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FINTECH IN THE GAMING ECONOMY: A SOCIO-LEGAL ANALYSIS OF DIGITAL PAYMENTS, CONSUMER VULNERABILITY AND REGULATORY GOVERNANCE IN INDIA

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ABSTRACT

Fintech deals with our day–to–day economic activity, such as payment transactions, investments, etc. The term "Fintech" was coined in the early 1990s by Mr. Abraham Bettinger of the Hanover Trust. This is an acronym for Financial & Technology, which was designed for a scholarly article detailing frameworks on how to analyze and solve daily banking-related issues encountered at the bank.[1] However, we can see now that it's not only specific to banking-related aspects, but deals with the entire market industry, among which this article specifically discusses the Gaming industry. The proliferation of this industry leads us to discuss its particular aspects, as to its nature of transaction models, which have evolved from one-time transaction processes into several concerns related to financial transparency, money laundering, consumer protection, etc. In India, there exists a specific regulatory approach; i.e., the Promotion and Regulation of Online Gaming Act, 2025, and the corresponding Promotion and Regulation of Online Gaming Rules, 2026, which marks a major turn in the national policy governing online games. Under this Act, specifically, Section 7 deals with financial infrastructure, which prohibits financial institutions and payment intermediaries from facilitating any financial transactions in relation to online money gaming services. However, this article also argues that the regulation of the gaming economy not only prohibit illegal online gaming but also establishes an integrated financial compliance regime involving the payment intermediaries, customer due diligence, transaction monitoring, and technological responsibilities.

Keywords: Fintech (Financial Technology); Online gaming; Digital payments; Consumer

[1]CFTE, "*What is Financial Technology (Fintech)?*", Centre for Finance, Technology, & Entrepreneurship, (Dec. 27, 2021) https://blog.cfte.education/financial-technology-fintech/

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Protection; Financial socio-legal regulation

INTRODUCTION

The Proliferation of innovations in the field of financial technology (fintech) have resulted in a drastic change in the digital economy, particularly in how businesses collect payments, conduct financial transactions, and provide technology-based services. Lurking in the torrent of fintech digital rain is the gaming industry which has evolved and created a scaffold of its own digital infrastructure involving tech exchange, lending, enhanced customised experience, copyright and adherence to rules. A gamer now, not only follows a series of regulatory steps involving identification and buying but can also earn through competitive gaming, testing, streaming and trading which makes every single step stringent and in turn arises the need for transparency and full disclosure. India, therefore, needs an honest conversation with financial regulation but a parallel campaign by the government to see the gaming industry in the same domain of creative industries.

Traditionally, the issue of gaming was regulated based on the difference between games of skill and games of chance. However, with the introduction of the Promotion and Regulation of Online Gaming Act, 2025 (hereinafter the PROG Act), the legal framework has become much wider. From a fintech standpoint, the regulation is particularly significant since it does not just regulate gaming operators but explicitly prohibits banks, financial institutions, and other providers of financial transactions from conducting or facilitating any kind of payments toward online money gaming services. As a result, the regulation of gaming became directly connected to the regulation of digital payments.

RESEARCH GAP

The growing dependence of gaming platforms on digital payment technology has led to an emergence of regulatory disparity between the technological advancement of financial transactions and the legislative framework that regulates such operations. Payment intermediaries may facilitate transactions while being unaware of the commercial transaction. Likewise, gaming platforms may be operating across various jurisdictions, use multiple payment methods, and have sophisticated financial schemes involving customers, merchants, and third-party intermediaries. As a result, the following issues may be of concern: difficulties in determining the real beneficiary of gaming transactions; abuse of digital wallets and payment gateways for the commission of illegal financial transactions; problems of monitoring cross-

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border transactions and suspicious transactions; lack of clarity regarding the obligations of banks, payment aggregators and gaming intermediaries; different regulatory approaches towards classifying and regulating online gaming. Moreover, the risk cannot be ruled out that excessively stringent regulation would harm legitimate esports and innovations in the gaming sector. In view of the above, the current research investigates whether existing financial regulations effectively tackle the identified issues.

RESEARCH QUESTIONS

RQ1: How do fintech mechanisms facilitate financial transactions within the contemporary gaming economy?

RQ2: To what extent does India's existing financial regulatory framework address the risks associated with gaming-related digital transactions?

RQ4: Does the prohibition-based approach under the PROG Act, 2025 adequately balance financial integrity, consumer protection, and technological innovation?

RQ5: What regulatory reforms are necessary to strengthen India's position in the global gaming and fintech ecosystem?

