1Money USA, Inc.
[redacted]

October 15, 2025

Via Email: regulations@dfpi.ca.gov

California Department of Financial Protection and Innovation
Attn: Diana Pha, Regulations Coordinator, Legal Division
651 Bannon Street, Ste. 300
Sacramento, CA 95811

Re: Response to Notice of Modification to Text of Proposed Regulations (Sept. 29, 2025) – Digital Financial Assets Law (PRO 02-23)

To Whom It May Concern:

1Money USA, Inc. (the "**Company**") appreciates the opportunity to comment on the California Department of Financial Protection and Innovation's ("**CA DFPI**") September 29, 2025 modifications to the proposed regulations implementing the Digital Financial Assets Law ("**DFAL**"). As a FinCEN-registered Money Services Business and money transmitter holding licenses across multiple U.S. states, we commend the CA DFPI's thoughtful consideration of industry input on the initial proposal earlier this year, and its willingness to refine the rules to balance innovation with consumer protection.

The modified text reflects noted improvements, such as clarifying the non-duplication of DFAL and California Money Transmission Act ("**MTA**") licensing, and we write in support of further refinements that will enable scalable, responsible innovation in California's digital asset sector.

We respectfully (i) emphasize the need for streamlined licensing reciprocity for well-regulated money services businesses, (ii) advocate eliminating any duplicative DFAL/MTA licensing burdens, (iii) promote a technology-neutral regulatory approach that encourages product innovation and growth, and (iv) suggest flexibility in management structure requirements (particularly for global firms). Our goal is to support the CA DFPI in crafting a framework that protects consumers and allows reputable digital asset firms to thrive in California.

I. Streamlined Licensing for FinCEN-Registered MSBs – Reciprocity and Reduced Burdens

Leverage Multi-State Licensing to Streamline DFAL Approvals: The Company strongly supports measures to streamline DFAL licensing for applicants that are already extensively licensed as money transmitters (or equivalent) in a majority of U.S. jurisdictions. Many FinCEN-registered Money Services Businesses ("**MSBs**") maintain licenses in dozens of states, which means they have undergone rigorous vetting by multiple regulators. We urge the CA DFPI to implement reciprocity or "passporting" provisions so that such well-regulated firms can fast-track their California license. For example, where key documentation (business plans, owner backgrounds, financials, AML compliance) is accepted by other states, the CA DFPI should consider implementing practices to accept certain documentation based on other states' review and acceptance. This framework can streamline the licensing process for fintech companies and the CA DFPI alike by relying on counterpart state regulators that have

already vetted the safety and soundness of a firm's operations and products. We recommend the CA DFPI likewise rely on the Nationwide Multistate Licensing System ("**NMLS**") to reuse documentation and approvals that an applicant has on file from other states, rather than requiring duplicative submissions in California.

Concretely, the CA DFPI should consider regulatory language that: (a) accepts previously submitted application materials (financial statements, business plans, organizational charts, control-person disclosures, etc.) if they are identical to those used in other state license applications and certified as unchanged; (b) recognizes background checks and fingerprints already completed in other states (with an affidavit of no material changes in the interim); and (c) allows a "fast-track" approval process for applicants in good standing elsewhere. For instance, in our prior comments we proposed a 90-day "fast track" approval for entities with clean compliance records in multiple states. Other industry stakeholders have even suggested that if a completed application remains pending beyond a defined period (e.g. 120 days), it should be deemed approved absent CA DFPI objection. Adopting such measures would prevent lengthy backlogs and give well-qualified applicants certainty to begin operations, without compromising oversight. We believe these steps, in line with practices in other states, would reduce the burden on both CA DFPI and applicants while maintaining high standards. Importantly, a streamlined approach would especially benefit smaller or scaling firms that lack the resources of large institutions – enabling them to expand into California without undue delay or expense. We note that tiered or waived application fees could further support such firms; for example, a prior comment suggested reducing fees for startups or waiving them for firms already licensed in 15+ states. In sum, leveraging multi-state reciprocity and scaling application requirements to firm size would align California with the nationwide push for efficient, networked supervision of fintech companies.

