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AB-236 Digital financial asset businesses: regulatory fees. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 236

Introduced by Assembly Member Chen

January 13, 2025

An act to amend Section 3203 of the Financial Code, relating to financial regulation.

LEGISLATIVE COUNSEL'S DIGEST

AB 236, as introduced, Chen. Digital financial asset businesses: regulatory fees.

Existing law, the Digital Financial Assets Law, prohibits a person, on or after July 1, 2026, from engaging in digital financial asset business activity, or holding itself out as being able to engage in digital financial asset business activity, with, or on behalf of, a resident, unless certain conditions are met. These conditions include that the person is licensed with the Department of Financial Protection and Innovation, as prescribed, or the person submits an application on or before July 1, 2026, and is awaiting approval or denial of that application. Existing law defines “digital financial asset” for these purposes to mean a digital representation of value that is used as a medium of exchange, unit of account, or store of value, and that is not legal tender, whether or not denominated in legal tender, except as specified.

Existing law requires an applicant for a license under these provisions to submit the application with a nonrefundable fee in an amount determined by the department to cover the reasonable costs of application review.

This bill would prohibit that fee from exceeding \$5,000.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 3203 of the Financial Code is amended to read:

3203. (a) An application for a license under this division shall meet all of the following requirements:

- (1) The application shall be in a form and medium prescribed by the department.

(2) Except as otherwise provided in subdivision (b), the application shall provide all of the following information relevant to the applicant's proposed digital financial asset business activity:

(A) The legal name of the applicant, any current or proposed business United States Postal Service mailing address of the applicant, and any fictitious or trade name the applicant uses or plans to use in conducting the applicant's digital financial asset business activity with or on behalf of a resident.

(B) The legal name, any former or fictitious name, and the residential and business United States Postal Service mailing address of any executive officer and responsible individual of the applicant and any person that has control of the applicant.

(C) A description of the current and former business of the applicant for the five years before the application is submitted, or, if the business has operated for less than five years, for the time the business has operated, including its products and services, associated internet website addresses and social media pages, principal place of business, projected user base, and specific marketing targets.

(D) A list of all of the following:

(i) Any financial regulatory license the applicant holds in another state.

(ii) The date the license described in clause (i) expires.

(iii) Any license revocation, license suspension, or other disciplinary action taken against the licensee in any state and any license applications rejected by any state.

(E) A list of any criminal conviction, deferred prosecution agreement, and pending criminal proceeding in any jurisdiction against all of the following:

(i) The applicant.

(ii) Any executive officer of the applicant.

(iii) Any responsible individual of the applicant.

(iv) Any person that has control over the applicant.

(v) Any person over which the applicant has control.

(F) A list of any litigation, arbitration, or administrative proceeding in any jurisdiction in which the applicant or an executive officer or a responsible individual of the applicant has been a party for the 10 years before the application is submitted determined to be material in accordance with generally accepted accounting principles and, to the extent the applicant would be required to disclose the litigation, arbitration, or administrative proceeding in the applicant's audited financial statements, reports to equity owners and similar statements or reports.

(G) A list of any bankruptcy or receivership proceeding in any jurisdiction for the 10 years before the application is submitted in which any of the following was a debtor:

(i) The applicant.

(ii) An executive officer of the applicant.

(iii) A responsible individual of the applicant.

(iv) A person that has control over the applicant.

(v) A person over which the applicant has control.

(H) The name and United States Postal Service mailing address of any bank in which the applicant plans to deposit funds obtained by its digital financial asset business activity.

(I) The source of funds and credit to be used by the applicant to conduct digital financial asset business activity with, or on behalf of, a resident.

(J) Documentation demonstrating that the applicant has the capital and liquidity required by Section 3207. Documentation shall include, but is not limited to, both of the following:

(i) A copy of the applicant's audited financial statements for the most recent fiscal year and for the two-year period next preceding the submission of the application, if available.

(ii) A copy of the applicant's unconsolidated financial statements for the current fiscal year, whether audited or not, and, if available, for the two-year period next preceding the submission of the application.

