



May 19, 2025

Department of Financial Protection and Innovation  
Attn: Diana Pha, Regulations Coordinator, Legal Division  
651 Bannon Street, Ste. 300  
Sacramento, CA 95811  
<mailto:regulations@dpfi.ca.gov>

**Re: Notice of Proposed Rulemaking, PRO 02-23 (April 4, 2025)**

Dear Commissioner Mohseni,

The California Blockchain Advocacy Coalition (CBAC) appreciates the opportunity to submit this comment in response to the Department of Financial Protection and Innovation's (DFPI) Notice of Proposed Rulemaking to implement the Digital Financial Assets Law (DFAL).

CBAC is a nonprofit 501(c)(6) trade association representing a diverse cross-section of the blockchain, cryptocurrency, and Web3 industries, including financial technology companies, blockchain infrastructure providers, legal and compliance professionals, members of academia, nonprofit organizations, and other innovators. Since its founding in 2018, CBAC has advocated for thoughtful, innovation-forward policy that balances consumer protection with California's global leadership in technology and entrepreneurship.

Our members are builders, founders, developers, and advisors committed to creating secure, transparent, and inclusive financial and technological ecosystems. Collectively, CBAC members support tens of thousands of jobs across the state and serve millions of consumers and small businesses in California and beyond. Many of the most recognized digital asset projects and companies were founded in California or maintain a significant operational footprint here, underscoring the state's outsized role in advancing this emerging sector. With continued support from policymakers and regulators, the industry stands ready to contribute to a resilient and forward-looking digital economy that benefits all Californians.

CBAC members support regulatory frameworks that provide clarity, safeguard consumers, and preserve the flexibility to innovate. We appreciate DFPI's diligent efforts to implement DFAL, and we respectfully offer the enclosed comments to help ensure the rules are clear, proportionate, and practical for businesses operating in this rapidly evolving space. In particular, we encourage DFPI to continue engaging with industry and technical experts to refine implementation in a manner that preserves California's leadership in responsible innovation.

Thank you for your time and consideration. We look forward to continued collaboration with DFPI in the months ahead as California shapes one of the nation's most comprehensive digital asset regulatory frameworks.

Sincerely,

  
Joseph M. Ciccolo  
Executive Director, California Blockchain Advocacy Coalition

## PROPOSED RULES

### Section 80.3002(a). Exemptions.

**Comment:** CBAC is concerned that the current exemption for money transmission involving legal tender lacks clarity, which may lead to inconsistent interpretation and application across the industry. To avoid the need for case-by-case requests for regulatory relief—or potential regulatory arbitrage—we recommend a well-defined exemption clarifying that money transmission of legal tender is exempt when it occurs in connection with a digital asset transaction.

**Recommended revision:** the Commissioner exempts from the Money Transmission Act . . . (5) Any money transmission of legal tender if that transmission is only in connection with ~~occurring in, associated with, or related to the normal, typical, or customary performance of~~ digital financial asset business activity, as that term is defined in the Digital Financial Asset Law. For purposes of this paragraph, “legal tender” means a medium of exchange or unit of value, including the coin or paper money of the United States, issued by the United States or by another government.

### Section 80.3002. Exemptions.

**Comment:** CBAC appreciates the consistency of the definitions and the adoption of standardized NMLS forms. However, the definitions of “Form MU1” and “Form MU2” reference specific dated versions (Version 14.0, dated March 10, 2025, and Version 1, dated May 2024, respectively). To ensure continued alignment with future updates, we recommend removing the date references, as these forms are subject to periodic revision.

**Recommended revision:** (e) “Form MU1” means the uniform licensing form, entitled “NMLS Company Form,” developed by the Nationwide Multistate Licensing System & Registry and used to provide information on a company or sole proprietor license applicant. ~~Version 14.0, dated March 10, 2025, is hereby incorporated by reference in its entirety.~~ (f) “Form MU2” means the uniform licensing form, entitled “NMLS Individual Form,” developed by the Nationwide Multistate Licensing System & Registry and used to provide information on each executive officer, responsible individual, and person who has control. ~~Version 1, dated May 2024, is hereby incorporated by reference in its entirety.~~

### Section 2046. Electronic Filings.

No comment at this time.

### Section 2047. Language

No comment at this time.

### Section 2048. Licensing Application

**Comment:** Audited financial statements can be costly and challenging to obtain, particularly for newly formed companies. We recognize, however, the importance of balancing this concern with the need to ensure the financial stability of licensees. To address both priorities, we have included a provision that allows startup applicants to submit audited financial statements from their parent corporation as a means of demonstrating financial soundness.

**Recommended revision:** (a)(7) The applicant shall file through NMLS the following information: . . . (C) However, if the applicant is a startup, only certified unaudited financial statements for the most recent fiscal year are required. If the applicant is a wholly owned subsidiary of another corporation, it must also submit either the parent corporation's consolidated audited financial statements for the current year and the two immediately preceding years, or the parent corporation's Form 10-K filings with the U.S. Securities and Exchange Commission for the past three years.