II. Eliminating Duplicative Licensing Under DFAL and MTA

Support for Clarity and Exclusivity Between DFAL and MTA: We support the CA DFPI's modifications that clarify how the DFAL licensing regime will interface with the MTA. It is essential that companies not be required to obtain two separate licenses for essentially the same activity. The CA DFPI's Initial Statement of Reasons rightly noted that digital asset transmission covered under DFAL "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". The September 29, 2025 modified text takes a positive step in this direction by explicitly exempting certain transactions by DFAL licensees from separate MTA coverage. In particular, the proposed §80.3002(a)(5), (a)(6), and (a)(7) exemptions make clear that: if a DFAL-licensed business is transmitting legal tender to facilitate a digital asset purchase/sale, or issuing stored value usable only for digital asset transactions, or engaging in fiat transmission ancillary to its digital asset business, then those activities *need not* be separately licensed under the MTA. That said, we strongly urge the CA DFPI to remove altogether the transaction limits under §80.3002(a)(7)(B), particularly given the requirements under §80.3002(a)(7)(C) that a licensee under DFAL "complies with Chapter 5 of the Money Transmission Act with respect to outstanding money transmission liability in California as if the person was licensed under the Money Transmission Act. This will ensure that a company holding a DFAL license can operate its digital asset services (even where they involve moving fiat currency as part of their services to their customers and ancillary to a digital asset platform's core services involving digital financial assets, e.g., where customers on the platform want to make fiat transfers to one another via virtual accounts) without the redundancy of also obtaining a money transmitter license for the same conduct. This approach aligns with the CA DFPI's stated purpose of avoiding "a second, largely duplicative regulatory scheme" for the same activity.

III. Fostering Ease of Operation, Innovation, and Scaling – A Technology-Neutral Approach

Encouraging Innovation Through Proportionate Regulation: The DFAL rules should protect consumers without unnecessarily hindering novel digital financial products and services. We respectfully suggest that the CA DFPI adopt a technology-neutral and risk-based approach – focusing on the function and risk of an activity rather than the specific technology used. This will ensure that the regulation keeps pace with innovation and does not inadvertently stifle new business models. One area of improvement in the modified regulations is the introduction of a "material change" threshold for reporting changes to the CA DFPI. By requiring licensees to report only material changes (with a 30-day advance notice) rather than every minor update,

the CA DFPI will avoid an overbroad notification burden that could distract both industry and regulators with trivial filings. We support this change and believe it will help companies make routine business adjustments or roll out iterative product improvements and expanded services without constant regulatory filings, as long as no significant risks are introduced. We encourage the CA DFPI to consider further tiering of ongoing requirements based on the nature and scale of activities. For instance, firms could perhaps be allowed to bundle or report minor operational changes on a quarterly or semi-annual basis instead of individually, which would prevent "over-notification" and let the CA DFPI focus on truly significant developments (a concept our prior letter suggested). A risk-tiered supervision model – where higher-risk or larger operations face more intensive oversight, and smaller or lower-risk innovators face lighter touch – can foster a more vibrant fintech ecosystem while still safeguarding consumers.

Scaling Potential and Federal Alignment: Additionally, in promoting scalability, we note that the CA DFPI has an opportunity to align DFAL regulation with evolving federal standards so companies can scale nationally with less friction. For example, given the passage of the GENIUS Act and current rulemaking activities thereunder, we encourage the CA DFPI's Office of Financial Technology Innovation to monitor rulemaking at the federal level and continue its open dialogue with industry on how rules at the state level can be nimble and up-to-date. By taking a collaborative, innovation-forward stance, California will reinforce its reputation as a fintech-friendly jurisdiction. We appreciate the CA DFPI's ongoing efforts to strike this balance and stand ready to assist in refining provisions to achieve a truly innovation-enabling regulatory framework.

