

California Governor Issues Executive Order Fostering Use and Regulation of Blockchain and Crypto

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On May 4, 2022, California Gov. Gavin Newsom signed [Executive Order N-9-22](#) (EO) to create a regulatory approach for cryptocurrency companies and to determine how to use blockchain technology for state and public institutions. Through the EO, California is becoming a leader in developing new rules of the road for emerging digital currencies and related crypto technologies.

The EO observes that “responsible innovation has been encumbered by regulatory uncertainty, especially with regard to federal law,” and, as such, “state agencies should work with, and concurrently to, the federal government to make California the first state to establish a comprehensive, thoughtful, and harmonized regulatory and business environment for crypto assets.”

Under the EO, the state has seven priorities:

1. Create a transparent and consistent business environment for companies operating in blockchain, including crypto assets and related financial technologies, that harmonizes federal and California laws, balances the benefits and risks to consumers, and incorporates California values such as equity, inclusivity, and environmental protection.
2. Collect feedback from a broad range of stakeholders, create a regulatory approach to crypto assets harmonized between federal and state authorities, explore and establish public-serving use cases (such as incorporating blockchain technologies into state operations), and build research and workforce pipelines.

3. Collect feedback from a broad range of stakeholders for potential blockchain applications and ventures, with particular attention to crypto assets and related financial technologies. Engagement should include technical experts, stakeholders interested in addressing inequities and environmental impact, companies based both in and outside California, and more.
4. Engage in a public process and exercise statutory authority to develop a comprehensive regulatory approach to crypto assets harmonized with the direction of federal regulations and guidance, creating consumer protections and solidifying California's status as the premiere global location for responsible crypto asset companies to start and grow.
5. Engage in and encourage regulatory clarity via progress on the processes outlined in the [federal executive order](#), with state agencies coordinating closely with the Washington, D.C. office of the California governor.
6. Explore opportunities to deploy blockchain technologies to address public-serving and emerging needs, working with the private sector, academia, and community to present pilots for innovative policies, programs, and solutions that demonstrate and showcase the potential of adopting blockchain technologies to respond to specific challenges identified by state agencies.
7. Identify opportunities to create a research and workforce environment to encourage innovation in blockchain technology, including crypto assets. The goals will be to expose students to emerging opportunities, power emerging industries, and help ensure economic benefits are experienced equitably.

California state agencies, including the Department of Financial Innovation and Protection (DFPI) as specified in the EO, will likely be at the forefront of proposing and implementing new regulatory structures for companies and consumers, in conjunction with federal agencies such as the CFPB, CFTC, and SEC. Pursuant to the terms of the governor's EO, California may also seek to foster further blockchain innovation for projects like implementing smart contracts and encouraging sustainability through its state Blockchain Working Group and Go-BIZ economic development initiatives. The state may also facilitate and encourage the use of various blockchain technologies by state agencies via procurements with vendor companies.

In particular, the EO requires DFPI and Go-BIZ to engage with and gather input from interested stakeholders within 30 days (in the case of DFPI) and instructs DFPI to ramp up its enforcement activities pursuant to the California Consumer Financial Protection Law (CCFPL). The mandate for increased enforcement indicates that regulation by enforcement of crypto-asset-related financial products and services will remain a key strategy as the EO's mandate for careful study and thoughtful crypto-asset-related regulation develops.

In addition, a pair of bills in the California State Legislature would make cryptocurrency legal tender for government services. Both bills have been met with resistance and may not pass this session, but they do signal the changing views on integrating cryptocurrency and blockchain technology into California society.

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