

# It's April, Do You Know Where Your California Digital Assets License Is?

## Client Alerts

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California's new licensing regime for digital financial asset businesses is no longer on the horizon, it is here. The California Department of Financial Protection and Innovation (DFPI) opened its application portal last month, and the July 1, 2026 compliance deadline is now less than three months away. For companies that anticipate serving California residents with covered digital financial assets services, there is a significant advantage to having a license application in by July 1.

## Who Needs a License?

The Digital Financial Assets Law (DFAL), Cal. Fin. Code §§ 3200–3272, requires a license to engage in digital financial asset business activity on behalf of a California resident, whether your company is located in California or not. Covered activity is broadly defined to include exchanging, transferring, or storing a digital financial asset, engaging in digital financial asset administration, holding electronic precious metals on behalf of another person, and certain activities involving online game platform currencies that convert to legal tender or other digital assets outside the game ecosystem.

The DFAL does include meaningful exemptions, including for FDIC-insured commercial and industrial banks, state-chartered and federal credit unions with California offices, and trust companies licensed under California Financial Code § 1042. Other significant exemptions cover registered broker-dealers, entities regulated by the CFTC, clearing agencies registered or exempted under federal securities law, pure cryptocurrency miners, and persons providing only connectivity software or computing power to a decentralized network. The DFAL also exempts persons who reasonably expect to generate less than \$50,000 annually from otherwise covered activity.

One final exemption covers national associations authorized under federal law to engage in a trust banking business. This last category, federally chartered national trust banks, is particularly relevant given recent OCC activity granting conditional approval to a number of digital assets companies to establish national trust banks. Companies whose charters are ultimately finalized would fall within the DFAL's national trust bank exemption for the activities their charters authorize—but the exemption attaches to the final charter, not the conditional approval. Until a firm has satisfied the OCC's pre-opening conditions and commenced operations as a national trust bank, its state-law licensing obligations may remain in place.

## **The Application Portal Is Open**

The DFPI began accepting applications on March 9, 2026, through the Nationwide Multistate Licensing System, with an application fee of \$7,500 plus “reasonable costs” of DFPI’s review of core application factors. Applications require detailed documentation of corporate structure, control person backgrounds, consumer protection policies, and third-party risk management, as well as information on business and operating plans, an independent review of the BSA/AML program, financial condition details, and information technology and operational security plans. DFPI expects applicants to demonstrate at least \$100,000 in tangible net worth and to submit a surety bond of at least \$500,000, with final amounts determined during the review process.

## **A Safe Harbor for Companies That Have Submitted Applications**

The DFAL authorizes a person to continue engaging in digital financial asset business activity after July 1, 2026, if that person submitted a completed application on or before July 1, 2026, and is awaiting a final determination. Timely applicants may keep operating in California while DFPI works through its review, even where no license has yet been issued. Given that DFPI has not committed to any specific review timeline and is expected to receive a high volume of applications, this safe harbor could cover a substantial period of ongoing operations.

On the other hand, a company currently operating covered digital asset activities in California that does not file a completed application by July 1, 2026, must cease serving California residents on that date. If that company later decides to obtain a California license, it may apply at any time, but it cannot resume digital financial asset business activity in California until DFPI has reviewed and approved its application.

Of course, a DFAL license does not displace any other applicable California or federal licensing requirements. For instance, companies whose products also involve fiat money transmission must separately evaluate their licensing obligations under the California Money Transmission Act.

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