

Cryptocurrency Finance: Understand the Digital Financial Assets Law (DFAL) & the Protections it Offers YOU



In 2023, the Consumer Federation of California (CFC) sponsored Assembly Bill 39 and supported Senate Bill 401, both of which were signed into law by Governor Newsom in October of that year, creating the Digital Financial Assets Law (DFAL). Through this law, various consumer protections were enacted, including granting regulatory oversight to California's Department of Financial Protection and Innovations (DFPI), as well as safeguards to help prevent fraud for consumers who decide to engage in these types of transactions.

Licensing and Regulation for Digital Financial Assets Companies



Starting July 1, 2026, companies who wish to operate or continue doing business in California must be licensed or have applied for a license with the DFPI. This means that any company who is not licensed by the DFPI cannot engage in the exchange, sorting, or transferring of digital assets like cryptocurrency. Requiring licensing allows the DFPI to enact a robust and strong regulatory framework to ensure ongoing oversight and maintain enforcement authority that ensures consumers and investors are protected in certain crypto-related transactions.

Cryptocurrency Kiosks

Beginning January 1, 2024, the DFAL offered various protections to consumers when using digital financial asset transaction kiosks, also referred to as BTMs or crypto kiosks, which allow consumers easy access to buy and sell crypto assets:

- Daily limits on the amount allowed to be deposited or withdrawn (no more than \$1,000).
- Kiosk operators are required to provide consumers with a detailed receipt of the transaction, including specified information on the transaction.



As of January 1, 2025, additional protections with delayed implementation became effective:

- Transaction fees that crypto kiosk operators can charge are capped to no more than 15% or \$5, whichever is greater.
- Pre-transaction disclosures must be provided to the consumer by kiosk operators.



Transparency is also strengthened under the DFAL by requiring operators to provide the DFPI with a list of crypto kiosk locations. This information will subsequently be made publicly available by the DFPI, enabling law enforcement to take action against unregistered kiosks fostering criminal activity.

However, similar to the licensing of digital financial asset companies, operators of digital financial asset transaction kiosks will be required to be licensed through the DFPI in order to operate in the state as of January 1, 2026.

Why does the DFAL matter and what is crypto?

Over the past few years, the digital financial asset landscape, encompassing cryptocurrencies and crypto exchanges, has witnessed exponential growth, resulting in a surge of scams, deceptive "rug pulls" that manipulate asset prices, investment-related frauds, and substantial losses, disproportionately impacting low- and moderate-income communities as well as communities of color. Crypto scams and rip-offs are the #1 source of complaints and concerns at DFPI.

Cryptocurrency or crypto, are assets that are primarily online that operate on something that is known as blockchain technology (CFPB, 2022). These digital tokens are not backed by any government and are extremely volatile, meaning their value fluctuates constantly, and the price at which you bought or exchanged them for may not be the same as the return you receive when you sell them (FTC, 2025).

These assets are digital and exist within a decentralized ecosystem, where new tokens are constantly being created, and there is no authority present to control or supervise the system. Due to crypto being a decentralized finance or "DeFi", consumers are at a high risk of fraud, hacks, or scams such as pig butchering or rug pulls.

The state of California has been leading the way in regulating crypto assets, but the framework is still constantly evolving. For these reasons, consumers need to be cautious and understand the risks associated with these types of digital assets if they seek to invest.



Resources

For more information on crypto and to report a crypto scam, [**click here.**](#)

"If you or someone you know believes a financial institution of financial service provider has violated the law of acted improperly, or or believe a company or person is conducting unlicensed or unregistered financial service activity that falls within the DFPI's jurisdiction please [**click here.**](#)"



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