,000), the court, in addition to and consecutive to the felony punishment otherwise prescribed by this section, shall impose an additional term of imprisonment of four years.

(2) (A) An additional term of imprisonment as provided for in this subdivision shall not be imposed unless the facts of a transaction or transactions, or attempted transaction or transactions, of a value described in paragraph (1), 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.

(B) An additional term of imprisonment as provided for in this subdivision may be imposed with respect to an accusatory pleading charging multiple violations of this section, regardless of whether any single violation charged in that pleading involves a transaction or attempted transaction of a value covered by paragraph (1), if the violations charged in that pleading arise from a common scheme or plan and the aggregate value of the alleged transactions or attempted transactions is of a value covered by paragraph (1).

(d) All pleadings under this section shall remain subject to the rules of joinder and severance stated in Section 954.

SEC. 3. Section 186.13 is added to the Penal Code, to read:

186.13. (a) Notwithstanding Section 1524, a law enforcement officer or prosecuting agency, as defined, may 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 digital financial assets meet either of the following:

(1) Contain or have contained the proceeds of a crime or proceeds traceable to a **crime-violation of Penal Code section 211, 484, 496, 518, 530.5, 532, or any crime that is listed in Penal Code section 803, subdivision (c).**

(2) Have been used to facilitate a **crime the violation of Penal Code section 211, 484, 496, 518, 530.5, 532, or any crime that is listed in Penal Code section 803, subdivision (c).**

(3) Contain or have contained digital financial assets involved in money laundering in violation of Penal Code section 186.10, or traceable to such property.

(b) The search warrant application shall specify any centralized exchanges, addresses, or other locations 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 by some other method. The search warrant shall specify the amount of digital financial assets to be seized from each location, subject to all of the following:

(1) The search warrant may authorize seizure of either of the following:

(A) All digital financial assets **involved in money laundering in violation of Penal Code section 186.10, and any digital financial assets traceable to such property where money laundering can be shown.**

(B) Digital financial assets up to the amount of proceeds received, the amount of digital financial assets used to facilitate crime, or the amount of digital financial assets traceable to crime, **in other cases.**

(2) 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.

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

(c) A law enforcement officer or prosecuting agency may send a written request to freeze digital financial assets to allow time to pursue a search warrant pursuant to this section. A centralized exchange, digital financial assets issuer, or other party receiving such a request shall freeze the relevant digital financial assets for 10 calendar days from receipt of the request. The centralized exchange, digital financial assets issuer, or other party may, but is not required to, notify the possessor of the digital financial assets that they have been frozen at the request of a California law enforcement agency.

(d) The court shall issue a warrant where jurisdiction is established and probable cause appears in the affidavit. Upon issuance of the search warrant, law enforcement shall execute the search warrant by taking the digital financial assets into law enforcement custody for safekeeping or taking other actions that are necessary to prevent the property from being transferred or dissipated.

(e) (1) Within 180 days of any seizure conducted pursuant to subdivision (a), a prosecuting agency 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 as described in this section. **The prosecuting agency shall have the initial burden of establishing the seized property falls within subdivision (a) by a preponderance of the evidence as shown in a declaration attached to the application. The court shall summarily dismiss the application if it does not establish that the property falls within subdivision (a).**

(2) Unless the period is extended by a court upon a showing of good cause, if no such proceeding is initiated within 180 days of a seizure and no other law prohibits the return, the seized digital financial assets **may shall** be returned to the party from whom **it was seized they were seized unless prohibited by law.**

(3) If a special proceeding is initiated, the prosecuting agency shall make efforts reasonably calculated to provide notice to all readily ascertainable potential owners of the digital financial assets and anyone with a known security interest. Each person noticed has 30 days to file a verified claim. The 30-day period begins on the date of service. The court shall not extend the time for filing a claim ~~without good cause.~~ **unless a potential claimant files a request for extension of time including a declaration showing good cause for the extension.**

(4) For a special proceeding initiated pursuant to this section, the court shall be required to make a finding on the record that establishes the court's jurisdiction by a preponderance of the evidence over the property at issue.

(f) (1) A verified claim shall be filed under penalty of perjury and supported by admissible evidence. 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.

(2) ~~The~~ **If the claimant is a natural person, the verified** claim shall set forth the true name, date of birth, nationality, occupation, physical address, telephone number, and email address of the claimant. The claim shall include a photograph of a national identity document or an identity document issued by a state or territory of the United States, and a picture of the claimant.

