

California DFPI Issues Formal Rulemaking for Digital Financial Asset Regulation

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The California Department of Financial Protection and Innovation (DFPI) on April 4, 2025, issued its formal [notice of rulemaking](#) for digital financial business regulation, following receipt of two sets of 2024 comments on its draft proposed rules for California's "[Digital Finance Assets Law](#)" (DFAL) (AB 39 and SB 401, 2023).

By way of background, Gov. Newsom signed Assembly Bill 39 and Senate Bill 401 in 2023. On Sept. 29, 2024, Gov. Newsom signed AB 1934, which extended the licensing deadline under DFAL from July 1, 2025, to July 1, 2026.

As of July 1, 2026, covered companies must have obtained a license from or have applied for a license with the DFPI to operate in California.

Formal comments to this rulemaking are due to the DFPI by May 19, 2025.

The department typically has one year under the California Administrative Procedure Act to modify and finalize the proposed regulations for approval. Stakeholders should consider participating in the formal rulemaking process to increase the likelihood DFPI considers their concerns and interests.

DFAL Regulation Highlights

According to the DFPI and AB 39, "digital financial business activity" encompasses activities including "exchanging, storing, or transferring a digital financial asset, such as a crypto asset," engaging in "digital financial asset administration," or certain other activities.

These proposed new regulations include key requirements for entities doing business in California, including the following:

1. a regulatory licensing regime, including disclosure of digital financial asset business plans, ownership, and other items;
2. requirements regarding surety bonding and use of electronic Nationwide Multistate Licensing System & Registry (NMLS) filing; and
3. clarifying regulatory language for exemptions related to incidental Money Transmission Act activities.

In the words of the DFPI's April 4, 2025, notice of proposed rulemaking: "The proposed rulemaking is expected to benefit California's economy by facilitating a process by which covered persons can become licensed and provide Californians a safe, regulated opportunity to participate in digital financial asset business activity."

Coupled with ongoing federal legislation (e.g., S.394 the GENIUS Act), California state regulatory and enforcement agencies (DFPI, the California attorney general, and others) may be expected to continue taking an active role in shaping state digital asset and consumer regulation.

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