A Closer Look At California Financial Regulator's 2026 Agenda

By **John Kimble** (February 12, 2026)


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As the Consumer Financial Protection Bureau scales back the scope of its supervisory and enforcement activities, some state financial regulators have begun to move in the opposite direction.

California's Department of Financial Protection and Innovation, which was created by the California Consumer Financial Protection Law in response to the more modest rollback of the CFPB under former Director Kathy Kraninger, added four new categories of CCFPL registrants in 2025 and is currently engaged in rulemaking for a new license and a possible new category of registrants.

On Dec. 17, Commissioner KC Mohseni of the DFPI spoke about the department's 2026 agenda to the California Lawyers Association's Consumer Financial Services Committee.

For the reasons discussed in more detail below, Mohseni forecasted that 2026 would be a significant year for the department.

Licensing Under the Digital Financial Assets Law

After an overview of the DFPI and its mission, Mohseni discussed the department resources being devoted to finalizing the rulemaking for California's Digital Financial Assets Law. The DFAL, which created substantive requirements and prohibitions and imposed a licensing requirement on those engaged in digital financial asset business activity, was signed into law by Gov. Gavin Newsom on Oct. 13, 2023.

The effective date of the licensing mandate was later extended from July 1, 2025, until July 1, 2026. Entities wishing to continue engaging in digital financial asset business activity in California must have an application submitted by July 1 in order to do so.

Digital financial asset business activity is defined by the statute to include any of the following:

> (1) Exchanging, transferring, or storing a digital financial asset or engaging in digital financial asset administration, whether directly or through an agreement with a digital financial asset control services vendor.
>
> (2) Holding electronic precious metals or electronic certificates representing interests in precious metals on behalf of another person or issuing shares or electronic certificates representing interests in precious metals.
>
> (3) Exchanging one or more digital representations of value used within one or more online games, game platforms, or family of games for either of the following:
>
> > (A) A digital financial asset offered by or on behalf of the same publisher from which the original digital representation of value was received.
> >
> > (B) Legal tender or bank or credit union credit outside the online game, game

platform, or family of games offered by or on behalf of the same publisher from which the original digital representation of value was received.

The DFAL includes a number of exemptions to the licensing requirement, including exemptions for banks and credit unions; entities whose digital financial asset business activity is $50,000 or less; and merchants who accept a digital financial asset as payment for a good or service that is not a digital financial asset.

The DFPI is also empowered to create additional exemptions or rescind existing exemptions through rulemaking.

The DFPI began the rulemaking process for licensing under the DFAL, which will flow through the Nationwide Multistate Licensing System, more than two years ago and proposed modifying the regulations's text on Oct. 15, 2025. This modification included an exemption for certain DFAL entities from the state's Money Transmission Act.

After the final regulations are released, they must be approved by the Office of Administrative Law in a process that can take up to 30 working days.

This process is not a rubber stamp, as demonstrated in April 2024 when the Office of Administrative Law issued a disapproval of the initial "final" regulation for registration under the CCFPL.

Registration and Reporting Under the CCFPL

In order to ensure the necessary flexibility to regulate and oversee new and innovative products, the CCFPL tasked the DFPI with creating registration requirements for providers of consumer financial goods and services that fall outside the scope of the existing licensing regimes.

On Feb. 15, 2025, the first set of CCFPL registration requirements went into effect. The DFPI's final rule exempted entities that offer or provide these products under — and in compliance with — another license (for instance, providers offering earned wage access through their finance lender license or under California's Deferred Deposit Transaction Law).

With that limitation in mind, those who offer or provide the following products and services were required to register with the DFPI, or apply for registration, by the effective date:

- Debt settlement services;
- Income-based advances, or earned wage access;
- Private postsecondary education financing, including income share agreements; and
- Student debt relief services.

Additionally, the DFPI's regulations impose significant annual reporting requirements on registrants.

In response to a question from a committee member, Mohseni discussed the process for identifying additional industries that should be subject to registration and reporting requirements under the CCFPL, including its October 2024 request for comments, which generated only a handful of responses.

Mohseni described this as an ongoing process, including surveys, studies and input from industry stakeholders. A few weeks after the meeting, on Jan. 12, the DFPI published a second request for comments, this time focusing on those who offer or provide the following services in California:

Collecting, analyzing, maintaining, or providing consumer report information or other account information, including information relating to the credit history of consumers, used or expected to be used in connection with any decision regarding the offering or provision of a consumer financial product or service.

Comments on this proposed rulemaking are due by Feb. 26.

Consumer Complaints and Expanded Enforcement Authority

Along with tasking the DFPI to expand its supervision and oversight to include additional industries through registration and reporting rulemaking, the CCFPL also mandated that the department establish reasonable procedures for responding to consumer complaints and promulgate regulations requiring a timely response to the department from a covered entity that is the subject of a complaint.

In response to a question from one of the attendees, Mohseni stated that, while a prior attempt to create these regulations had lapsed, there would be a renewed effort to promulgate a consumer complaints rule this year.

The CCFPL also created new DFPI enforcement authority for unfair, deceptive, and abusive acts or practices. The CCFPL initially exempted licensees, including licensed finance lenders and brokers, from this enforcement authority, but a bill was signed into law in 2025 closing this loophole, now allowing the DFPI to pursue enforcement against entities offering consumer financial goods and services more broadly.

Only a few categories of entities — including national and out-of-state as well as state-chartered banks and credit unions — remain exempt.

In discussing the focus of the DFPI's enforcement activities, Mohseni used as an example the emerging crypto kiosk industry. These kiosks, often located in convenience stores and grocery stores, offer consumers a convenient way to purchase cryptocurrency.

However, Mohseni cautioned that they also carry the potential for fraud and elder abuse. The DFPI issued its first consent order against an entity operating these kiosks, Coinme Inc., in June 2025 and has continued to actively pursue enforcement actions in this space, including recently on Jan. 16, 2026, against Evergreen ATM LLC.

While these consent orders tend to focus on violations of the DFAL, they also typically include violations of the prohibition on unfair, deceptive and abusive acts or practices under the CCFPL.

With a larger number of entities now subject to this UDAAP authority, DFPI enforcement activity is expected to increase significantly throughout the rest of 2026.

Conclusion

In his remarks to the committee in December, Mohseni not only reaffirmed the DFPI's expansive goals for 2026, but also the department's willingness to slow down and engage directly with industry stakeholders when there is complexity.

As the CFPB continues to shrink and withdraw, the DFPI's importance in supervision and enforcement grows.

While its authority is limited to entities engaging in activities in the state of California or with California residents, the size of the California market makes it difficult to ignore for those offering or providing consumer financial goods and services.

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