



November 18, 2024

BY ELECTRONIC SUBMISSION

Regulations@dfpi.ca.gov
Commissioner of the California Department
of Financial Protection and Innovation
Attn: Legal Division
2101 Arena Boulevard
Sacramento, CA 95834

Re: Comments on Proposed Rules Under the Digital Financial Assets Law (PRO-02-23)

Coin Cafe Inc. (“Coin Cafe”) welcomes the opportunity to provide feedback on the draft proposed rules under the Digital Financial Assets Law (“DFAL”), as outlined in PRO-02-23. As a licensed virtual currency business under the New York Department of Financial Services (“NYDFS”), Coin Cafe has firsthand experience with compliance frameworks for digital financial assets. In this letter, we address the excessive application fee for licensure under DFAL, as proposed in Financial Code Section 3203.

Application Fee: Excessive Costs Compared to Other States

Excerpt from Proposed Rules:

“Financial Code section 3203, subdivision (a)(3) requires the license application to be accompanied by a nonrefundable fee to cover the reasonable costs of application review. Additionally, Financial Code section 3203, subdivision (e) requires the applicant to pay the reasonable costs of the DFPI’s investigation under section 3203, subdivision (b).”

“§ 2048 in PRO-02-23, License Application. The procedures set forth in this section are applicable to applications submitted pursuant to Financial Code sections 3203 and 3205. ... (b) An application fee of \$20,000 shall be paid through NMLS for transmission to the Commissioner.

(c) The application fee required in subdivision (b) of this section does not include the reasonable costs of the Department’s investigation authorized by Financial Code section 3203, subdivision (e).¹

¹ <https://dfpi.ca.gov/wp-content/uploads/2024/10/PRO-02-23-Draft-Proposed-Rules.pdf>

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Commentary:

The proposed \$20,000 application fee under DFAL is significantly higher than comparable licensing fees across the United States, including the NYDFS's \$5,000 BitLicense application fee. Additionally, many states' money transmitter licenses are processed for fees between \$1,500 and \$5,000.

Such a high fee risks excluding smaller operators and startups, hindering innovation in California's digital financial assets market. In the spirit of fostering growth while ensuring effective oversight, fees should reflect the actual administrative burden rather than serve as a deterrent to market participation.

Recommendation:

- Reduce the application fee to align with other jurisdictions, such as the \$5,000 fee imposed by the NYDFS and similar rates in other states.
- Provide transparency on the investigation costs that are separate from the application fee. For instance, the NYDFS application fee includes investigation costs, simplifying the process for applicants.

Coin Cafe applauds DFPI's efforts to create a comprehensive framework for digital financial assets. However, we urge DFPI to reconsider the proposed \$20,000 application fee to foster a more inclusive and competitive digital assets market in California.

Thank you for considering our feedback. We are committed to supporting DFPI's goals and welcome further discussion on these critical issues.

Sincerely,

/s/ John Ha
Coin Cafe, Inc.