

Twitter gets regulatory ducks in a row to move into payments

Article

The news: Twitter started applying for state licenses in the US so it can advance its payments ambitions, per the Financial Times.

- Twitter head Elon Musk recently appointed Esther Crawford—formerly the director of product management—to be chief executive for Twitter Payments, a subsidiary created last

August.

- Crawford is working with a small team to map out Twitter's payments offering, people familiar with the matter told the Financial Times.
- Twitter hopes to complete US licensing within a year before working on global licenses, they said.

Key context: Payments have been a part of Musk's vision for Twitter since he took over the company last October.

- Musk said it "makes sense" to integrate payments into Twitter and called WeChat "a good model" for what he wants to achieve.
- In November, Twitter filed to register with the Treasury's Financial Crimes Enforcement Network (FinCEN), a requirement for companies to conduct money transfers.

The challenge: The heavily-indebted Musk is under considerable pressure to generate income for the platform.

Payments could be the golden goose that turns Twitter's financials around—but it won't be an easy feat. Here's why:

A marketer exodus has compounded Twitter's financial woes.

- Musk made several operational changes when he bought Twitter—like dismantling much of the firm's content moderation rules under the pretext of free speech absolutism.
- As a result, **50 of the company's top 100 advertisers**—Twitter's main source of revenue—left the platform.
- Musk said in December that some had returned, but money is probably still tight.

The firm's slim staff might complicate compliance.

- Musk laid off a huge portion of Twitter's workforce and lost more workers after making a controversial ultimatum.
- This significantly shrank the firm's compliance team, which could open it up to regulatory risks.
- Moving into payments will subject Twitter to stringent financial regulations, and without much of a team left, it may struggle to comply.

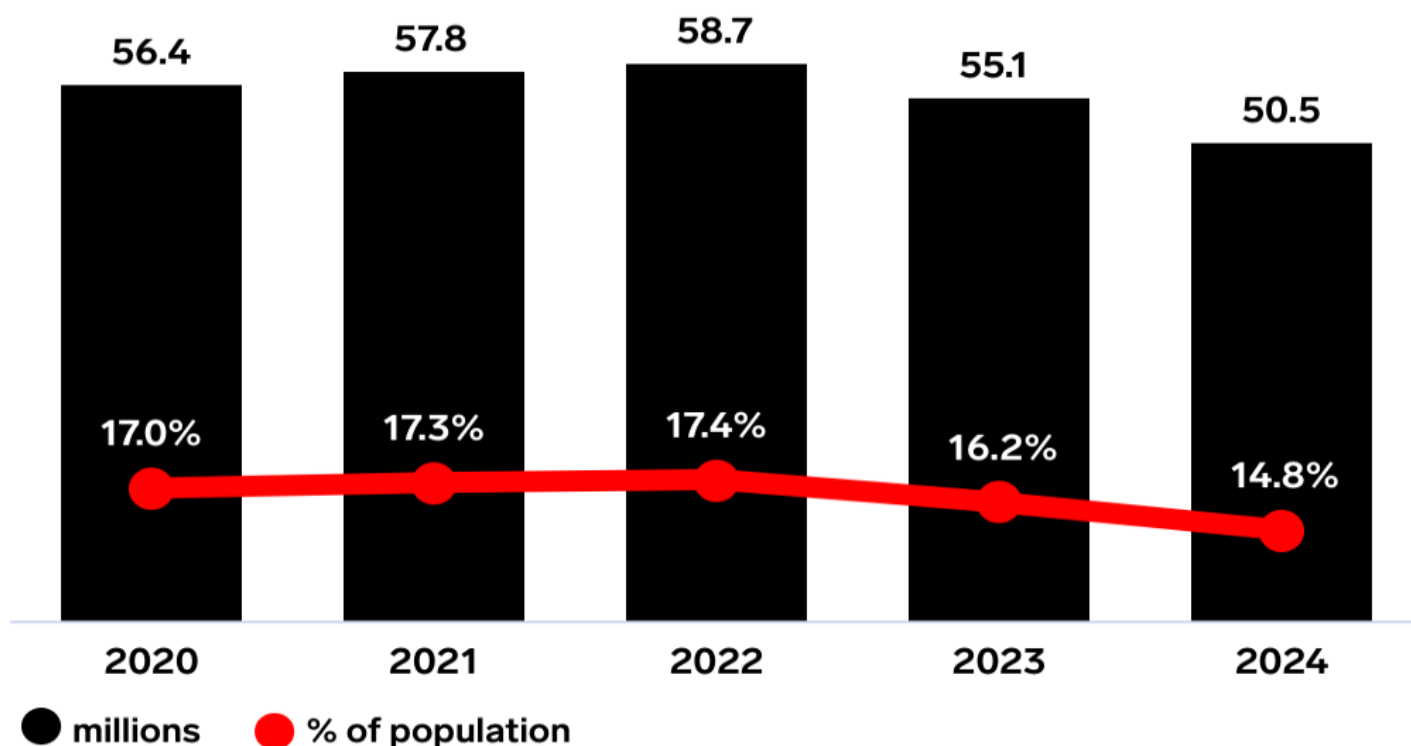
Twitter will have to compete with well-established digital payment platforms.

- **Cash App, Venmo, and Zelle** account for the majority of US peer-to-peer (P2P) payment volume, which is expected to reach **\$1.402 trillion** this year, according to Insider Intelligence forecasts.
- Twitter will need to convince users that its payment service offers more value than competitors.

The bottom line: Hundreds of thousands of Twitter users exchange third-party payment links with each other, according to research from **FXC Intelligence** cited by the Financial Times—highlighting a clear demand for payments. Still, the firm will need to gain customer trust; invest substantially in technology infrastructure, security, and compliance; and outline a clear value proposition for its venture into payments to pay off.

Twitter Users

US, 2020-2024



Note: internet users of any age who access their Twitter account via any device at least once per month

Source: eMarketer, December 2022

eMarketer | InsiderIntelligence.com

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