

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 97 (Grayson) – As Amended May 29, 2025

Policy Committee:	Banking and Finance	Vote:	9 - 0
	Privacy and Consumer Protection		13 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill modifies the definition of a “digital financial asset” (DFA), adds factors the Department of Financial Protection and Innovation (DFPI) must consider when approving a stablecoin, and makes other changes to the Digital Financial Assets Law (DFAL).

Specifically, this bill:

- 1) Revises the definition of a “DFA” to exclude: (a) a transaction in which a merchant grants a digital representation of value that primarily relates to an affinity or rewards program, and (b) a digital representation of value issued by a publisher and used primarily within online games or game platforms.
- 2) Repeals a provision in the definition of “DFA business activity” to remove the exchange of one or more digital representations of value used within one or more online games, game platforms, or family of games.
- 3) Provides that the DFAL does not cover an uncompensated person who merely retains the ability to terminate, suspend, or interrupt a DFA transaction to prevent unauthorized or fraudulent activity.
- 4) Authorizes DFPI to issue a conditional license to a DFAL applicant who has a license to conduct virtual currency business activity in the State of New York issued or approved no later than January 1, 2025, instead of no later than January 1, 2023.
- 5) Adds new factors DFPI must consider when determining whether to approve a stablecoin.
- 6) Modifies various DFAL annual reporting and consumer disclosure requirements.

FISCAL EFFECT:

Minor and absorbable costs to DFPI to update program procedures and trainings.

COMMENTS:

- 1) **Purpose.** According to the author:

Businesses that will be subject to the licensure requirements of DFAL are poring over the statute and have requested amendments to the law

ranging from clarifying changes to substantive and complex policy decisions. I have worked with industry participants, consumer advocates, and DFPI to identify as many areas of mutual agreement in making DFAL an even better law than currently exists in statute.

- 2) **DFAL Implementation.** A DFA, also referred to as “cryptocurrency” or “crypto,” is a digital representation of value that is not issued or backed by a government or central bank. A stablecoin is a type of DFA whose value is pegged to another asset. Thus, unlike other DFAs, which can experience large fluctuations in value over a short period of time, a stablecoin is intended to be more predictable in value.

AB 39 (Grayson), Chapter 792, Statutes of 2023, established a licensing program for DFA companies serving California customers. Under the DFAL, companies must apply for licensure by July 1, 2026, and adhere to new regulations governing operating procedures, customer service standards, and financial stability. The DFAL application process requires DFPI to conduct an upfront review of DFA companies wishing to do business with California consumers. DFPI must undertake a rigorous and complex process to: (a) review information provided by the applicant regarding its proposed DFA business plans, financial records, and recent litigation history and (b) evaluate the applicant using a range of criteria, including whether the applicant has sound financial condition, competence, and responsibility to engage in DFA business activity.

This bill makes various changes to the DFAL, including modifying the definition of a DFA and adding factors DFPI must consider when approving a stablecoin. According to the Assembly Banking and Finance Committee’s analysis of this bill, “After passage of [AB 39], the author has continued the conversation with industry stakeholders to further refine and adapt DFAL where feasible, while protecting the interests of consumers and retail investors who transact in crypto markets in the form of this bill, SB 97.” The California Blockchain Advocacy Coalition supports this bill if amended to include “Additional refinements to the definition of [DFA] to reflect the diverse utilization of digital represented products – many of which do not have financial implications or representations.”

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