THIRD READING

Bill No: AB 1180
Author: Valencia (D)
Amended: 7/7/25 in Senate
Vote: 21

SENATE BANKING & F.I. COMMITTEE: 7-0, 7/2/25
AYES: Grayson, Niello, Cervantes, Hurtado, Limón, Richardson, Strickland

SENATE JUDICIARY COMMITTEE: 13-0, 7/15/25
AYES: Umberg, Niello, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Valladares, Wahab, Weber Pierson, Wiener

ASSEMBLY FLOOR: 78-0, 6/2/25 - See last page for vote

SUBJECT: Department of Financial Protection and Innovation: state payments

SOURCE: Author

DIGEST: This bill authorizes the Department of Financial Protection and Innovation to adopt regulations to allow a payment required by the Digital Financial Assets Law to be made with a stablecoin, as specified.

ANALYSIS:

Existing law:

1) Establishes the Digital Financial Assets Law (DFAL), a licensing and regulatory framework, administered by the Department of Financial Protection and Innovation (DFPI), for digital financial asset business activity. (Financial Code Section 3101 et seq.)

2) Requires a licensee to pay the following to DFPI:

   a) A fee to cover the reasonable costs of application review. (Financial Code Section 3203(a)(3))

b) The reasonable costs of an investigation related to an applicant satisfying conditions required for licensure. (Financial Code Section 3203(e))

c) A pro rata cost share of all costs and expenses reasonably incurred in the administration of DFAL, as specified. (Financial Code Section 3211(c))

d) The reasonable and necessary costs of an examination conducted to ascertain whether the licensee is conducting business in a lawful manner. (Financial Code Section 3301)

e) Related to an enforcement measure, a civil penalty, as authorized by DFAL and specified in the enforcement action. (Financial Code Section 3407)

3) Requires agencies of the state to deposit their money in trust with the Treasurer. (Government Code Section 16305)

This bill:

1) Authorizes DFPI to adopt regulations to allow a payment required under DFAL to be made with a stablecoin that is issued by a DFAL licensee and that may be redeemed directly from the issuer. Authorizes DFPI to consult with the Treasurer and the Controller in adopting such regulations.

2) Requires any regulations adopted pursuant to #1, above, to:

   a) Only allow payments made by an applicant or licensee to the department and shall not allow payment related to any enforcement measure.

   b) Prohibit a payment to be made with a stablecoin if the Controller, the Treasurer, or the department determines the payment would interfere or conflict with the requirements or duties, as codified in specified statute, of the Controller, the Treasurer, or state funds.

3) Requires DFPI to recover the costs of implementing and administering this bill from DFAL licensees.

4) Provides that this bill is operative on July 1, 2027, and is repealed on January 1, 2032.

Comments

Background. The term “digital financial asset” describes a range of digital representations of value that are not considered legal tender and are not issued by a central bank of a sovereign nation, but are used as a medium of exchange, store of value, or both. Similar terms that describe this concept include *cryptocurrencies*, *virtual currencies*, *crypto assets*, and *digital assets*.

Digital financial assets span a range of use cases, features, and risks. One category of digital financial assets – called stablecoins – have tight connections with the value of the United States dollar, acting as a functional substitute to common bank products, like a deposit account or debit card. Other digital financial assets have commodity-like characteristics, some of which are akin to "digital gold." Bitcoin and some related tokens fit this category and are often purchased with the expectation of future price increases, despite minimal reliance on others to directly generate profits. On the further end of the spectrum, some digital financial assets are similar to holding securities issued by a business, with an expectation of profits based on the efforts of a common enterprise.

The Digital Financial Assets Law (DFAL) is a licensure program for digital financial asset companies administered by the Department of Financial Protection and Innovation (DFPI). The law is intended to protect consumers by regulating the business activity of companies that offer to exchange, store, or transfer digital assets on behalf of California residents. DFAL was enacted in direct response to high-profile frauds, scams, and failures of crypto companies that resulted in billions of dollars of losses to consumers, including the Terra Luna Crash,[1] major stablecoins depegging (i.e,, trading for less than the expected 1:1 trading rate)[2], and the FTX fraud orchestrated by Sam Bankman-Fried.[3]

How does DPFI accept payment from licensees today? DFPI administers licensing or registration programs covering a broad array of financial services. For many such programs covering non-depository institutions (i.e., not banks or credit unions), the department and licensees rely heavily on the National Multistate Licensing System and Registry (NMLS). NMLS is an online platform used to manage state license application and annual renewal for companies and individuals in the mortgage, debt, consumer finance, and money services business industries. The goal of NMLS is to employ the benefits of local, state-based financial services regulation on a nationwide platform that provides for improved coordination and information sharing among regulators, increased efficiencies for industry, and enhanced consumer protection.[4]

