

UNFINISHED BUSINESS

Bill No: SB 97
Author: Grayson (D)
Amended: 6/23/26
Vote: 27 - Urgency

SENATE BANKING & F.I. COMMITTEE: 7-0, 4/2/25

AYES: Grayson, Niello, Cervantes, Hurtado, Limón, Richardson, Strickland

SENATE JUDICIARY COMMITTEE: 13-0, 4/8/25

AYES: Umberg, Niello, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern, Valladares, Wahab, Weber Pierson, Wiener

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SENATE FLOOR: 38-0, 6/3/25

AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

NO VOTE RECORDED: Hurtado, Reyes

ASSEMBLY FLOOR VOTE: 6/29/26- Roll call not available.

SUBJECT: Digital financial assets: stablecoins

SOURCE: Author

DIGEST: This bill makes technical and clarifying changes to the Digital Financial Assets Law (DFAL), which becomes operative on July 1, 2026.

Assembly Amendments of 6/23/26 remove provisions from DFAL related to stablecoins, clarify the definition of “control,” specify types of non-financial digital assets that are not subject to DFAL, and add an urgency clause.

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) Defines “digital financial asset business activity” to mean any of the following:
 - a) Exchanging, transferring, or storing a digital financial asset or engaging in digital financial asset administration, whether directly or through an agreement with a digital financial asset control services vendor.
 - b) Holding electronic precious metals or electronic certificates representing interests in precious metals on behalf of another person or issuing shares or electronic certificates representing interests in precious metals.
 - c) Exchanging one or more digital representations of value used within one or more online games, game platforms, or family of games for either of the following:
 - i) A digital financial asset offered by or on behalf of the same publisher from which the original digital representation of value was received.
 - ii) Legal tender or bank or credit union credit outside the online game, game platform, or family of games offered by or on behalf of the same publisher from which the original digital representation of value was received.
- 3) Prohibits, on or after July 1, 2026, a person from engaging in digital financial asset business activity without a license from DFPI, as specified. (Financial Code Section § 3201)
- 4) Prohibits a covered person from exchanging, transferring, or storing a stablecoin or engaging in digital financial asset administration unless:
 - a) the issuer of the stablecoin is a licensee, a person that applies for a license, a bank, or a California or federal trust, and
 - b) the issuer of the stablecoin at all times owns eligible securities that fully back the stablecoin, as specified. (Financial Code Section § 3601)
- 5) Provides a process whereby a stablecoin that does not meet specified requirements (summarized in #4 above) may be issued and made available for exchange, transfer, or storing, subject to approval by the commissioner. In

determining whether to make such an approval, the commissioner is required to consider specified factors, including the amount, nature, and quality of assets backing the stablecoin and any risks related to how those assets are held by the issuer. (Financial Code Sections 3603)

This bill:

- 1) Amends the definition of “control” to exclude the power to prevent indefinitely a digital financial asset transaction when such a power is limited to the ability to terminate, suspend, or interrupt a transaction solely in response to unauthorized or fraudulent activity.
- 2) Clarifies the conditions that must apply to digital representations of value that relate to affinity or rewards programs or online games if those digital representations of value are not to be considered digital financial assets.
- 3) Specifies categories of non-financial digital records of ownership, as specified, that are not considered digital financial assets.
- 4) Deletes references to digital financial asset administration and digital financial asset control services vendor throughout DFAL.
- 5) Clarifies that an exemption from DFAL applies to a person who merely retains the ability to terminate, suspend, or interrupt a digital financial transaction solely to prevent unauthorized or fraudulent activity and who is not compensated for that service.
- 6) Clarifies that a person must submit a completed application on or before July 1, 2026, in order to engage in digital financial asset business activity.
- 7) Repeals Chapter 6 from DFAL, related to stablecoins.
- 8) Provides additional technical and clarifying changes.
- 9) Provides that this bill is an urgency measure and shall go into immediate effect, given need to update DFAL prior to its operative date of July 1, 2026.

Comments

Purpose. According to the author,

In 2023 I authored AB 39 which established the Digital Financial Assets Law (DFAL) with the purpose of protecting consumers and retail investors in the crypto industry. DFAL is a licensing law administered by the

Department of Financial Protection and Innovation (DFPI), and the department is on the brink of officially launching the program on July 1, 2026. Businesses that will be subject to the licensure requirements of DFAL have requested clarifying amendments to the law. Additionally, with the enactment of federal law related to stablecoins in July 2025, DFAL needed to be updated to reflect the growing federal role in that space. I have worked diligently with industry, DFPI, and consumer advocates to make improvements to DFAL and to get those changes in place by the July 1 operative date.

DFAL implementation. In 2023 California enacted AB 39 (Grayson, Chapter 792, Statutes of 2023), which established the DFAL, a new licensure program for digital financial asset companies. The law is intended to protect consumers by regulating the business activity of companies that offer to exchange, store, or transfer digital assets – more commonly referred to as crypto assets or cryptocurrencies – on behalf of California residents. The author introduced AB 39 in direct response to high-profile frauds, scams, and failures of crypto companies that resulted in billions of dollars of losses to consumers. The DFPI is charged with administering the DFAL. The licensure requirement under DFAL goes into effect on July 1, 2026.

DFAL is a fairly extensive law containing provisions that focus on the administrative authorities provided to DFPI to implement the licensing program, as well as provisions that address substantive policy issues. As businesses who anticipate seeking a DFAL license review the law, they have identified several requested amendments to the statute. This bill includes two of those requested changes, and the author continues to work with stakeholders to identify any additional changes that preserve the intent of DFAL and aid the implementation of the law by DFPI.

On July 18, 2025, the federal government enacted a law related to stablecoins (P.L. No: 119-27). While the law is still being implemented by federal regulators, the ultimate effect of the law will curtail California's role in regulating stablecoin issuers and the exchange, transfer, or storage of stablecoins. Recognizing the preemptive elements of the federal law, this bill removes stablecoin provisions from DFAL to remove the short-term administrative burden on DFPI and businesses subject to DFAL related to compliance.

In addition to removing stablecoin provisions, this bill makes numerous clarifying and technical changes that maintain the consumer and investor protection intent

motivating DFAL, while providing more specificity and clarify to DFPI and market participants about the regulatory perimeter encompassed by DFAL.

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

According to the Assembly Appropriations Committee, minor and absorbable costs to DFPI to update program procedures and trainings.

SUPPORT: (Verified 6/26/26)

None received

OPPOSITION: (Verified 6/26/26)

None received

Prepared by: Michael Burdick / B. & F.I. /
6/29/26 15:38:55

**** END ****