(3) 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.

~~(3)~~ **(4)** The claim shall respond to all allegations in the petition for forfeiture and be supported by declarations, exhibits, and any other evidence upon which the claimant intends to rely.

~~(4)~~ **(5)** All evidence and arguments not included in the initial claim are forfeited, absent a good cause finding by the court.

(g) 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. The court ~~shall~~ **may** adjudicate the claim based on the affidavit in support of the warrant, the verified claim and any evidence submitted by the claimant, and the response with any additional evidence submitted by the prosecuting agency. The court shall file an order adjudicating the claim or set a hearing on the claim.

~~(h) (1) Any resolution of disputed issues of fact related to a claim shall be at a court hearing.~~ **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.**

(2) The court shall issue any orders as they deem necessary to expedite the process and focus litigation and discovery on issues that will help the court resolve the claim.

(3) At any time prior to or during the hearing, if the court determines that they have received sufficient information to resolve the disputed issues raised by the claim, the court may halt proceedings and issue an order resolving the validity of the claim on the court's own motion. Otherwise, the court shall issue an order resolving the claim at the conclusion of the hearing.

~~(i) After all claims are resolved, the court shall issue a final judgment forfeiting the remaining digital financial assets. The judgment is not appealable. Ownership of the forfeited digital financial assets shall immediately transfer to the prosecuting agency for distribution to the victims pursuant to subdivision (j).~~ After all claims are resolved, the court shall issue a final judgment 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 thirty days ownership of the forfeited digital financial assets shall immediately transfer to the prosecuting agency for distribution to the victims pursuant to subdivision (j). Unless proceedings are stayed, the prosecuting agency shall distribute the digital financial assets as soon as practical. The government's interest in distribution to victims pursuant to this section shall take precedence over individual claims based on constructive trust or other civil claims that individual victims may assert.

(j) (1) The seized digital financial assets shall be used to compensate victims of the crimes or fraud schemes underlying an action pursuant to this section, pro rata, up to the value of their actual loss, and victims of similar or related crimes or frauds.

(2) If the prosecuting agency determines it is appropriate and not unduly burdensome, the prosecuting agency may establish a claims procedure to include victims whose cases were not used to establish the crimes or fraud schemes in the underlying action pursuant to this section.

(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.

(C) Once all additional claims are adjudicated, the prosecuting agency shall 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.

(3) If a prosecuting agency determines that a claims procedure to identify additional victims is inappropriate or impractical, the prosecuting 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 their actual loss.

(4) Any digital financial assets not distributed to victims as set forth in this section shall be kept in the custody of the law enforcement or prosecuting agency for a maximum of three years, upon

which time the forfeited assets shall be ~~distributed to the General Fund of the state or a general fund of a local governmental entity, whichever prosecutes.~~ deposited into the State Restitution Fund exclusively for the purpose of providing victim services.

(k) The intent of this statute is to permit jurisdiction to the maximum extent permissible under the United States Constitution and Section ~~40.010~~ 410.10 of the Code of Civil Procedure. Jurisdiction extends to digital financial assets in any country when either of the following have been established:

(1) The possessor received a digital financial asset traceable to a crime perpetrated against a victim who was residing in the State of California or was defrauded in the State of California.

(2) The possessor is a member of a conspiracy to commit money laundering in violation of Section 186.10 and any member of the conspiracy received a digital financial asset traceable to a crime perpetrated against a victim who was residing in the State of California or defrauded while in the State of California.

(l) A special proceeding pursuant to paragraph (1) of subdivision (e) 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. The action may be prosecuted by a prosecuting agency. For purposes of this section, a “prosecuting agency” is a city attorney, district attorney, or the Attorney General.

(m) Service of process may be made ~~using one or more of the following methods as follows:~~

~~(1) 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:~~

~~(A) Email service may be made to the email address associated with the seized account.~~

~~(B) Mail service may be made to the address associated with the seized account.~~

~~(C) Telephone service may be made to a telephone number associated with the seized account by sending a link to the documents in a text message.~~

~~(2) 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.~~

(3) 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~~ by such other means ~~provided by law~~ as the court deems sufficient including blockchain service.

~~(n) The court, in making any of its orders under Section 186.13 of the Penal Code, shall seek to protect the legitimately acquired interests of any innocent third persons, including family,~~

as defined in subdivision (c) of Section 6650 of the Family Code, who were not involved in the commission of any criminal activity.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.