IV. Management and Control Persons – Allowing Flexible Structures for Global Firms

Recognizing Diverse Corporate Structures and Parent/Affiliate Support for Compliance: We respectfully recommend that the CA DFPI provide flexibility regarding the employment of executive officers, "responsible individuals," and control persons in DFAL licensees, particularly for global or scaling organizations. In today's fintech industry, it is common for a corporate group to operate with a parent company and various subsidiaries or affiliates in different jurisdictions, including service entities that employ personnel that provides services to more than one entity under intercompany service arrangements. The CA DFPI has already shown openness to leveraging parent-company resources in the licensing process – for example, considering parent company financial statements to satisfy certain requirements for a subsidiary applicant. We strongly support such measures, as they acknowledge that the financial and compliance strength of a licensee can derive from its corporate family. Extending this principle, we believe an applicant should also be permitted to designate a qualified executive from an affiliate as its "responsible individual" or managing officer, rather than hiring a redundant local officer. Key personnel – such as the Chief Compliance Officer, Chief Executive, or other control persons – may be employed by a parent or affiliate entity while overseeing the activities of a regulated, licensed subsidiary. Also, so long as CA DFPI is furnished with the individual's credentials and is assured of their authority over the applicant's business, the consumer protection goals are met. This flexibility would reduce burdens on firms that operate in multiple states or countries, who often centralize certain leadership roles for efficiency and consistency. Notably, other states have taken similar pragmatic approaches – for instance, some state money transmitter laws allow a "responsible person" who oversees the licensed business even if that person is not physically located in-state or employed by the licensee, provided they can be readily available to regulators. We encourage CA DFPI to mirror these best practices. It will enable scaling organizations to utilize experienced personnel from their broader team, thereby enhancing compliance (since those individuals often have deep subject matter expertise) while avoiding the cost and disruption of reshuffling staff solely to satisfy formal employment rules. Requiring individuals to be directly employed by the DFAL applicant entity could impose artificial constraints on global corporate structures without a commensurate supervisory benefit. We request that the DFAL regulations clarify that executive officers and control persons of an applicant may be employed by a parent, affiliate, or subsidiary entity within the same corporate group, as long as their responsibility for the DFAL licensee's compliance and operations is clearly established, and we recommend the CA DFPI to clarify that an executive or control person need not be on the applicant's payroll so long as (i) their role and accountability for the applicant's operations provided through an affiliate entity are also clearly documented (e.g. via an inter-company services agreement or board resolution), and (ii) the individual meets all competency, background, and character standards under the DFAL (regardless of which affiliate technically employs them). This clarification will accommodate modern corporate structures and support companies in efficiently scaling their operations in California without being unduly burdened by a formal employment criterion.

We thank the CA DFPI for its diligent work on the DFAL rulemaking and for considering our comments. We are encouraged by the CA DFPI's responsiveness and its mission to "promote innovation and fair and honest business practices" while "protecting consumers". The modifications issued on September 29, 2025 reflect a balanced approach, and our recommendations above are offered in the same spirit of constructive engagement. We strongly believe that implementing streamlined licensing reciprocity, eliminating duplicative regimes, embracing technology-neutral protections, allowing corporate structural flexibility, and ensuring efficient regulation will collectively foster a DFAL framework that is both scalable for industry and protective of consumers. We respectfully urge the DFPI to incorporate these suggestions as it finalizes the rules.

The Company remains committed to responsible innovation in the digital asset space and stands ready to comply with the forthcoming regulations. We also remain available to the CA DFPI for any follow-up discussion or clarification that might assist in refining the regulatory text. Thank you for your time and consideration of our comments. We look forward to a continued partnership with the CA DFPI as California ushers in this new era of digital financial asset oversight.

Respectfully submitted,

1Money USA, Inc.

/s/ Christopher Lalan
Chief Legal Officer