



**Adam Wright**

Senior Counsel with the Office of Financial Technology Innovation  
(Office) at the California Department of Financial Protection and Innovation (DFPI)

[Adam.Wright@dfpi.ca.gov](mailto:Adam.Wright@dfpi.ca.gov)

# Consumer Financial Protection and Crypto Asset Regulation

July 12, 2022



DEPARTMENT OF  
FINANCIAL PROTECTION  
& INNOVATION

**PROTECTING CONSUMERS**  
FOSTERING TRUST & INNOVATION

[www.DFPI.ca.gov](http://www.DFPI.ca.gov)

# Agenda

1. Creation of the Department of Financial Protection and Innovation (DFPI) and historical approach to crypto
2. Governor's Executive Order
3. Directions for the DFPI and DFPI's next steps
4. Q & A



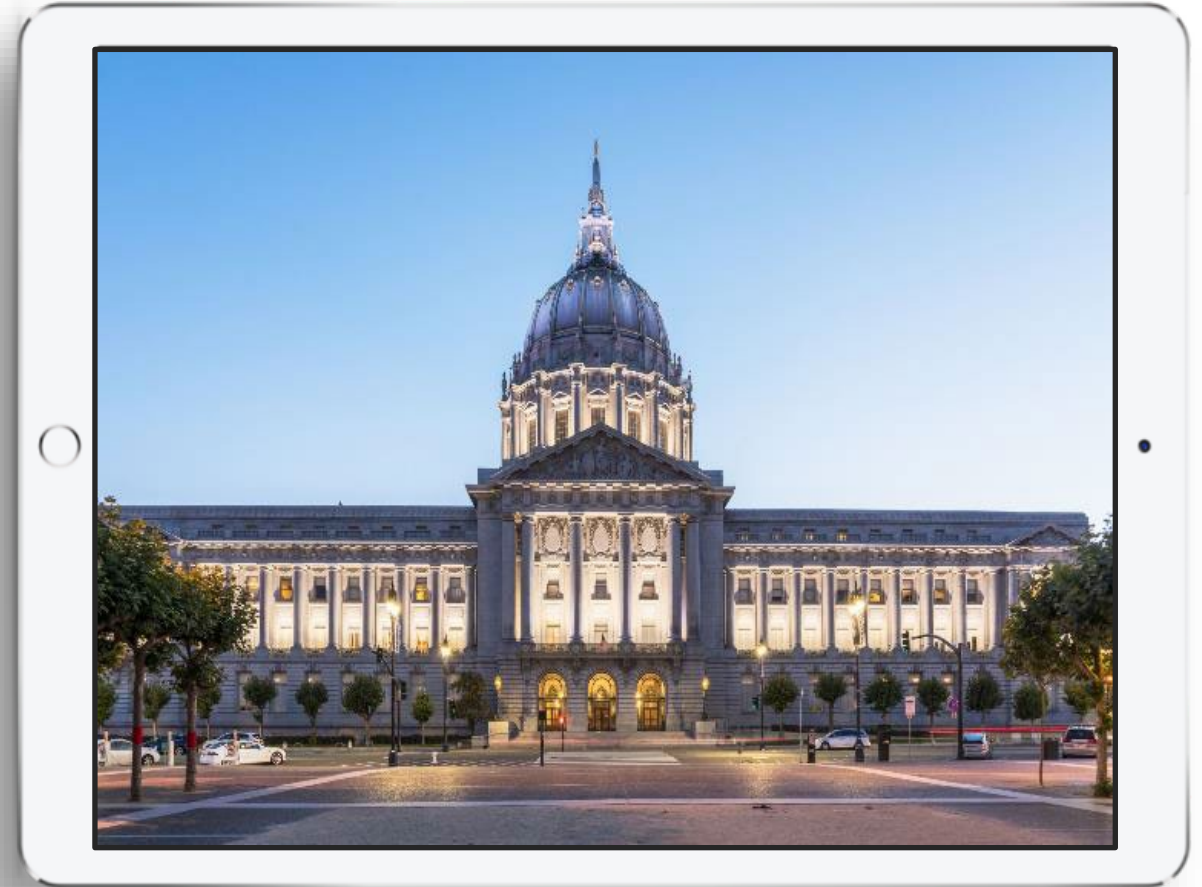
© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# Creation of the DFPI

## Expanding Regulatory Authority

- Governor Newsom and the Legislature re-envisioned the DFPI to strengthen consumer financial protection and cultivate responsible innovation in the financial industry
- The California Consumer Financial Protection Law (CCFPL) strengthened California's ability to:
  - Protect Consumers
  - Productively engage with financial product and service providers
  - Regulate new and emerging financial products and services like crypto assets
- The CCFPL also created new units and functions at the DFPI, including the OFTI and a Market Monitoring and Research office.
  - <https://dfpi.ca.gov/office-of-financial-technology-innovation/>



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# Crypto In California

## DFPI's Approach To Date

- The DFPI has not taken specific enforcement or regulatory actions to force providers of crypto asset-related financial products or services into licensing categories.
- The DFPI has issued dozens of interpretive opinions under the Money Transmission Act on crypto activities but has generally taken a wait-and-see approach.
  - <https://dfpi.ca.gov/dfi-opinion-letters/>
- More than ten crypto lenders hold DFPI California Financing Law (CFL) licenses.
- DFPI banking team supervises Silvergate, bank to several large US crypto exchanges.



