

May 19, 2025



Diana Pha, Regulations Coordinator
Department of Financial Protection and Innovation
651 Bannon Street, Suite 300
Sacramento, CA 95811

Dear Ms. Pha:

Ripple Labs Inc. ("Ripple") welcomes the opportunity to provide feedback to the California Department of Financial Protection and Innovation ("DFPI") regarding the Notice of Proposed Rulemaking ("Notice") under the Digital Financial Assets Law ("DFAL").

Ripple would like to thank DFPI for the extensive and comprehensive effort to create a regulatory framework that will allow for digital asset businesses to thrive in California, while also strengthening consumer and investor protections. By developing and implementing clear rules and regulations for those engaging in digital financial asset business activity in California, DFPI will help establish stability and continuity for an industry that delivers innovative products and services to Californians.

About Ripple

Headquartered in San Francisco, Ripple is the leading provider of digital asset infrastructure for financial institutions—delivering simple, compliant, reliable software and services that unlocks efficiencies, reduces friction, and enhances innovation in global finance. Many of Ripple's solutions leverage the XRP Ledger and its native digital asset, XRP, which was purpose-built to enable fast, low-cost, highly scalable transactions across developer and financial use cases.

With a proven track record of working with regulators and policymakers around the world, Ripple's payments, custody and stablecoin solutions are pioneering the digital asset economy—building credibility and trust in enterprise blockchain. Together with customers, partners and the developer community, we are transforming the way the world tokenizes, stores, exchanges, and moves value.

Ripple operates a blockchain-based platform for cross-border payments, Ripple Payments. This draws on an extensive network of relationships with financial institutions, opening payments corridors for our customers in many jurisdictions around

the world. In support of the growth of our products and services on behalf of our customers, Ripple (through its subsidiaries) holds over 40 money transmitter licenses (“MTLs”) across the country, and is also licensed to engage in virtual currency business as well as chartered as a limited purpose trust company by the New York Department of Financial Services (“NYDFS”).

Ripple also provides software solutions for digital assets to customers through Ripple Custody. Ripple’s customers include large banks, payment services providers, crypto native firms and many others. Additionally, Ripple recently launched its own stablecoin, Ripple USD (RLUSD), which is being used for payments via Ripple’s payments products and other use cases in the digital assets ecosystem.¹ RLUSD is regulated by NYDFS.

Feedback on the Notice

The Proposed Regulations published on April 4 offer a strong licensing framework for those engaging in digital financial asset business activity in California. Ripple supports the various aspects of the proposed license application as detailed in the April 4 draft, and appreciates that the regime allows businesses to continue operating so long as a complete application has been submitted by the July 1, 2026 date of enactment.

We respectfully request that Section 80.3002(a)(5) be amended to cover any entity that is duly licensed under DFAL. Specifically, we propose the following amended text under Section 80.3002(a):

(5) Any person issued a license under the Digital Financial Asset Law.

The language in the April 4 Proposed Regulation does not address how a firm assesses whether money transmission of legal tender is “normal, typical, or customary” to digital financial asset business activity. Analysis of this subjective standard is difficult in even the more well-established areas of financial services. However, it becomes significantly more challenging for digital financial asset businesses due to the nascent state of the industry and wide array of unique business models. Further, the digital financial asset industry is in a state of rapid evolution and what might not be “normal, typical, or customary” today can become so in a matter of weeks or months. Conversely, what is “normal, typical, or customary” today may quickly become obsolete. This uncertainty around the application of DFPI’s proposal for 80.3002(a)(5) disadvantages firms, like Ripple, that engage in both money transmission of legal tender and digital financial asset business activity, as it would require them to either continuously benchmark the products of other firms in an effort to attempt to ascertain what is “normal, typical, or customary,” or hold both a DFAL license as well as an MTL from DFPI in order to operate in California without any risk of business disruption.

¹ <https://ripple.com/insights/ripple-impact-pilot-rlusd-for-drought-relief-in-kenya/>

Additionally, under the DFAL licensing regime, licensees would likewise satisfy all material requirements of an MTL holder. In many instances, the background checks and requirements administered by DFPI towards licensees would be more rigorous under a DFAL license than an MTL, rendering the holding of both licenses redundant both in terms of protecting consumers and creating a safe marketplace. The uncertainty also creates more workload for DFPI, as firms are likely to err on the side of caution and apply for both an MTL and DFAL license. It will also likely trigger significant industry outreach to DFPI for Opinion Letters on whether a firm's transmission of legal tender is "normal, typical, or customary." Allowing DFAL licensees to be exempt from the Money Transmission Act would allow DFPI to be more efficient in its regulation of license holders, without sacrificing the quality of licensees operating under DFPI's oversight.

Ripple is grateful for the opportunity to provide this feedback to DFPI, and welcomes the opportunity to discuss in more detail as needed.