STATE OF CALIFORNIA
FAIR POLITICAL PRACTICES COMMISSION
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To: Chair Silver and Commissioners Brandt, Lloyd, Ortiz, and Wilson

From: Dave Bainbridge, General Counsel
Margaret Roeckl-Navazio, Commission Counsel

Subject: **Adoption of Proposed Amendments to Regulation 18237, Regulation 18705, and Regulation 18730**

Date: November 19, 2026

Executive Summary

AB 1029, approved by the Governor on July 30, 2025, amends the definition of "investment" and adds requirements for public officials to report a direct or indirect interest in any "digital financial asset" as an "investment" on their Statement of Economic Interests ("SEI") in statutory changes to Sections 82034, 87206, 87302, and 87350 of the Political Reform Act (the "Act").[1]

Staff presents for adoption technical "clean-up" amendments to Regulations 18237, 18705, and 18730 to ensure the Commission's Regulations are consistent with the statutory changes made by AB 1029 and effective January 1, 2027. Staff recommends that the Commission adopt these proposed amendments.

Reason for Proposed Regulatory Action

Recently enacted legislation, AB 1029 (Valencia), adds "digital financial asset" to the definition of "investment" under Section 82034, and makes related changes to Sections 87206, 87302, and 87350 of the Act regarding reporting requirements for a "digital financial asset" as an "investment" on SEIs. Staff identified a number of necessary conforming changes to existing regulations.

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[1] The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18104 through 18998 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

Background

The Commission addressed the issue of "cryptocurrency" as an "investment" in 2024 when it amended Regulation 18237 to clarify that "cryptocurrency" does not constitute an "investment" for purposes of the Act and, therefore, does not need to be reported on SEIs.

In 2025, the Commission sponsored AB 1029, which aimed to modernize reporting requirements for digital financial assets to prevent public officials from using their decision-making authority to manipulate the value of such assets for personal gain. "Digital financial asset" is defined in the California Financial Code as "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 the value is expressed in a specific currency. (Financial Code Section 3102(g)(1).) Legal tender means "a medium of exchange or unit of value," which includes coin or paper money issued by the United States or another government. (Financial Code Section 3102(l).)

AB 1029 repeals and replaces Sections 82034, 87206, 87302, and 87350 of the Act, effective January 1, 2027. The replacement sections are substantially similar to the existing provisions, with the addition of language regarding digital financial assets. The changes will add "digital financial asset" to the definition of "investment" in Section 82034 and include reporting requirements for digital financial assets as investments on SEIs for all filers: Section 87200 filers, agency-designated conflict of interest code filers, and multiagency filers.

The proposed amendments will align Regulations 18237, 18705, and 18730 with the new statutory definition of "investment," terminology, and reporting requirements created by AB 1029.

Proposed Regulations

Amend Regulation 18237 – Definitions. Definition of "Investment."

Regulation 18237 currently provides that a holding in "cryptocurrency" is not an "investment" for purposes of Section 82034. AB 1029 adds "digital financial asset" to the definition of an "investment" in Section 82034. Staff proposes the following changes:

- Rename the title of the regulation to more accurately describe its content as an exception to the definition of "investment."
- Remove language that states "cryptocurrency holdings" are not an investment for purposes of Section 82034.
- Make other non-substantive grammatical changes for clarity and readability.

Amend Regulation 18705 – Legally Required Participation.

Regulation 18705 clarifies the requirements for a public official to participate in governmental decisions when the official has an otherwise disqualifying financial interest in those decisions and such participation is legally required. Staff proposes the following change:

- Add language to require that when an official has a financial interest in an investment in a "digital financial asset," prior to participating in a governmental decision that a public official is legally required to participate in, the public official must disclose the name of the "digital financial asset" as commonly known to the public.

- Make other non-substantive grammatical changes for clarity.

Amend Regulation 18730 – Provisions of Conflict of Interest Codes.

Regulation 18730 clarifies the requirements for conflict-of-interest code provisions, including the timing and reporting of SEIs. Staff proposes the following changes:

- Add language to require reporting of any "digital financial asset" on SEIs and clarify that the public official must report the name of the "digital financial asset" as commonly known to the public.

- Make other non-substantive renumbering changes for clarity.

Education/Outreach Efforts

Staff will distribute the Regulations to interested parties by means of the "Newly Adopted, Amended, or Repealed Regulations" email list and update the "Newly Adopted, Amended, or Repealed Regulations" page on the Commission's website. The Form 700 instructions now include directions about reporting a digital financial asset. Staff will update SEI (Form 700) training and educational materials to reflect these regulatory changes and highlight the new reporting requirement in the Education and External Affairs Unit newsletter and on the Commission website.

Conclusion

Staff recommends adoption of the proposed amendments to Regulations 18237, 18705, and 18730, aligning the Commission's Regulations with the statutory changes in the Act for public officials to report any "digital financial asset" as an "investment" on SEIs, effective January 1, 2027.

Attachments:
Proposed Amendments to Regulation 18237
Proposed Amendments to Regulation 18705
Proposed Amendments to Regulation 18730