RESEARCH HYPOTHESIS

The research is based on the assumption that even though fintech technology has considerably increased efficiency and availability in the gaming economy, regulatory systems continue to be fragmented across gaming laws, payment regulations, anti-money laundering measures, and the regulation of financial technologies. Therefore, an integrated, risk-based, and technology-neutral framework is needed to ensure transparency, prevent illegitimate transactions, and promote innovation.

LITERATURE REVIEW

3.1. Johannes Ehrentraud et al., *Fintech and Payments: Regulating Digital Payment Services and E-Money*, FSI Insights No. 33 (2021). Their work establishes digital payment technologies that has changed the regulatory perimeter of financial services. For instance, non-bank payment providers increasingly perform functions traditionally associated with financial institutions. Hence, their work helps us to understand payment aggregators and other intermediaries facilitating gaming transactions.

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3.2. Sally M. Gainsbury & Alex Blaszczynski, *Digital Gambling Payment Methods: Harm Minimization Policy Considerations*, 24 Gaming L. Rev. 466 (2020). This research examines how digital payment mechanisms influence gambling-related harm and consumer protection. Another particularly relevant study is of Nathan Lakew, Jakob Jonsson & Philip Lindner, *Can Payment Behavior Be Used to Signal Harmful Gambling? A Delphi Study Among Different Stakeholders on Key Indicators*, 28 Gaming L. Rev. (2024). The study explores the use of payment behaviour as a means of detecting problematic gambling. It discusses if payment intermediaries can help consumers in the context of consumer protection, potentially.

3.3. Michael Levi, *E-Gaming and Money Laundering Risks: A European Overview*, 10 ERA Forum 533 (2010). This discusses the financial compliance issues that could arise in digital games and whether current AML processes can effectively cover these. A particularly relevant contemporary source is the FATF's September 2026, Report on the Risks of Gaming and Gambling, which addresses the risks of money laundering and terrorist financing associated with online gaming, gambling services, payment mechanisms and illegal operators.

3.4. Michele Ghelfi et al., *Online Gambling: A Systematic Review of Risk and Protective Factors in the Adult Population*, 40 J. Gambling Stud. 673 (2024). This literature provides a foundation for examining why governments intervene in online gaming markets.

3.5. Jean-Charles Rochet & Jean Tirole, *Platform Competition in Two-Sided Markets*, 1 J. Eur. Econ. Ass'n 990 (2003).[2] The pioneering work establishes a foundational economic framework for multi-sided platforms, demonstrating how transaction volumes depend critically on the structure of prices charged to interdependent customer groups. This is done by internalizing indirect network externalities, where platforms often skew these price structures and subsidize one side of the market to successfully get both sides on board. This foundational framework applies directly to modern gaming fintech, wherein specialized infrastructure coordinates transactions and balances incentives between players and game studios. For instance, Gaming platforms connect players and game developers; payment platforms connect merchants and consumers, etc. This theory helps us to understand & analyze how gaming platforms use payment infrastructure to facilitate interactions between consumers, developers, advertisers, and financial institutions. It also throws light on this particular question i.e.: *how does the economic structure of digital gaming platforms influence the regulation of financial transactions?*

[2]Jean-Charles Rochet, Jean Tirole, "*Platform Competition in Two-Sided Markets*", Journal of the European Economic Association, Vol. 1, Iss.4. (June 4, 2003) https://academic.oup.com/jeea/article/1/4/990/2280902

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3.6. Tanai Khiaonarong & Terry Goh, *Fintech and Payments Regulation: Analytical Framework*, IMF Working Paper No. 20/75 (2020). Their work talks about how the regulatory obligations should be proportionate to the nature, scale, and potential risks of an activity. The paper develops an analytical approach involving identification of payment activities, licensing, risk management, and legal certainty. It examines whether gaming-related payment intermediaries require different compliance measures depending on their operational functions and exposure to financial risks.

3.7. Prospect Theory—developed by psychologists Daniel Kahneman and Amos Tversky in 1979[3]—redefines how humans make decisions under risk and uncertainty, shifting the baseline from classical rational economics to behavioral economics. The central argument of their theory states that People do not evaluate wealth in absolute terms; they evaluate outcomes as gains or losses relative to a subjective reference point (such as their current status quo). Today's Modern gaming, mobile apps, and fintech (such as trading platforms, neo-banks, crypto apps, and gamified finance) heavily weaponize or incorporate Kahneman and Tversky's insights, such as variable rewards & profitability weighting (Gacha & Loot boxes: where a 1% chance to pull a rare virtual item triggers intense risk-seeking and repeat engagement, mirroring classic gambling psychology), Streaks, Loss Aversion, & Sunk Costs (example: the fitness/gaming apps use daily streaks, countdown timers, and "missed savings/rewards" alerts, framing such an action as losing an earned streak taps directly into loss aversion, endowment effect in Virtual economics (e.g. BGMI, Fortnite, etc).

