



NEW YORK STATE SENATOR

Brad Hoylman-Sigal

## Letter to Department of Financial Services on X Money

SENATOR BRAD HOYLMAN-SIGAL & ASSEMBLYMEMBER MICAH LASHER May 8, 2025

May 5, 2025

Dear Superintendent Harris:

We write to express our concern regarding “X Money” or X Payments LLC, a subsidiary of X Corp. Elon Musk, Chairman and Chief Technology Officer of X Corp., has stated that his goal is to bring users’ “entire financial [lives]” onto X Money, and the company is quickly developing the capability to become a significant money transmitter in states across the country. In January 2025, the company announced a partnership with Visa, which operates the largest credit card network in the United States and the world.<sup>2</sup>

Given that the United States does not license money transmitters at a federal level, Musk must obtain such licenses on a state-by-state basis. According to X’s website, it has done so in 40 states and Washington, D.C., and has also registered with the Financial Crimes Enforcement Network (“FinCEN”). Notably, New York is not yet among those 40 states.

In order to obtain a money transmitter license in New York State, an applicant must demonstrate that their “business will be conducted honestly, fairly, equitably, carefully and efficiently within the purposes and intent of this article, and in a manner commanding the confidence and trust of the community.”<sup>3</sup> As detailed below, however, Musk has engaged in a

pattern of reckless conduct, in both business and government, that has put consumers at risk and demonstrated a lack of character and general fitness.

We therefore urge the New York Department of Financial Services (“DFS”) not to grant X Money a New York State license, and to investigate any effort by X Money to launch in other states without having acquired a license in New York, in order to ensure compliance with New York State law and licensing requirements.

1. Musk is dismantling the very federal agency that would regulate his payments business and obtaining access to confidential competitor information. Since calling for its elimination in November 2024, Musk and his staff have sought operational control of the Consumer Financial Protection Bureau (“CFPB”), the primary federal regulator in the payments space, with the goal of making it as powerless as possible. (Explicit attempts to dismantle it entirely were only thwarted by a last-minute order from a federal judge, which came as those leading the agency were “within hours of firing nearly its entire staff.”) News accounts, legal filings, and efforts at Congressional oversight have all revealed that Musk’s position atop the Department of Government Efficiency (“DOGE”) likely offers him access to confidential supervisory information on his would-be competitors in payment markets, thereby affording him a profound edge against these peer companies. The potential consequences for competition in payments markets are dire.

2. Under Musk, the “Department of Government Efficiency” (“DOGE”) is undermining privacy laws and security protocols to gain virtually unfettered access to financial and personal information.<sup>11</sup> According to federal court documents, several staffers led by Musk were inappropriately given access to Social Security Administration databases containing the private financial and personal information of hundreds of millions of Americans, in violation

of privacy laws and without training necessary to handle such personally identifiable information.

3. Also under Musk's leadership, X has exposed sensitive consumer data after failing to stop numerous security and data breaches. X's ability to capture and monetize both personal and financial data via payments raises key questions about surveillance, consumer opt-ins, and the circumstances under which consumers could have accounts suspended or shut down. The company has been subject to a number of massive data breaches that have put millions of consumers at risk. At the same time, since taking over in 2022, Musk has rolled back several safety features. Security and privacy risks are particularly acute in light of the history of super-apps such as WeChat, which have been involved in extensive corporate abuses and privacy invasions at individuals' expense.

4. Musk is exposed to criminal ethics conflicts. Federal law includes criminal prohibitions against any individual participating "personally and substantially" in any "particular matter in which [he] . . . has a financial interest." Musk appears to be openly violating that prohibition, with his dual roles as a covered "Special Government Employee" and as the owner of X presenting a clear conflict. New York should not further Musk's conflicted and self-serving schemes by signing off on his work as a payment processor.

5. Musk has demonstrated callous indifference to the rule of law and the Constitution. In March, United States District Judge Theodore Chuang found Musk and DOGE to have violated the Constitution in unilaterally dismantling USAID; another federal judge, District Judge Colleen Kollar-Kotelly, expressed "concerns about the constitutionality of [DOGE]'s structure and operation." Musk's blatant disregard for the United States Constitution suggests he is likely to run roughshod over rule of law in New York as well.

6. Specifically, Musk has likely broken the law through his mishandling of trade secrets, citizens' private personal information, and companies' confidential business records. Public reports indicate that Musk and his DOGE staffers have accessed highly sensitive data and records at a variety of federal agencies. In February, United States District Judge Paul Engelmeyer restricted Musk's team from accessing federal Treasury Department payment systems, citing a risk of "irreparable harm." It is in the best interest of New Yorkers to prevent this level of risk from being introduced to payment systems allowed in our state. Furthermore, Musk and DOGE have failed to take a range of steps required under the law, including ensuring ideologically balanced leadership, taking steps to address glaring conflicts of interest, disclosing committee records including meeting transcripts, and more.

For all of these reasons, we urge you to deny or revoke any application by X to operate as a money transmitter in New York and carefully scrutinize and, as appropriate, investigate ongoing conduct by the company to the fullest extent allowed by State law. Given the significant nature and importance of this issue, we would urge you to make any investigative findings available to the Legislature and to the public.