

August 26, 2024

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: AB 1934 (Grayson, Digital financial assets businesses): SUPPORT

Governor Newsom,

Thank you for the opportunity to provide input on Assembly Bill 1934. The Crypto Council for Innovation (CCI)¹ respectfully encourages you to sign this legislation.

CCI is grateful for the steps your administration and the legislature have taken over the course of this session to ensure that pressing issues pertaining to the Digital Financial Assets Law (DFAL) are addressed. AB 1934's action to delay licensing implementation is an important step to see this through. We are hopeful this delay will address such issues and enhance the Department of Financial Protection and Innovation's capacity to address DFAL's underlying challenges.

CCI respectfully submits that first addressing critical issues with DFAL's implementation will best protect California's role as a leader in digital asset innovation. Indeed, as CCI previously [shared](#), such issues include, among others, DFAL's overly broad scope and imprecise definitions, which could unintentionally capture a wide range of unrelated activity, technology, and individuals into the bill's purview and create operational challenges for both licensees and regulators. For example, the broad scope of "digital financial asset business activity" can unduly harm the California video game industry currently generating more than \$50 billion in annual economic input, which are using web3 technologies as a means of providing users with interoperable game platforms and ownership of in-game digital assets. Requiring video game activity to be subject to a financial licensing regime would likely result in job losses, businesses leaving the state, and an inability for California consumers to participate in cutting-edge technology.

In addition, adequate timelines, appropriate exemptions for startups to ensure their ability to grow and innovate in California, reciprocity with similar state regulatory frameworks, and further clarity on approval pathways for stablecoins—including crypto-collateralized stablecoins—are also critical to ensuring California can remain a hub of technological innovation. We look forward to continuing conversations on these issues and the implementation of DFAL during the 2025-2026 Legislative Session as well as the pending introduction of clean-up legislation to AB 39 (Grayson, 2023).

¹ CCI is a global alliance of industry leaders in the digital asset and Web3 sectors that serves to educate policymakers, regulators, and consumers, and advocate for policy that spurs responsible innovation and consumer protection.

We are hopeful that AB 1934 will allow your administration and the legislature more time to work with stakeholders to address these pressing issues. We appreciate your continued commitment to addressing the ambiguity of certain terms as well as the scope of the statute through clean-up legislation. CCI believes that Web3 requires effective regulation to thrive while protecting consumers, and we look forward to partnering with you and the legislature to advance these important goals.

Respectfully,



Sheila Warren
Chief Executive Officer
Crypto Council for Innovation



Ji Kim
Chief Legal & Policy Officer
Crypto Council for Innovation

CC: The Honorable Tim Grayson