



**Re: California Bill A.B. 2269 (Grayson)**

Dear Members of the California Assembly and Senate,

This letter is submitted on behalf of the Blockchain Association, a non-profit organization dedicated to improving the public policy environment for public blockchain networks so that they can develop and prosper in the United States. We endeavor to educate policymakers, courts, law enforcement, and the public about blockchain technology and the need for regulatory clarity to allow for a more secure, competitive, and innovative digital marketplace. The Association represents more than 90 industry leaders who are committed to responsibly developing and supporting public blockchain networks fueled by cryptocurrencies. Our diverse membership reflects the wide range of this dynamic market and includes crypto exchanges, custodians, software developers, early-stage investors, trading firms, and others supporting the crypto ecosystem.. The purpose of this letter is to state our opposition to A.B. 2269 in the state of California.

The state of California is where a generation of tech innovators dreamt of a better world, built those dreams into reality, and created a new and thriving source of jobs and commerce. Thus it is no surprise that today's cryptocurrency and Web3 innovators are similarly flocking to California to build tomorrow's success story. We are writing to you today because California's role as a leader in crypto innovation may be in jeopardy.

The passage of A.B. 2269 would be detrimental to California's efforts to support innovation in the crypto and Web3 ecosystem throughout the state. The bill would effectively outlaw all of the crypto businesses that are currently thriving in California unless they are able to navigate an onerous, uncertain, and likely expensive licensing regime. We urge you to reconsider this bill.

We fundamentally agree with the bill's premise that there should be robust protection for consumers in crypto policy, but unfortunately, A.B. 2269 would not achieve that valid goal. Instead, it would likely cut California off from the burgeoning crypto industry, forcing entrepreneurs to relocate to other jurisdictions with more tailored and appropriate regulatory requirements, and preventing California residents from safely accessing the new, blockchain-based digital economy.

A.B. 2269 contradicts the spirit of Executive Order N-9-22, which resolved to foster an environment of responsible crypto innovation and create a sustainable, equitable pipeline of entrepreneurial talent to the Golden State. That order called for all stakeholders involved to work together to craft meaningful policies governing crypto and ensure that consumers, workers, and the crypto industry move forward together. A.B. 2269 would short-circuit that process and undermine its goals, closing the spigot of new talent and investment flowing to California, and challenging the state's reputation as a beacon of entrepreneurialism.

The same has unfortunately happened in the State of New York after its implementation of the "BitLicense" framework. The requirements of obtaining a BitLicense, which bear many similarities to ones A.B. 2269 would create, have proved deeply onerous and unworkable for many crypto companies, particularly for smaller startups that lack the resources to compete with incumbent

financial institutions on compliance costs. The BitLicense has created an environment where only the biggest and most wealthy can manage to comply, while those who are just getting off the ground are left in the cold. Many jobs and opportunities that would have benefited New York are now benefiting states such as Texas and Wyoming. California should not repeat New York's mistakes.

Most notably, A.B. 2269 would make it impossible for many stablecoin issuers to operate in California due to the licensing requirements placed on these entities regardless of whether they "operate" within the state. Stablecoins serve as an important bridge between traditional finance and the digital asset economy, and their success is a key prerequisite for the entire crypto ecosystem's success. Moreover, U.S. dollar stablecoins have important implications for U.S. monetary sovereignty and foreign policy, where their existence works to support the strength of the dollar as the world's global reserve currency. Shutting many of them out by requiring an additional level of licensing would not only harm California by eliminating jobs and stifling innovation, but would also run in opposition to the recent Executive Order issued by President Biden on the crypto ecosystem.

Since the days of the Gold Rush, California has been a fertile ground for big dreams and history-changing innovations. The growing crypto rush will continue this legacy in a way that equitably creates jobs, protects consumers, and redefines the future of innovation. A.B. 2269, while well intentioned, would stymie California's potential, which is why we urge you to reconsider this bill and work concurrently with the California Executive Order to craft a regulatory environment that ensures consumers are protected while innovation can thrive.

We thank the office of Representative Grayson for their consideration and offer ourselves to discuss our positions on A.B. 2269 and the future of crypto in California.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Jae Gnazzo". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

A. Jae Gnazzo  
Senior Policy Manager  
The Blockchain Association