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[1] **https://corpgov.law.harvard.edu/2023/05/22/anatomy-of-a-run-the-terra-luna-crash/**
[2] **https://www.pymnts.com/cryptocurrency/2022/tether-breaks-buck-stablecoin-panic-spreads/**
[3] **https://www.justice.gov/archives/opa/pr/samuel-bankman-fried-sentenced-25-years-his-orchestration-multiple-fraudulent-schemes**
[4] **https://mortgage.nationwidelicensingsystem.org/about/SitePages/default.aspx**

Users of NMLS have the ability to pay application fees, annual renewal fees, or annual assessments to DPFI through the NMLS platform using bank transfer or credit card. There is no fee associated with the bank transfer, while payment with a credit card adds a 2.5% service fee.[5] Payments through NMLS are the predominant way that DFPI collects amounts owed from licensees that have access to NMLS.[6]

Once a payment initiated through NMLS settles, the funds are credited to a zero balance account (ZBA) maintained by DFPI that accepts incoming funds but allows no withdrawals or disbursements. Each night, the balance of the ZBA account is transferred to the Centralized Treasury System (CTS), managed by the State Treasurer and State Controller. The Treasurer is responsible for safeguarding the money and making safe and prudent investments. The purpose of the CTS is to maximize the earning of interest, provide a safe and prudent treasury management, and assure that depository banks provide the state with proper and adequate security for deposits of state moneys.[7]

Implementation challenges and costs. This bill authorizes DFPI to allow certain payments required under DFAL to be made with a stablecoin that meets specified criteria. In order to comply with this bill and existing laws related to state funds, DFPI would need to contract with a payment processor that can accept one or more stablecoins and convert those assets to bank credit to be deposited in DFPI's ZBA account. Because NMLS does not offer this service within its platform, DFPI would need to create a separate payments portal and establish accounting, reporting, and control systems and procedures to ensure payments are appropriately collected from and credited to the payor.

NMLS is a shared platform that is used by dozens of state regulatory agencies across the country, and no one state can dictate a change in the digital payment options made available through NMLS. It is worth noting that a licensee cannot pay DFPI via NMLS using a variety of popular payment services, such as Zelle, PayPal, CashApp, Western Union, or Stripe. This is not necessarily due to NMLS being technologically incapable or resistant to adopt new capabilities, but rather, it is a reflection of the preferences of payors (the licensees) and payees (the state financial regulators). Payment services are not free and implementing additional options adds costs that the payors and payees may be unwilling to bear.

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[5] **https://mortgage.nationwidelicensingsystem.org/slr/resources/Help%20Resources/Payment%20Information.pdf**

[6] Government Code section 6157 allows the DFPI to accept payments by cash, certified check, cashier's check, or money order under specified circumstances.

[7] **https://www.dgs.ca.gov/Resources/SAM/TOC/8000/8001**

If this bill is enacted, DFAL licensees and applicants will be charged for the costs borne by DFPI to establish and maintain the ability to accept stablecoins as payment. Additionally, it is expected that licensees will bear transaction costs for using this payment method. The transaction costs may be in the neighborhood of the 2.5% fee charged currently for credit card payments.

It is not clear that allowing a DFAL licensee or applicant to make a payment with a stablecoin will result in many such payments being made. All licensees and applicants presumably have banks accounts from which they can make a payment to DFPI with no marginal transaction costs. While stablecoins may have relative advantages over alternatives in some payments use cases, it is not clear that stablecoins provide a compelling advantage for the purpose of paying licensing fees to DFPI.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee, unknown cost pressures, likely ranging from the high hundreds of thousands to low millions of dollars (Financial Protection Fund), to the extent DFPI adopts regulations to allow the alternative payment option proposed in this bill, as well as for contract costs with a vendor to enable DFPI to accept, hold, and transfer stablecoin.

SUPPORT: (Verified 8/14/2026)

California Blockchain Advocacy Coalition

OPPOSITION: (Verified 8/14/2026)

None received

ARGUMENTS IN SUPPORT: The California Blockchain Advocacy Coalition "is pleased to support AB 1180, which would establish a pilot program to allow the use of state payments using digital financial assets. This forward-thinking legislation acknowledges the growing role of cryptocurrency in our financial ecosystem and positions California to remain a leader in financial innovation."

ASSEMBLY FLOOR: 78-0, 6/2/25
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen,

Ortega, Pacheco, Papan, Patel, Patterson, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Pellerin

Prepared by: Michael Burdick / B. & F.I. / 916-651-4102
8/17/26 10:34:25

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