

From:
To: [DFPI Regulations](#)
Subject: PRO 02-23 comments
Date: Friday, January 12, 2024 11:07:39 AM

Hello DFPI staff,

Regarding questions 9a and 9b, I would suggest that DFPI may choose to evaluate “quality of assets” differently be they e-money tokens or CDIBC tokens for subdivision (c) or tokenized forms of subdivision (b) “eligible securities” as these categories of digitally-native assets may provide both enhanced consumer transparency by being able to provide reserve attestations and may provide enhanced consumer redemption capabilities through more efficiently structured and inherently programmable assets.

Regarding question 10, the DFPI may choose to consider particular risks such as depository institution macro-stability issues and/or over-centralization of depository or custodial roles by center market actors. In my opinion, the DFPI should be informed by the concentration of certain account profile categories seen in last year’s failures of financial institutions however DFPI should also look towards the possible risks of overly-centralized custodian roles in the digital space as well, not only due to the traditional fears of “runs” on institutions for redemptions, but also the particular cybersecurity risk of a singular (or few) custodians for digital assets given the expertise and acts of APT and state-sponsored cybersecurity threat actors.

Regarding question 11, while elements A through E in 3603(b)2 are fairly broad bases for consideration, I would note that even with the relatively open-ended categories D and F, the information being brought into consideration by the commissioner in category F might focus upon the specific benefits to California residents, especially if information was provided from (for example) community-based or civic organizations, rather than merely from the issuer. Lastly, regarding the latest news this week regarding systemic deficiencies in New York’s digital assets program, I do not believe that the DFPI should privilege information from that jurisdiction over information from other regulatory programs.

Regarding question 12, it is suggested that the DFPI establish a policy to condition use of approved stablecoins (or other tokens, perhaps?) for state-legal adult use or medical cannabis business purposes, and that (for example) the required filing of MRB SARs shall not be held against any licensee, provided that (for example) all transactions comply with current state requirements for supply chain and consumer business transactions.

Thank you for your work,

Sean Donahoe

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