CALIFORNIA BLOCKCHAIN ADVOCACY COALITION

October 15, 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: PRO 02-23 – Notice of Modification to Text of Proposed Regulation – Money Transmission Act / Digital Financial Assets Law

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 Modification to Text of Proposed Regulation – Money Transmission Act (MTA) / 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

COMMENTS

Transitional Safe Harbor "Completed Application" Requirement

The Department's September 29 modification notice identifies revisions to several sections (1200, 1212, 1218, 1220, 1230, 1240) and introduces a new Section 1250. However, Section 1214 (formerly §2050)—which governs the transitional licensing provision—does not appear to have been modified.

This omission suggests that DFPI's interpretation remains that firms must have a "completed application" on file by July 1, 2026, in order to continue operations during the transition period. CBAC recommends that DFPI either remove this additional requirement or adopt clear completeness-notice and cure procedures to mitigate timing and subjectivity risks.

Without such clarification, applicants face uncertainty if the concept of "completeness" depends on iterative information requests. From a statutory perspective, DFAL requires only that an "application" be submitted by the deadline, not necessarily deemed complete. CBAC respectfully encourages DFPI to revisit this issue and consider either (a) aligning the rule with the statutory text, or (b) establishing defined timelines and notice procedures to ensure a predictable and transparent process for applicants.

Pre-Filing Meeting Requirement

CBAC seeks clarification regarding whether DFAL licensure will include a pre-filing meeting process similar to that under the Money Transmission Act (MTA), and, if so, whether this expectation could be codified in rule text. The September 29 modifications and addendum do not address this question. The absence of an explicit reference could suggest that no pre-filing meeting is required; however, the rules also do not expressly confirm this interpretation.

Given the importance of this step for internal planning and resource allocation, CBAC respectfully requests DFPI confirm whether a pre-filing meeting is required for DFAL applications. If such meetings are expected, defining their scope, timing, and purpose in regulation would improve procedural transparency and reduce uncertainty for applicants.

Covered Exchange Certification (CEC) – Attestation Scope

CBAC recommends that the Covered Exchange Certification (CEC) include language acknowledging that attestations are time-bound and made in good faith—reflecting a licensee's reasonable assessment as of the attestation date, given the evolving nature of both federal and California standards.

While DFPI's modification relocated the CEC from the application subsection to the new Section 1250 for organizational clarity, the attestation language itself remains unchanged. As drafted, it continues to expose applicants to potential risk by requiring certification to a "moving target."

CBAC respectfully suggests adding limited clarifying language—such as "based on the standards in effect at the time of attestation"—to ensure regulatory expectations align with industry practice and evolving compliance frameworks. This addition would maintain accountability while acknowledging the dynamic nature of digital financial asset regulation.

Completeness Notice and Cure Procedures

As an alternative to removing the "completed application" requirement, CBAC recommends codifying clear procedural safeguards to ensure fair and transparent administration of the licensing process. Specifically, we suggest the following:

- A defined timeframe (e.g., within X business days) for DFPI to notify applicants if an application is not deemed complete; and
- A reasonable cure period (e.g., Y business days) for applicants to address deficiencies before losing transitional safe harbor eligibility.

The September 29 modifications do not include such process definitions. Absent codified notice and cure procedures, applicants remain uncertain about their ability to rely on the DFAL transitional allowance while acting in good faith.

CBAC recommends DFPI consider including specific notice and cure timelines to enhance procedural transparency, reduce administrative friction, and provide applicants with confidence that timing issues will not inadvertently disrupt lawful operations during the transition.