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Kansas City Federal Reserve Bank Explores Regulatory Risks in Gaming Ecosystems

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On April 9, the Federal Reserve Bank of Kansas City published a research briefing examining how video game platforms are reshaping the digital payments landscape. As in-game purchases and platform-based transactions grow in volume and complexity, these developments are raising new regulatory concerns for both federal and state banking regulators.

The global video game industry generated nearly $190 billion in revenue in 2024, largely fueled by the increase in popularity of free-to-play models, in-game purchases, and subscription offerings. These approaches have fundamentally changed how the video game industry is monetized. Rather than relying on one-time game sales, many platforms are now relying on ongoing microtransactions, charging users small amounts for in-game content, upgrades, or access on a recurring basis. This shift has caught the attention of regulators, evidenced by the CFPB issuing an *Issue Spotlight* in April 2024, titled "Banking in Video Games and Virtual Worlds", which analyzed the increased commercial activity within online video games and virtual worlds and the apparent risks to consumers—in this case, to online gamers (previously discussed here).

Overview of the Research Briefing

To support these business models, platforms have expanded the types of payments they accept, layering in credit and debit cards, digital wallets, and prepaid in-game currency. Many platforms also offer installment options at checkout. Most recently, some are exploring instant payments as a way to improve efficiency and reduce costs, especially for small-dollar transactions.

Unlike traditional card payments, instant payments settle in real time and often come with lower processing fees. That pricing difference could give platforms more flexibility in how they price in-game content. Instead of requiring players to buy a $10 bundle of in-game currency to access a $2 item, platforms could offer direct purchases—making prices more transparent and lowering the barrier for occasional or budget-conscious users. Faster payments may also help with subscription billing by reducing failed payments tied to expired cards or insufficient funds.

Adoption of instant payments in the U.S. still lags behind other countries, where some platforms already support local real-time payment systems. As the use of instant payments grows, regulators may also take a closer look at whether existing consumer protection frameworks are keeping up.

Regulatory Concerns

The report notes that the CFPB has identified several risks tied to gaming payments, including lack of transparency around pricing, unauthorized charges, and aggressive use of consumer data. Some platforms personalize offers or pricing based on player behavior, raising concerns about fairness and consent. As the use of virtual currencies and recurring charges becomes more common, regulators are questioning whether existing consumer protections adequately apply to these models.

The report also highlights security as another area of concern. Platforms now use behavioral analytics, tokenization, two-factor authentication, and other tools to prevent fraud and protect payment data. While these measures reduce friction and improve user experience, they also raise questions about how personal data is collected, stored, and used—particularly as the line between gaming and financial services continues to blur.

The report also flags concerns surrounding money laundering. In-game items and currency can often be exchanged for real money, sometimes outside official channels. That has created openings for illicit finance, even though most gaming companies aren't subject to AML or KYC requirements. As the flow of real funds through these platforms increases, regulators may revisit whether additional oversight is warranted.

Putting It Into Practice: The CFPB and state financial regulators are signaling a growing interest of the gaming industry, particularly where in-game economies begin to resemble consumer financial products. Gaming providers would be wise to proactively assess how their business models could create compliance risk.

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