

## California DFPI Issues Modified Proposed Regulations Implementing the State's Digital Financial Assets Law

Alert

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The California Department of Financial Protection and Innovation (DFPI) [has issued modified proposed regulations](#) implementing certain portions of the state's Digital Financial Assets Law (DFAL) and aimed at clarifying the scope of activities regulated under the DFAL regime versus those regulated under the State's Money Transmission Act.

The DFAL establishes a licensing regime for persons engaging in digital financial asset business activity or holding themselves out as being able to engage in digital financial asset business activity with California residents. The modified rule text follows the DFPI's initial proposed regulations issued on April 4, 2025, and responds to public comments received. Comments on the new modified proposed rule text are due October 15, 2025.

Notably, the modified rule proposal clarifies that "monetary value," as defined in California's Money Transmission Act, does *not* include a digital financial asset.

The DFPI also has removed the language from the prior proposal exempting certain money transmission activity from the state's Money Transmission Act that is tangential to digital financial asset business activity. Rather, under the new modified proposed rule, the following persons would be deemed exempt from California's Money Transmission Act:

- Digital Financial Asset Law Persons when engaging in the business of money transmission in California for the purpose of either:

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- Transmitting payment for the purchase or exchange of a digital financial asset, *or*
- Transmitting the proceeds of a sale or exchange of a digital financial asset.
- Digital Financial Asset Law Persons when selling or issuing stored value in California that can be used exclusively for the purchase, sale or exchange of digital financial assets.
- Digital Financial Asset Law Persons who:
  - Engage in the business of money transmission in California,
  - Have average daily outstanding money transmission liability amounts of \$50,000 or less on a monthly basis, *and*
  - Comply with Chapter 5 of the Money Transmission Act with respect to outstanding money transmission liability in California as if the person were licensed under the Money Transmission Act.

“Digital Financial Assets Law Persons” is defined under the proposed regulations as: (i) a DFAL licensee, or (ii) a DFAL applicant who submits a completed application on or before July 1, 2026, and is awaiting approval or denial of such application.

For further information regarding California's DFAL and the proposed implementing regulations, please contact [Audrey Carroll](#), [Matthew Grimaldi](#), [Marisa Perfetti](#), [Heidi Wicker](#) or the Stinson contact with whom you regularly work.

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