(K) The United States Postal Service mailing address and email address to which communications from the department can be sent.

(L) The name, United States Postal Service mailing address, and email address of the registered agent of the applicant in this state.

(M) A copy of the certificate, or a detailed summary acceptable to the department, of coverage for any liability, casualty, business interruption, or cybersecurity insurance policy maintained by the applicant for itself, an executive officer, a responsible individual, or the applicant's users.

(N) If applicable, the date on which and the state in which the applicant is formed and a copy of a current certificate of good standing issued by that state.

(O) If a person has control of the applicant and the person's equity interests are publicly traded in the United States, a copy of the audited financial statement of the person for the most recent fiscal year or most recent report of the person filed under Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. Sec. 78m).

(P) If a person has control of the applicant and the person's equity interests are publicly traded outside the United States, a copy of the audited financial statement of the person for the most recent fiscal year of the person or a copy of the most recent documentation similar to that required in subparagraph (N) filed with the foreign regulator in the domicile of the person.

(Q) If the applicant is a partnership or a member-managed limited liability company, the names and United States Postal Service mailing addresses of any general partner or member.

(R) If the applicant is required to register with the Financial Crimes Enforcement Network of the United States Department of the Treasury as a money service business, evidence of the registration.

(S) A set of fingerprints for each executive officer and responsible individual of the applicant.

(T) If available, for any executive officer and responsible individual of the applicant, for the 10 years before the application is submitted, employment history and history of any investigation of the individual or legal proceeding to which the individual was a party.

(U) The plans through which the applicant will meet its obligations under Chapter 7 (commencing with Section 3701).

(V) The number of residents with whom, or on behalf of, the applicant engaged in digital financial asset business activity in the month preceding the month in which the applicant submits an application for a license under this division to the department.

(W) An estimate of the anticipated number of residents with whom, or on behalf of, the applicant will engage in digital financial asset business activity by October 1 of the year following the year in which the applicant submits an application for a license under this division to the department.

(X) Any other information the department reasonably requires by rule.

(3) The application shall be accompanied by a nonrefundable fee in the amount determined by the ~~department~~ *department, not to exceed five thousand dollars (\$5,000)*, to cover the reasonable costs of application review.

(b) (1) On receipt of a completed application, the department shall investigate whether each of the following criterion is satisfied:

(A) The applicant has the sound financial condition, competence, and responsibility to engage in digital financial business activity.

(B) The applicant has relevant financial and business experience, good character, and general fitness.

(C) Each executive officer, responsible individual, and person that has control of the applicant has competence, experience, good character, and general fitness.

(D) The applicant has complied with Chapter 5 (commencing with Section 3501) and Chapter 6 (commencing with Section 3601).

(E) The applicant has a reasonable promise of success in engaging in digital financial business activity.

(F) It is reasonable to believe that the applicant, if licensed, will engage in digital financial business activity in compliance with all applicable provisions of this division and any regulation or order issued pursuant to this division.

(2) On receipt of a completed application, the department may investigate the business premises of an applicant.

(c) After completing the investigation required by subdivision (b), the department shall send the applicant notice of its decision to approve, conditionally approve, or deny the application. If the department does not receive written notice from the applicant that the applicant accepts conditions specified by the department within 31 days following the department's notice of the conditions, or if the applicant does not request a hearing on the conditions specified by the department within 31 days after the department's notice of the conditions, the application shall be deemed withdrawn.

(d) A license issued pursuant to this division shall take effect on the later of the following:

(1) The date the department issues the license.

(2) The date the licensee provides the security required by Section 3207.

(e) In addition to the fee required by paragraph (3) of subdivision (a), an applicant shall pay the reasonable costs of the department's investigation under subdivision (b).

(f) Information provided pursuant to this section is covered by subdivision (a) of Section 7929.000 of the Government Code.

(g) For purposes of this section, "completed application" means an application that contains the nonrefundable fee required by paragraph (3) of subdivision (a), the information specified in paragraph (2) of subdivision (a), and any additional information required by any regulations of the commissioner.