

CONCURRENCE IN SENATE AMENDMENTS

AB 129 (Dickinson)

As Amended May 22, 2014

Majority vote

ASSEMBLY: 75-0 (January 29, 2014) SENATE: 28-3 (June 19, 2014)

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Original Committee Reference: B. & F.

SUMMARY: Repeals existing law which bans the issuance or circulation of anything but lawful money of the United States.

The Senate amendments repeal Financial Code (FC) Section 107 which bans the use of anything but lawful currency.

EXISTING FEDERAL LAW provides that manufacturing counterfeit United States currency or altering genuine currency to increase its value is a violation of United States Code (U.S.C.) Title 18 Section 471 and is punishable by a fine of up to \$5,000, or 15 years imprisonment, or both.

Possession of counterfeit United States obligations with fraudulent intent is a violation of U.S.C. Title 18 Section 472 and is punishable by a fine of up to \$15,000, or 15 years imprisonment, or both.

Anyone who manufactures a counterfeit United States coin in any denomination above \$0.05 is subject to the same penalties as all other counterfeiters. Anyone who alters a genuine coin to increase its numismatic value is in violation of U.S.C. Title 18 Section 331, which is punishable by a fine of up to \$2,000, or imprisonment for up to five years, or both.

Forging, altering, or trafficking United States Government checks, bonds, or other obligations is a violation of U.S.C. Title 18 Section 510 and is punishable by a fine of up to \$10,000, or 10 years imprisonment, or both.

Printed reproductions, including photographs of paper currency, checks, bonds, postage stamps, revenue stamps, and securities of the United States and foreign governments (except under the conditions previously listed) are violations of U.S.C. Title 18 Section 474. Violations are punishable by fines of up to \$5,000, or 15 years imprisonment, or both.

U.S.C. Title 31 Section 5103 declares that United States coins and currency (including Federal Reserve Notes and circulating notes of Federal Reserve banks and national banks) are legal tender for all debts, public charges, taxes, and dues.

EXISTING STATE LAW provides under Corporations Code Section 107 that no corporation, flexible purpose corporation, association, or individual shall not issue or put in circulation, as money, anything but the lawful money of the United States.

AS PASSED BY THE ASSEMBLY, this bill amended FC Section 107 to specify that alternative currency such as digital currency are legal to use. Subsequent research provided that FC Section 107 was not necessary, so the entire section is repealed via the Senate amendments.

FISCAL EFFECT: None

COMMENTS: This bill makes clarifying changes to current law to ensure that various forms of alternative currency such as digital currency, points, coupons, or other objects of monetary value do not violate the law when those methods are used for the purchase of goods and services or the transmission of payments. Modern methods of payment have expanded beyond the typical cash or credit card transactions. Bitcoin, a digital currency (also called cryptocurrency), has gained massive media attention recently as the number of businesses has expanded to accept Bitcoins for payment. Long before the introduction of digital currencies, various businesses have created points models that reward consumers with points for completion of various tasks such as spending a certain dollar amount, or even by purchasing points with dollars. These point systems effectively operate as currency allowing the consumers to buy a retail item or pay for some type of service. Many communities across the United States and in California have created "community currencies" that are created by members of a community in conjunction with merchants who agree to accept the alternative currency. These "community currencies" are created for a variety of reasons, some of which include encouraging consumers to shop at small businesses within the community or increasing neighborhood cohesiveness. "Community currency" has also become a form of political protest as some communities that use such currency do so in protest of United States monetary policies, or large financial institutions. The following is a list of alternative currencies:

- 1) BerkShares. While Bitcoin and Litecoins are worldwide currencies, BerkShares are hyper-local: they are only accepted in the Berkshires, a region in western Massachusetts. According to the BerkShares Web site, more than 400 Berkshires businesses accept the currency, and 13 banks serve as exchange stations. "The currency distinguishes the local businesses that accept the currency from those that do not, building stronger relationships and greater affinity between the business community and the citizens," the site reads.
- 2) Equal Dollars. Philadelphia is also trying out a local currency with Equal Dollars. When you sign up to participate, you receive 50 Equal Dollars; to earn more, you can offer your own possessions in an online marketplace, volunteer or refer friends.
- 3) Starbucks Stars. Use of Starbucks Stars is limited not to a particular geographic locality, but to the corporate ecosystem that is Starbucks. Once you get a Starbucks Card, you can earn Starbucks Stars — which buy drinks and food — by paying with the card, using the Starbucks app, or entering Starbucks Star codes from various grocery store products. According to Kemp-Robertson, 30% of transactions at Starbucks are made using Starbucks Stars.
- 4) Amazon Coins. Another company-specific currency, Amazon Coins, can be exchanged for "Kindle Fire apps, games, or in-app items." You get 500 Amazon Coins, worth \$5, by purchasing a Kindle Fire, or can buy more Amazon Coins at a slight savings.
- 5) Linden Dollars. Usable within the online community Second Life, can be bought with traditional currency or earned by selling goods or offering services to other Second Life residents. Many people earn actual Linden salaries — some to the tune of a million Linden Dollars.

- 6) Bitcoin. Bitcoin has garnered the most attention of any other digital currency, but even for its increasing awareness in the marketplace, many people do not completely understand what it is or how it works. Bitcoin has been called the world's "first decentralized digital currency" and was created in 2009 by a programmer using the alias, Satoshi Nakamoto. The idea behind Bitcoin is that it doesn't have a central clearinghouse or any singular authority and it is not pegged to any real tangible currency. Its value arises from the value that people assign to it. It works via peer-to-peer network where tasks are shared amongst multiple interconnected peers who each make a portion of their resources (computing power) directly available to other network participants, without the need for centralized coordination by servers. The network depends on users who provide their computing power to reconcile transactions and keep the block chain. These users in the system are called "minors" because they can potentially be rewarded for their participation in the network with the creation of Bitcoins. Bitcoins are created (mined) as thousands of dispersed computers solve complex math problems. With the solving of the complete math problem Bitcoins are created. Bitcoin was designed to be a finite resource such as gold or silver, thus the total number that can ever be created is capped at 21 million Bitcoins. It has been estimated that the last .00000001 of a Bitcoin will be "mined" in 2140.

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