



Uncharted territory: Inside the video game industry's payments infrastructure

by: Annie Clinkenbeard

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As quickly as the technology used to play video games has changed, so have the industry's revenue models, payments infrastructure, and regulatory concerns related to gaming payments.

The ways that American households interact with video games are evolving every day. What originated as simple arcade games shifted to in-home consoles, then to personal computer and smartphone games and on to virtual reality entertainment.

As quickly as the technology used to play video games has changed, so have the industry's revenue models and ways that consumers pay to play – and that has worked to keep the industry relevant and make it a significant economic driver globally.

Sixty-one percent of Americans report spending at least one hour of their time each week playing a video game, according to the Entertainment Software Association. In 2024, the gaming industry generated nearly \$190 billion in global market revenue, more than double the combined revenue of the global recorded music industry and the global movie industry, which brought in \$36 billion and \$32 billion in revenue in 2024, respectively.

But the gaming industry's rapid growth and success aren't without growing pains. Consumers and government bodies around the world are having to navigate a rapidly evolving digital economy in real time.

The Kansas City Fed examined the industry's changes and challenges in an April 2025 Payments System Research Briefing, authored by Senior Payments Specialist Julian Alcazar and Associate Payments Specialist Sam Baird, "[Game Changer: The Evolution of Video Games' Payments Infrastructure](#)."

Limited regulation, protections

What many gamers might not realize is that the payment systems within video games are more complex than in other forms of digital entertainment, such as paying for an online streaming service subscription. Some aspects of microtransactions within video games beyond the initial purchase of the game itself, particularly related to the exchange of in-game currency, have regulators concerned about consumer protection, data protection and potential for financial crime.

“The video game economy is an entire world within games where you can buy different characters, skins for those characters, weapons and upgrades.” said Baird, co-author of the Bank’s research article. “Video games provide a unique challenge for regulators when players can convert fiat currency to in-game currency and trade game assets with other players.”

Conon Gillis is the head coach of the competitive esports team at William Jewell College in Liberty, Missouri. The college created its esports team in 2024, and it comprises about 20 student-athletes who receive scholarships to specialize in competition against other college teams in a variety of video games.

“I’ve been playing video games for most of my life,” Gillis said. “Data privacy and financial crime is a reasonable concern, but I think most people can take common sense steps to mitigate that risk. I instruct my students to change their passwords often, not leave their computers unlocked when they’re not in use and to use their best judgement. So many websites store our credit card numbers and financial information now, so for that reason video games don’t feel different than anything else.”

Cyrus Hamilton, from Klamath Falls, Oregon, is a sophomore on William Jewell’s esports team. At age 18, he identifies as a true digital native and said he picked up his first video game controller at just two years old. Hamilton said that he’s well aware of the risks within video game payment systems, but it doesn’t stop him from enjoying the hobby. He takes extra steps wherever he can to secure his accounts, like using multifactor authentication to log in and regularly changing his passwords.

“I don’t think there is adequate regulation or consumer protection in the video game industry,” Hamilton said. “If someone was able to guess my password and hack into my gaming account, I know there’s probably no way to get it back. That money would all be lost.”

The exploration of regulating video game payment systems is, in many ways, still an uncharted frontier. Many countries have experimented with setting spending limits, playtime limits, in-game currency regulations and other regulations, all with varying degrees of success. In March 2025, the European Union passed legislation aimed at improving transparency around video game currencies, requiring games to clearly display the prices of in-game currencies in their legal tender equivalents. In the United States, the Consumer Financial Protection Bureau, a federal agency that oversees consumer protection in the financial services sector, also made efforts this year to expand the scope of existing federal law, including the Electronic Fund Transfer Act of 1978, to apply to video game currencies.

“For other areas of the U.S. economy, there are stronger consumer protection protocols in place,” Baird said. “If your bank account is taken over, you are allowed some recourse there. Credit card companies allow chargebacks if you don’t get the service or product you paid for. Video game payments systems in the United States aren’t as regulated. If I put \$100 of my own money into a video game in exchange for the in-game currency, and then my account gets hacked or I get scammed, the company is not legally obligated to reimburse me.”

Stronger concerns

The risks of financial crime within the video games payments infrastructure run deeper than a hacked account. Another real concern for regulators is the potential for money laundering within the video game economy. The mix of anonymous usernames and players from around the world makes for a challenging environment to control.

“Third-party ‘exchanger’ companies enable consumers to exchange their in-game currency back into regular currency for a fee,” said Alcazar, co-author of the Bank’s research article. “It used to be that in-game digital currencies only existed within their native platform, but now this raises concern about the potential to launder money.”

According to Alcazar, criminals typically use stolen credit cards to purchase in-game currency, then sell the in-game currency at a discounted rate — essentially laundering the money. Unlike traditional banking systems, which require anti-money laundering screening and “know your customer” regulations, gaming platforms offer an appealing alternative for criminals to move across international borders with minimal oversight.

More revenue streams

Because of the evolution of payments technology, video game publishers can pursue more sophisticated revenue models. In the earlier days of video games, consumers typically paid a larger lump sum up front for complete access to a game, possibly in addition to the sale of a console. If publishers wanted to make updates to a game, they would wait and release a new version of the game that required another equal-sized purchase. Now it’s more common to see lower barriers to entry.

One popular revenue model combines the sale from the initial game purchase with in-game microtransactions, and another, commonly called the “live service” model, offers the initial game download for free but features more in-game microtransactions for premium content.

“In some ways, I appreciate that I can try out a new game for free or for a cheaper price up front just to see if I like it before committing,” Gillis said. “But it does seem like video game creators are releasing games that feel half-finished because they know they can charge more for very basic features down the line that should’ve been included in the base game. I think that’s a common frustration within the gaming community.”

Socializing through gaming

For many Americans, like Hamilton from William Jewell’s esports team, video games offer a way to socialize and build community — and they want a safe, regulated payments infrastructure to protect them along the way.

“Video games foster friendships like any other activity would” Hamilton said. “You can find community by discovering things you have in common with people and build from there. Since I’ve moved to Kansas City, I’ve met a lot of phenomenal people by

going to esports tournaments and just playing the games I love online.”

Read and download the full [Payments System Research Briefing](#) at [KansasCityFed.org/research](#).

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Media



William Jewell College esports coach Conon Gillis said that most people can take “common sense steps” to avoid risks in the video gaming experience. Photo by Gary Barber



Sophomore Cyrus Hamilton, seated at a video game station, is a member of the William Jewell College esports team coached by Conon Gillis. Photo by Gary Barber



Sam Baird



Julian Alcazar

<https://www.youtube.com/watch?v=IdTzw30TT4I>