**Comment:** The licensing process can become burdensome for both applicants and regulators in the absence of clear timelines for decision-making. A lack of defined deadlines has contributed to well-documented delays in other jurisdictions, such as the New York Department of Financial Services' (NYDFS) "BitLicense" process, where applicants have often faced extended review periods without clear guidance or resolution. We appreciate that DFPI has acknowledged these challenges in prior informational meetings with the industry and appears committed to a more transparent and efficient process. To support that goal, we recommend incorporating a provision allowing for application approval after a defined period of nonobjection by the DFPI. This approach would help conserve regulatory resources while providing applicants with greater certainty and a clearer path to licensure.

**Recommended revision:** (e) When an application for an original license under this [Act] appears to include all the items and addresses all of the matters that are required, the application is complete and the [Commissioner] shall promptly notify the applicant in a record of the date on which the application is determined to be complete, and:

- (1) The Commissioner shall approve or deny the application within 120 days after the completion date;  
or
- (2) if the application is not approved or denied within 120 days after the completion date:
  - (A) the application is approved; and
  - (B) the license takes effect as of the first business day after expiration of the 120-day period.
  - (C) The Commissioner may for good cause extend the application period.

SECTION 2049. Consent to Service of Process.

No comment at this time.

Section 2050. Applications Submitted Before July 1, 2026.

No comment at this time.

Section 2051. Information Regarding Individuals Who Are Not Residents of the United States.

No comment at this time.

Section 2052. Notices Includes with Applications.

No comment at this time.

Section 2053. Challenge Process for Information Entered into NMLS.

No comment at this time.

#### Section 2054. Designated Email Address.

No comment at this time.

#### Section 2055. Notice of Changes.

**Comment:** The requirement to file “any change” to the information submitted in NMLS is overly broad and may capture nonmaterial updates that have no bearing on consumer protection or the DFPI’s oversight responsibilities. CBAC is concerned that, without a materiality threshold, licensees may feel compelled to report every minor change, potentially overwhelming both the licensee and the DFPI with unnecessary filings. To address this, we recommend incorporating a materiality standard into the change notification requirements to ensure that only substantive updates are reported.

**Recommended revision:** (a) A licensee shall, upon any material change in the information contained in its application for a license, file the changed information with the Commissioner through NMLS.

#### Section 2056. Officers, Directors, Partners, and Other Persons: Maintenance of Current List with Commissioner: Information Required.

**Comment:** To ensure consistency and alignment with other industry standards, we recommend allowing additional time for filing such changes with the DFPI.

**Recommended revision:** (b) In the event of any change in the executive officers, control persons, and responsible persons named in the application, a licensee shall, within thirty (30) ~~fifteen (15)~~ calendar days of the date of the change, file an amendment to the application containing the same information in relation to the new person(s) as is required on Forms MU1 and MU2 and pay the fees, if any, to file the changed information.

#### Section 2057. New Registration or Change in Location of Digital Financial Asset Transaction Kiosk; Quarterly Reports.

**Comment:** CBAC believes that requiring kiosk operators to submit a quarterly report of all digital financial asset transaction kiosks—even when no changes have occurred—is unnecessarily duplicative and places an undue burden on both licensees and regulators. The DFAL, as reiterated in the NPRM, already mandates that operators report any changes in kiosk locations within 30 calendar days. This existing requirement ensures that DFPI’s records remain current and that the public-facing list of kiosks on the DFPI website is accurate. Accordingly, the quarterly reporting requirement appears redundant.

#### Section 2058. Surety Bond.

**Comment:** Neither the DFAL nor the NPRM specify a minimum surety bond requirement. The statute simply states that a licensee must maintain a surety bond or trust “in a form and amount as determined by the department.” While CBAC has full confidence in DFPI’s ability to set appropriate bond requirements to protect consumers, we believe that establishing a clear minimum amount would help prevent unnecessary, resource-intensive back-and-forth between the Department and licensees. To that end, CBAC recommends providing greater clarity on the required bond amount, ideally aligned with standards set forth in NMLS’ Monday Transmitter Model Law.

**Recommended revision:** (e) The amount of the required security shall be the greater of \$100,000 or an amount equal to one hundred percent of the licensee's average daily money transmission liability in California calculated for the most recently completed three-month period, up to a maximum of \$500,000.

Section 2059. Surrender of License.

**Comment:** As a general matter, Form MU2 pertains to individuals and is not associated with a standalone license. Accordingly, a license surrender application should not be required to be submitted on Form MU2.

**Recommended revision:** (a) An application to surrender a license shall be filed on Form MU1 ~~and MU2, as applicable,~~ through NMLS in accordance with the procedures for transmission to the Commissioner.