I. Understanding the Financial Architecture of the Gaming Economy

1.1. Meaning and Scope of Fintech in Gaming

Fintech in gaming is defined as the incorporation of digital payment rails, open banking infrastructure, and automation into video games and entertainment interfaces. In the context of this industry, payments are not viewed as a pin – point outside of the experience but as part of the in-game ecosystem. As a result, the integration of payment solutions ensures smooth operation of high-velocity virtual economies, including esports prizes, in-game item trading, and mobile game microtransactions. Fintech innovations within the gaming industry are no longer limited to credit card payment options. By 2026, the main pillars are as follows:

[3]Daniel Kahneman and Amos Tversky, "*Prospect Theory: An Analysis of Decision Under Risk*", Econometrica, Vol. 47, No. 2 (Mar. 1979) https://web.mit.edu/curhan/www/docs/Articles/15341_Readings/Behavioral_Decision_Theory/Kahneman_Tversky_1979_Prospect_theory.pdf

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Direct-to-Consumer (D2C) & App Store Fees Avoidance: Following the changes in regulations and anti-steering legislation, many game companies use independent online fintech infrastructures to avoid the standard 30% commission charged by app stores.[4]

Microtransaction & Payout Automation: Live-service microtransactions play an important role in the PC and console game industry. Full-stack gaming fintech companies facilitate P2P transfers across world borders for virtual cosmetics and esports payouts.[5]

Alternative and Digital Currency Infrastructure: The use of fast-settling e-wallets, cryptocurrencies, and stablecoins provides users from all over the world with instant deposits and withdrawals instead of slow legacy bank networks.[6]

Embedded Finance and Digital Identity: Modern gaming utilizes decentralized digital identity systems and open banking frameworks to manage multi-game player profiles, handling strict Know Your Customer (KYC) requirements automatically. Embedded Financial Services & Digital Identity: Today, gaming uses decentralized digital identity systems and open banking infrastructure to manage multi-game profiles and automate compliance with KYC regulations.[7] Conversely, Traditional financial applications are implementing gaming mechanisms to increase user engagement. Financial companies use points, virtual avatars, progress bars, and rewards for simplification of complex financial processes including investing, robo-advisory savings, and tax tracking.[8]

1.2. How Do Gaming Transactions Work?

A gaming transaction is the complete process of sending real money from a player to a gaming firm/another player in return for virtual currency, products, cosmetics, or subscriptions.[9] The technical and financial flow of a typical in-game purchase occurs in distinct stages:

Firstly, A player purchases an item, battle pass, or virtual currency (e.g., V-Bucks or Gold)

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[4]Chris Hewish, "*The Trends Shaping the Gaming Industry in 2026*", Forbes (April 16, 2026) https://www.forbes.com/councils/forbestechcouncil/2026/04/16/three-trends-shaping-the-gaming-industry-in-2026/

[5]Vivek Dubey, "*Fintech and the Gaming Industry*", National Crowdfunding & Fintech Association (April 2021) https://ncfacanada.org/fintech-and-the-gaming-industry/

[6]NCFA, "*Fintech: The Core of Modern Gaming*", National Crowdfunding & Fintech Association (Dec. 22, 2025) https://ncfacanada.org/fintech-the-core-of-modern-gaming/

[7]M2P Fintech Blog (2025) "*10 Banking & Fintech Trends That will Redefine 2026 & Beyond*", https://m2pfintech.com/blog/10-banking-and-fintech-trends-that-will-redefine-2026-and-beyond/

[8]Albany Beck, "*The Future of Finance & Fun: How Fintech & Gaming are Shaping the Industries*" (May 31, 2023) https://www.albanybeck.com/insights/news-and-insights/the-future-of-finance-fun-how-fintech-gaming-are-shaping-the-industries/.

[9] Legal Lands LLP, "*The Flow of Payments in Online Gaming Business: Tracing it's Revenue Sources, International Purchases, Cryptocurrency, Money Laundering, and Taxation*" (Nov. 21, 2023) https://www.legal500.com/intelligence/india/technology/the-flow-of-payments-in-online-gaming-business-tracing-it%27s-revenue-sources-international-purchases-cryptocurrency-money-laundering-and-taxation

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from a game or digital shopfront (e.g., Steam, App Store, PlayStation Network). However, the tokenised payment details or digital wallets (Apple Pay, Google Pay, PayPal) are never stored by the game developer. **Secondly,** the Payment Gateway request is routed through a secure digital bridge between the game platform and the financial system, following which the issuing bank verifies the player.[10] **Thirdly,** an approval message is sent back across the network and gateway to the game platform.[11] Whenever a player purchases an item, currency, or subscription status, the game server immediately credits their virtual wallet or inventory. Also, the funds sent from the player's bank to the merchant or company account are often tracked through corporate or Nostro accounts.

