



OFFICE OF THE GOVERNOR

SEP 23 2022

To the Members of the California State Assembly:

I am returning Assembly Bill 2269 without my signature.

AB 2269 would establish a licensing and regulatory framework, administered by the Department of Financial Protection and Innovation, for digital financial asset activity. Digital assets are becoming increasingly popular in our financial ecosystem, with more consumers buying and selling cryptocurrencies each year. I share the author's intent to protect Californians from potential financial harm while providing clear rules for crypto-businesses operating in this state.

On May 4, 2022, I issued Executive Order N-9-22 to position California as the first state to establish a transparent regulatory environment that both fosters responsible innovation, and protects consumers who use digital asset financial services and products – all within the context of a rapidly evolving federal regulatory picture. Over the last several months, my Administration has conducted extensive research and outreach to gather input on approaches that balance the benefits and risk to consumers, harmonize with federal rules, and incorporate California values such as equity, inclusivity, and environmental protection.

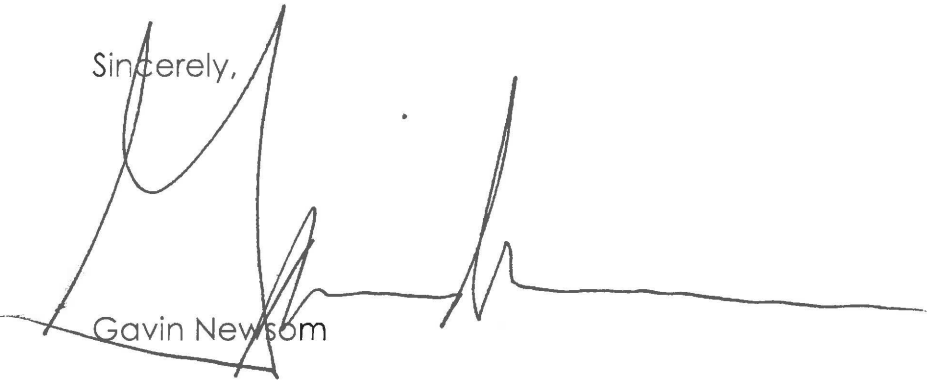
It is premature to lock a licensing structure in statute without considering both this work and forthcoming federal actions. A more flexible approach is needed to ensure regulatory oversight can keep up with rapidly evolving technology and use cases, and is tailored with the proper tools to address trends and



mitigate consumer harm. Additionally, standing up a new regulatory program is a costly undertaking, and this bill would require a loan from the general fund in the tens of millions of dollars for the first several years. Such a significant commitment of general fund resources should be considered and accounted for in the annual budget process.

I am committed to working collaboratively with the Legislature to achieve the appropriate regulatory clarity once federal regulations come into sharper focus for digital financial assets, while ensuring California remains a competitive place for companies to invest and innovate.

Sincerely,

A handwritten signature in black ink, appearing to read "Gavin Newsom". The signature is stylized and somewhat abstract, with a long horizontal line extending to the right. It is positioned below the word "Sincerely,".

Gavin Newsom