

California DFPI Issues Proposed Regulations in Connection with the Implementation of its Digital Financial Asset Licensing Regime

Alert

04.11.2025

By Heidi Wicker, Zane Gilmer, Audrey Carroll & Matthew Grimaldi

On April 4, 2025, the California Department of Financial Protection and Innovation (DFPI) issued [proposed regulations](#) to implement certain aspects of the state's Digital Financial Assets Law (DFAL), which 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 proposed regulations come after the DFPI [sought public feedback](#) on topics under the DFAL in November of 2023 and requested input on [draft proposed regulations](#) in October of 2024. Comments on the proposed regulations must be submitted by May 19, 2025.

With the passage of the DFAL in October of 2023, California became the third state to adopt a regulatory framework addressing digital assets / virtual currency business activity that is distinct from the state's existing money transmission licensing regime. The New York Department of Financial Services (NYDFS) finalized its BitLicense regulation in 2015, and Louisiana enacted the Virtual Currency Businesses Act (H.B. 701) in 2020, establishing a licensing regime for virtual currency businesses.

Under the California DFAL, regulated digital financial asset business activity includes exchanging, transferring, or storing a digital financial asset or engaging in digital financial asset administration. Under the original enactment of the DFAL (A.B. 39), persons engaged in digital financial asset business activity with California residents, that did not otherwise qualify for an exemption, were required to submit a completed application to the DFPI on or before July 1, 2025, in order to continue engaging in such activity in the state. However, in September of 2024, a law was enacted (A.B. 1934) extending the application deadline to July 1, 2026.

California DFPI Issues Proposed Regulations in Connection with the Implementation of its Digital Financial Asset Licensing Regime

STATE APPROACHES TO REGULATING VIRTUAL CURRENCY BUSINESS ACTIVITY

The approaches states have taken to regulate virtual currency business activity vary dramatically, but are generally centered around the application of the state's money transmission law. For example, in many states, "monetary value," which is commonly incorporated into the definition of money transmission (i.e. the receipt of money or monetary value for transmission), has been interpreted to encompass virtual currency. Other states consider virtual currency beyond the scope of their money transmission laws but regulate some types of virtual currency business activity when fiat currency is involved.

Further, a few states, including Minnesota and Vermont, have adopted the optional virtual currency business activity provisions that are contained in the Conference of State Bank Supervisors' Model Money Transmission Modernization Act. Such provisions explicitly define virtual currency business activity and are closely aligned with the disclosure requirements contained in the California, Louisiana, and New York regulatory regimes.

IMPACT OF THE CALIFORNIA DFPI'S PROPOSED RULE

As "monetary value" has frequently been interpreted by states to encompass virtual currency / digital assets and persons engaging in virtual currency business activity frequently hold or move both fiat and virtual currency, questions have arisen since the passage of the DFAL regarding the intersection between California's money transmission act and the DFAL. However, over the last several years, prior to the enactment of the DFAL, the DFPI issued several opinion letters significantly limiting the application of the state's money transmission law to virtual currency business activities, including in situations where the requestor was providing a fiat service to customers that would generally be covered under the state's money transmission act (i.e. the provision of fiat stored value wallets to customers that are used to purchase virtual currency). [Digital Currency Trading Platform](#), Dep't Fin. Protection and Innovation (Feb. 22, 2022). The DFPI's proposed regulations aim to provide some clarity to the industry on this topic by exempting from the money transmission act, "any money transmission of legal tender occurring in, associated with, or related to the normal, typical, or customary performance of digital financial asset business activity." Cal. Code Regs. tit. 10 § 80.3002.

ADDITIONAL TOPICS ADDRESSED IN THE PROPOSED RULE

Other topics addressed in the DFPI's proposed regulations, which largely adopt the language of the draft proposed regulations, include:

- Application requirements, including the mandatory use of the Nationwide Multi-State Licensing System (NMLS) to submit an application and the information, such as personal and financial information, that

California DFPI Issues Proposed Regulations in Connection with the Implementation of its Digital Financial Asset Licensing Regime

control persons of applicants as well as applicants must submit to the DFPI in connection with an application.

- The types of changes that licensees must provide notice to the DFPI of and the applicable time frames for providing notice of such changes.
- The submission of a surety bond to the DFPI through NMLS' e-bond system and notice requirements related to changes to the licensee's surety bond.
- The process for surrendering a license issued under the DFAL.
- The process for an applicant or licensee to dispute the accuracy or completeness of any material information entered into and maintained by NMLS.

Further, notable changes between the draft proposed regulations and the final proposed regulations include:

- Reduction of the non-refundable application fee from \$20,000 to \$7,500.
- Removal of the requirement that persons submitting an application for a conditional license under the DFAL that have a BitLicense from the NYDFS or that are chartered in New York as a limited purpose trust company, provide to the DFPI, among other things, a letter from the NYDFS indicating that the applicant's New York license or charter is in good standing.

CONTACTS

Audrey N. Carroll

Zane A. Gilmer

Matthew Grimaldi

Heidi S. Wicker

RELATED CAPABILITIES

Banking & Financial Services

FinTech, Payments & Financial Products

STINSON

STINSON LLP \ STINSON.COM