



STATE OF CALIFORNIA

**Department of Financial Protection and Innovation**

GOVERNOR **Gavin Newsom** · COMMISSIONER **Clothilde V. Hewlett**

IN REPLY REFER TO:

FILE NO: PRO 02-23

October 2, 2024

**INVITATION FOR COMMENTS ON PROPOSED APPLICATION-RELATED RULEMAKING UNDER  
THE MONEY TRANSMITTER LAW AND DIGITAL FINANCIAL ASSETS LAW (PRO 02-23)**

**BACKGROUND**

On October 13, 2023, Governor Gavin Newsom signed Assembly Bill 39 and Senate Bill 401, which together create the Digital Financial Assets Law (DFAL).

Effective January 1, 2024, the DFAL requires kiosk operators to report kiosk locations and adhere to daily transaction limits that prohibit kiosk operators from accepting or dispensing more than \$1,000 in a day from or to a customer via a kiosk.

Starting on January 1, 2025, the DFAL requires a kiosk operator to: (a) limit the charges that may be collected from a customer, and (b) provide written disclosures to a customer prior to completing a transaction.

The DFAL prohibits, on or after July 1, 2026,<sup>1</sup> a person from engaging in digital financial asset business activity (including a kiosk operator engaged in digital financial asset business activity<sup>2</sup>), or holding itself out as being able to engage in digital financial asset business activity, with or on behalf of a resident, unless the person is licensed with the Department of Financial Protection and Innovation (DFPI), has submitted a license application on or before July 1, 2026 and is awaiting approval or denial of that application, or is exempt from licensure.

On November 20, 2023, the DFPI published an invitation for comments related to possible rulemaking related to DFAL license application, licensure requirements, and stablecoin approval. Comments were invited by January 12, 2024 and can be found on the DFPI [website](#).

**INVITATION FOR COMMENTS**

The DFPI continues to consider promulgating rules to facilitate the DFAL licensure process. Prior to engaging in formal rulemaking, the DFPI seeks additional public comment related to the

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<sup>1</sup> On September 29, 2024, Governor Newsom signed AB 1934 (Grayson), which among other things extended the date of licensure under DFAL from July 1, 2025, to July 1, 2026.

<sup>2</sup> If a kiosk operator is not engaged in digital financial asset business activity but allows or facilitates another person to engage in such activity via a kiosk that it owns, operates, or manages, the kiosk operator must ensure that person is appropriately licensed under the Digital Financial Assets Law by July 1, 2026. Fin. Code, § 3907(b)(1). The kiosk operator must also continue to comply with all other provisions of Financial Code sections 3901 through 3907. Fin. Code, § 3907(b)(3).

DFAL license application, application fees, and other topics, as listed below. Specifically, the DFPI asks commentors to review and provide comments regarding the [attached draft proposed rules](#). Commentors are also encouraged to provide an estimate, with justification, of the potential economic impact on business and individuals that would be affected by the language. To the extent possible, all comments should include any applicable information about economic impacts, metrics, or quantitative analysis to support comments.

## TOPICS

Topics addressed by the draft proposed rules include:

- An exemption from the Money Transmission Act for fiat money transmission by a person licensed under the DFAL, only if such fiat money transmission is incidental to regulated digital financial asset business activity;
- The process and requirements to apply for a license;
- The requirement for applicants to apply for a license and maintain the license through the Nationwide Multistate Licensing System & Registry (“NMLS”);
- The California-specific documents, fees, and other information that must be filed with NMLS and the timeframes for filing the information;
- A non-refundable application fee of \$20,000 required of applicants (note that this application fee does not include the investigation fee<sup>3</sup> or annual assessment fees<sup>4</sup>);
- The information required to enable the Commissioner to investigate applicants to determine whether they meet the standards for licensure; and
- The processes to challenge information entered in NMLS by the Commissioner; submit and maintain a surety bond; surrender a license; and change information in the license application, information related to digital financial asset transaction kiosks or other business locations, or key personnel.

## TIME FOR COMMENTS

The Commissioner invites interested parties to submit comments by November 18, 2024.

## WHERE TO SUBMIT COMMENTS

You may submit comments by any of the following means:

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<sup>3</sup> Fin. Code, § 3203, subdivision (e).

<sup>4</sup> Assessment fees are the “pro rata cost share of all costs and expenses reasonably incurred in the administration of this division, as estimated by the commissioner, for the ensuing year and any deficit actually incurred or anticipated in the administration of the program in both the year in which the assessment is made and the preceding year.” Fin. Code, § 3211, subdivision (c).

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*Electronically*

Comments may be submitted electronically to [regulations@dfpi.ca.gov](mailto:regulations@dfpi.ca.gov). Please include “PRO 02-23” in the subject line. Submissions in Microsoft Word format are encouraged to facilitate public accessibility, and those submitting comments should avoid including private information and materials as the DFPI may publish these comments.

*By Mail*

Department of Financial Protection and Innovation  
Attn: Legal Division  
2101 Arena Boulevard  
Sacramento, CA 95834

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CONTACT PERSON

Questions regarding this invitation for comments may be directed to DeEtte Phelps, Associate Governmental Program Analyst, at [deette.phelps@dfpi.ca.gov](mailto:deette.phelps@dfpi.ca.gov).