

Alert | California Government Law & Policy/ Blockchain & Digital Assets



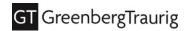
June 2022

California State Assembly Introduces Legislation to Establish Digital Financial Assets Law

On June 7, 2022, California State Assembly Banking and Finance Committee Chair Timothy Grayson introduced legislation, Assembly Bill (AB) 2269, sponsored by the Consumer Federation of California, that will establish the Digital Financial Assets Law. The legislation aims to give the cryptocurrency industry regulatory clarity and consumer protections by licensing and regulating the activities of cryptocurrency exchanges.

AB 2269 requires individuals and entities engaging in digital financial asset business activity to meet certain criteria, including being licensed under the Department of Financial Innovation and Protection (DFPI). Such licensing allows the DFPI to conduct examinations of a licensee and require licensees to maintain records of all digital financial business activity for five years after the date of the activity. The legislation also authorizes the DFPI to take enforcement measures against a licensee or a person engaging in unlicensed digital financial business activities and provides for civil penalties for violations of its provisions.

The legislation would also set a "best interest standard," requiring licensees to do their due diligence and consider the best interest of their customers before recommending investments. Other consumer protections include requiring licensees to make certain disclosures to customers regarding fees and charges and requiring licensees to offer live customer service lines to handle complaints and issues around the clock, since the crypto markets are always open.



Both the California State Senate and Assembly briefly weighed two bills that would have allowed crypto to flow through state institutions, but they failed early amid general legislative wariness and opposition from the state controller. Additionally, in May 2022 California Gov. Gavin Newsom issued an executive order to encourage the development of regulations over crypto assets and lay out the state's approach to integrating cryptocurrency into California's financial landscape. *See* GT Alert.

AB 2269 was announced the same day U.S. Sens. Kirsten Gillibrand and Cynthia Lummis introduced new federal legislation on creating a regulatory framework for digital assets such as cryptocurrency. Such legislative measures signal the changing statewide and national views on integrating cryptocurrency and blockchain technology into the nation's regulated financial scheme.

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