

**DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
INITIAL STATEMENT OF REASONS ADDENDUM  
FOR REGULATIONS UNDER DIGITAL FINANCIAL ASSETS LAW  
PRO 02-23**

On April 4, 2025, the Commissioner of the California Department of Financial Protection and Innovation (“Commissioner”) proposed adoption of new regulations under the Digital Financial Assets Law (“DFAL”) and an amendment to regulations under the Money Transmission Act (“MTA”). Materials related to the April 4, 2025 Initial Proposed Text (“Initial Proposed Text”) are available at <https://dfpi.ca.gov/rules-enforcement/laws-and-regulations/digital-financial-assets-law-regulations-opinions-releases/>.

Written comments on the Initial Proposed Text were due May 19, 2025. The Commissioner received 15 written comments on the Initial Proposed Text, which have been posted to the website of the Department of Financial Protection and Innovation (“Department”) at <https://dfpi.ca.gov/rules-enforcement/laws-and-regulations/digital-financial-assets-law-regulations-opinions-releases/comments-on-pro-02-23-digital-financial-asset-law/>.

Following a review of the comments, the Commissioner proposes modifications to the Initial Proposed Text (“the September 29 Modification”). The reasoning for these modifications is set forth in this addendum to the April 4, 2025 Initial Statement of Reasons.

The Commissioner has summarized the proposed modifications and their general purpose below.

**NON-SUBSTANTIVE RENUMBERING OF PROPOSED DFAL REGULATIONS**

The April 4 Proposed Regulatory Action would have added new regulatory sections in Title 10, Chapter 3, Subchapter 16, Article 3 of the California Code of Regulations.

To avoid duplication with existing sections, the September 29 Modification proposes renumbering the proposed sections and placing them in Title 10, Chapter 3, Subchapter 5, Article 3 as follows:

<b>UPDATED SECTION NUMBERS</b>	
<b>Initial Proposed Text</b>	<b>As Modified in the September 29 Modification</b>
§ 2045	§ 1200
§ 2046	§ 1210
§ 2047	§ 1211
§ 2048	§ 1212
§ 2049	§ 1213
§ 2050	§ 1214
§ 2051	§ 1215
§ 2052	§ 1216
§ 2053	§ 1217
§ 2054	§ 1218
§ 2055	§ 1220

§ 2056	§ 1221
§ 2057	§ 1222
§ 2058	§ 1230
§ 2059	§ 1240

Internal references throughout the regulation have been updated accordingly.

#### MTA EXEMPTION AMENDMENTS

The Initial Proposed Text proposed an amendment to section 80.3002 of Title 10 of the California Code of Regulations to exempt certain transactions now subject to the DFAL from also being regulated under the MTA. The Initial Statement of Reasons published on April 4, 2025 described the purpose of the proposed exemption at page 2 as follows:

Th[e] transmission activity [covered by the proposed exemption] will already be regulated to some extent pursuant to the DFAL and therefore it is not necessary to regulate the same activity under a second, largely duplicative regulatory scheme.

Five of the comments the Commissioner received about the Initial Proposed Text asserted that the Commissioner's proposed amendment to section 80.3002 of Title 10 of the California Code of Regulations was unclear.

To provide better clarity about which persons and transactions now subject to the DFAL would be exempt from the MTA, the Commissioner hereby proposes additional amendments to section 80.3002 and other related sections under Chapter 1, Subchapter 80, Title 10 of the California Code of Regulations.

Proposed section 80.126.40 in the September 29 Modification provides that transmission and storage of digital financial assets is not subject to the MTA because that activity is now subject to the DFAL and, therefore, it is not necessary to regulate the same activity under a second, largely duplicative regulatory scheme.

Proposed section 80.3002, subdivision (a)(5), in the September 29 Modification provides that money transmission conducted by DFAL licensees for the purpose of buying or selling digital financial assets is not subject to the MTA because that activity is now subject to the DFAL and, therefore, it is not necessary to regulate the same activity under a second, largely duplicative regulatory scheme.

Proposed section 80.3002, subdivision (a)(6), in the September 29 Modification provides that stored value issued by DFAL licensees for the purpose of buying or selling digital financial assets is not subject to the MTA because that activity is now subject to the DFAL and, therefore, it is not necessary to regulate the same activity under a second, largely duplicative regulatory scheme.

Proposed section 80.3002, subdivision (a)(7), in the September 29 Modification provides that money transmission conducted by DFAL licensees in compliance with Chapter 5 of the MTA and

in an amount that the Department has determined can be sufficiently supervised under the DFAL is not subject to the MTA because it is not necessary to regulate the same activity under a second, largely duplicative regulatory scheme. Proposed section 80.3002, subdivision (a)(7), incorporates two measures from the MTA—“average daily outstanding money transmission liability” and “outstanding money transmission liability”—that persons in this industry can readily ascertain.

Proposed sections 80.156.10, 80.159.10, 80.159.20, 80.159.30, and 80.165.10 define terms used in the proposed amendments to Section 80.3002 in the September 29 Modification.

## TECHNICAL DFAL REGULATION AMENDMENTS

### Section 1200

The Commissioner modified the definition of “control” in section 1200, subdivision (b)(2)(B), to better align the regulation with the statutory language on which it is based, Financial Code section 3309, subdivision (b)(1). The modification clarifies that the presumption of control is “rebuttable” and adds a reference to section 3309.

As stated in the April 4, 2025 Initial Statement of Reasons at page 3, the definition of “control” in section 1200, subdivision (b)(2)(B), “is consistent with the definitions provided in the DFAL [Fin. Code, §§ 3102 & 3309] and with the control definitions provided in other laws that the Department implements. [See, for example, Fin. Code, § 1250, subd. (b) & § 2003, subd. (h).]”

The regulation’s definition of “control” in section 1200, subdivision (b)(2)(B), has a statutory basis in Financial code section 3309, subdivision (b)(1), and also implements, interprets, and makes more specific Financial Code section 3102, subdivision (c)(2)(B). Even absent the statutory basis in section 3309, the 10 percent threshold is reasonable based on the Department’s authority to implement Financial Code section 3102 alone. The Department has authority to adopt rules necessary to implement any portion of the DFAL, and the 10 percent threshold provides a benchmark that is consistent with 3102, tracks with other laws the Commissioner administers, and is a common control person standard nationally, such as in the Form MU1 published by NMLS.

### Sections 1212 & 1250

For clarity, the Commissioner moved the Covered Exchange Certification form from proposed section 1212(a)(3) (formerly 2048(a)(3)) in the Initial Proposed Text) to a newly proposed section 1250.

### Section 1212

The Commissioner clarified which personnel should be listed in a license applicant’s organization chart at proposed section 1212(a)(7).

The Commissioner clarified the form through which personal financial statements should be provided under proposed section 1212(a)(10)(D).

#### Section 1218

The Commissioner made a non-substantive, grammatical modification to section 1218.

#### Section 1220

The Commissioner clarified the nature of information changes that need to be reported to the Commissioner under proposed section 1220(a).

#### Section 1230

The Commissioner clarified the title and citation of the surety bond form.

#### Section 1240

The Commissioner clarified that licensees would not need to submit a Form MU2 in connection with an application to surrender a license.