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# Agenda

1. Background on the Department of Financial Protection and Innovation (DFPI) and historical approach to crypto
2. Governor's Executive Order
3. Directions for the DFPI and DFPI's next steps
4. Q & A



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# Crypto In California

## Home of Innovation

- The birthplace of key crypto asset financial services companies and home to the leading innovators for crypto companies.
- Last year, more venture capital flowed into California crypto businesses than anywhere else in the United States.
- California is uniquely positioned to continue serving as the global innovation hub for emerging technologies and financial products like crypto assets.



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# EXECUTIVE ORDER N-9-22

- Issued by Governor Gavin Newsom on May 4, 2022, to spur responsible Web3 innovation, grow jobs and protect consumers
- Whole of California government approach that builds upon the White House EO
- Priorities:
  1. Collect input from a broad range of stakeholders for potential blockchain applications and ventures
  2. Create a regulatory approach to crypto assets harmonized between federal and state authorities
  3. Explore opportunities to address public-serving and emerging needs with blockchain
  4. Identify opportunities to create a research and workforce environment
  5. Create a transparent and consistent business environment for companies operating in blockchain
  6. Engage in and encourage regulatory clarity



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# Agenda

1. Background on the Department of Financial Protection and Innovation (DFPI) and historical approach to crypto
2. Governor's Executive Order
3. Directions for the DFPI and DFPI's next steps
4. Q & A





# Executive Order N-9-22 (Cont.)

## DFPI Priority 1 of 5

- Regulate crypto asset-related financial services and products under the CCFPL
  - Track and harmonize with federal and state developments
  - Issued an Invitation for Comments on June 1, 2022
    - <https://dfpi.ca.gov/wp-content/uploads/sites/337/2022/06/DFPI-crypto-invitation-for-comment-5-31-22.pdf>
    - Open to comments on all laws the DFPI administers
    - Comments due by August 5, 2022.
  - Conduct a market monitoring inquiry to collect voluntary information from crypto companies



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# Executive Order N-9-22 (Cont.)

## DFPI Priority 2 of 5

- The DFPI will enhance its review and handling of complaints.
  - Sending complaints to crypto companies for response
  - Recent rulemaking packages under the CCFPL will also expand these responsibilities.
    - <https://dfpi.ca.gov/california-consumer-financial-protection-law-regulations-legislation-opinions-and-releases/>

### PRO 03-21 – CCFPL Complaints and Inquiries

#### Initial Proposed Text

Comment Period Ends: July 5, 2022

- PRO 03/21 – [Notice \(PDF\)](#)
- PRO 03/21 – [Proposed Text \(PDF\)](#)
- PRO 03/21 – [Initial Statement of Reasons \(PDF\)](#)



# Executive Order N-9-22 (Cont.)

## DFPI Priority 3 of 5

- DFPI will seek input from stakeholders and publish guidance for state-chartered banks, credit unions, and trust companies.
  - To be published by March 31, 2023
  - Survey
  - Welcome all comments from stakeholders on what the DFPI can and should address in the guidance



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# Executive Order N-9-22 (Cont.)

## DFPI Priority 4 of 5

- DFPI will publish consumer protection principles to provide guidance to companies offering crypto asset-related financial products and services.
  - Expect to develop and publish following the receipt of public comments, stakeholder meetings, financial institutions survey, market monitoring inquiry, and crypto-focused examinations.
  - Potential topics include model disclosures, error resolution, cybersecurity, and other criteria deemed appropriate.
  - Work is ongoing; issue date TBD



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# Executive Order N-9-22 (Cont.)

## DFPI Priority 5 of 5

- To protect consumers from unfair and deceptive practices, DFPI will publish consumer education materials.
  - Work is ongoing; issue date TBD



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.



# Agenda

1. Background on the Department of Financial Protection and Innovation (DFPI) and historical approach to crypto
2. Governor's Executive Order
3. Directions for the DFPI and DFPI's next steps
4. Q & A



© 2022 U.S. Faster Payments Council. Materials are not to be used without consent.





# *Wrap Up*

## Governor Newsom's Blockchain Executive Order (Executive Order N-9-22 )

**The presentation materials and recording of today's FPC  
Town Hall will be available in our FPC Member Portal**

[www.fasterpaymentscouncil.org](http://www.fasterpaymentscouncil.org)  
[memberservices@fasterpaymentscouncil.org](mailto:memberservices@fasterpaymentscouncil.org)