



May 19, 2025

Khalil Mohseni
Commissioner
California Department of Financial Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834

**RE: PRO 02-23 – Notice of Proposed Rulemaking – Digital Financial Assets Law / Money
Transmission Act**

Dear Commissioner Mohseni,

Circle Internet Financial, LLC (Circle) appreciates the opportunity to respond to California's Department of Financial Protection and Innovation (DFPI) proposed rules for the Digital Financial Assets Law. Circle has prioritized constructive dialogue with regulators, and we welcome this opportunity to provide feedback on proposed rules involving the application phase of licensing for digital asset business activity. Central to Circle's vision for the financial sector is the belief that reducing friction and expanding access to critical financial infrastructure promotes competitive services, benefits California consumers, and ultimately builds a more resilient economy.

Circle is a global financial technology company that provides internet-native payments and treasury infrastructure on open distributed ledger technology. Circle's foundational technology allows for the frictionless exchange of value on the internet.

Circle is the sole issuer of USDC, a dollar-backed digital currency. USDC is one of the largest fiat-backed stablecoins measured by market capitalization globally with approximately \$36 billion in circulation as of November 15, 2024, and it is currently issued on sixteen blockchains. USDC has been integrated as a settlement option in leading merchant and credit card networks, deployed as a payment option by e-commerce platforms, and currently supports cross-border remittances and humanitarian assistance. Since 2018, USDC has been used to settle more than \$17 trillion in transactions. USDC is the leading U.S.-regulated stablecoin and a critical component of the growing global market for dollar digital currencies and blockchains to support always-on financial needs.

USDC is always redeemable on a 1:1 basis for U.S. dollars for USDC holders, and it is fully reserved by high quality liquid assets that are held in a bankruptcy remote manner for the benefit of USDC holders. Circle's tokenized cash innovations allow for payments that are faster, immutable, and more cost effective than existing means of payment like wire transfers, and are also programmable into smart contracts that allow for the composability of money.



Harmonization and Supervisory Coordination

We encourage the Department to continue working toward alignment with other state licensing and supervisory regimes, particularly New York’s virtual currency framework. Promoting reciprocal licensing arrangements, joint examinations, and streamlined compliance expectations will reduce regulatory friction, enhance efficiency, and provide consumers with greater consistency across jurisdictions.

Clarification of Control Thresholds

Additionally, DFPI should confirm that 25% is the relevant threshold that will be applied to determine if a person is in “control” of a company and, therefore, required to (i) submit fingerprints pursuant to Section 3219(a)(2) and (ii) provide the information specified in Section 3203 for “persons that have control of the applicant” for purposes of a new license application. As background, Section 3102(c)(2) of the DFAL defines “control” as the power to vote 25% or more of a class of voting securities.

However, Section 3309 establishes a different percentage threshold—typically 10%—that is intended to apply only for proposed changes in control (e.g., mergers, acquisitions, or transfers of ownership), not during the initial licensing process. The proposed rule in Section 2045(b) conflates these standards, creating potential confusion for applicants. This definition is inconsistent with the statutory intent of the DFAL and should be revised or removed to prevent misapplication and to ensure consistency throughout the regulatory framework. Clarifying the control threshold will give applicants greater legal certainty and help ensure compliance with both the letter and spirit of the law.

Tailored Application Requirements

We support DFPI’s goals of transparency and rigor in the application process, and we appreciate the Department’s reliance on the Nationwide Multistate Licensing System (NMLS). However, we encourage the Department to consider a risk-based approach that accounts for the size, complexity, and business model of the applicant. Tailoring documentation and disclosure requirements—especially for applicants with limited activities or lower consumer risk exposure—would improve efficiency while maintaining strong oversight.

Circle appreciates DFPI’s leadership in shaping a modern regulatory regime for digital financial assets. We look forward to continued collaboration as the Department works to implement the DFAL in a way that supports responsible innovation, maintains market confidence, and protects California consumers.