The following simplified transaction exemplifies the link between fintech and gambling:

Phase 1: Whenever a player purchases an in-game item (e.g., skin, battle pass, or virtual currency), the game app initiates a secure API call to a Payment Aggregator (PA) (e.g., Razorpay, Google India, Amazon Pay). Then in major microtransaction hubs like India, NPCI serves as the network rail, the user completes the transaction.[12] The transaction, then, goes to the player's issuing bank via the NPCI switch to verify funds. Once authorized, the funds are temporarily held in the Payment Aggregator's specialized Escrow Account.

Phase 2: Because major gaming studios like Valve, Epic Games, Riot are often based abroad, the transaction must be converted from a domestic payment to a cross-border transfer.

[Player App/UPI] ➔ [Domestic PA Escrow] ➔ [PA Cross Border (PA-CB)]. ➔ Authorised Dealer Bank ➔ Global Settlement Rail ➔ International Game Developer.[13]

The PA-CB sends the pooled funds to an Authorised Dealer (AD) Category-I Bank and the bank processes the foreign currency exchange and pushes the settlement internationally, historically utilizing the SWIFT network.

Phase 3: Gaming transactions are highly scrutinized by central banks due to risks related to money laundering, tax evasion, and illegal betting. Therefore, all outbound gaming transactions are tagged with specific Foreign Exchange Management Act (FEMA) purpose codes. Also, Financial regulators mandate the banks and payment processors to deploy strict automated

[10] Julien Moreau, "*How Online Gaming Payments Work: Deposits, Payouts and Licences Explained*", CERF, https://thecerf.com/online-gaming-payments-explained/

[11] *Id.*

[12] Anand J, "*Gaming Industry Contributed 10% of Revenue for Several Payment Firms, Impact on UPI Volume and Value Minimal*", Money Control (Aug. 20, 2025) https://www.moneycontrol.com/technology/gaming-industry-contributed-10-of-revenue-for-several-payment-firms-impact-on-upi-volume-and-value-minimal-article-13469333.html

[13] Easebuzz (2026), "*Cross-border Payments: A 2026 Guide for Exporters, SaaS Businesses & Freelancers*" https://easebuzz.in/explainers/payments/cross-border-payments/

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filters. These filters completely block payment flows destined for unregulated real-money gambling platforms to comply with strict bans.[14]

II. INDIA'S LEGAL AND REGULATORY FRAMEWORK

2.1. Evolution of India's Online Gaming Regulatory Framework

India's online gaming regulatory framework has evolved enormously. Historically, gaming regulation was influenced by the Public Gambling Act, 1867, and various state gambling laws. The distinction between **games of skill** and **games of chance** became particularly important in judicial interpretation.

In *Dr. K.R. Lakshmanan v. State of Tamil Nadu*, the Supreme Court recognised the legal distinction between games predominantly involving skill and those involving chance. Similarly, in *Varun Gumber v. Union Territory of Chandigarh*, the Punjab and Haryana High Court examined the nature of fantasy sports. These decisions contributed to the development of India's skill-versus-chance jurisprudence. However, the growth of online gaming created new challenges concerning jurisdiction, financial transactions, and consumer protection.

2.2. Constitutional and Proportionality Concerns

A broad prohibition on online money games raises important constitutional questions, including potential areas such as: Legislative competency; reasonable classification under Article 14; freedom of trade and occupation under Article 19(1)(g); reasonable restrictions under Article 19(6); proportionality of regulatory restrictions, etc. The constitutional analysis must distinguish between the government's legitimate objective of preventing financial and social harm. The mere fact that a regulatory objective is legitimate does not automatically resolve every question concerning the proportionality or implementation of the measures adopted. These questions are particularly relevant when considering the relationship between central legislation and the historical role of state gambling laws.

2.3. The Promotion and Regulation of Online Gaming Act, 2025

The PROG Act, 2025 (Act No. 32 of 2025), received presidential assent on 22 August 2025. It represents a major departure from the earlier regulatory approach that frequently distinguished

[14]Igb Freelance (2026), "*Does the PROG Act & Rules 2026 deliver a clear reset for online gaming in India?*", https://igamingbusiness.com/casino-games/does-prog-act-deliver-clear-reset-for-online-gaming-india/

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between games of skill and games of chance. The legislation creates a statutory distinction between different categories of online gaming activities:

A. Recognition and Promotion of Esports

The legislation provides for recognition and promotion of esports. This creates opportunities for organised competitive gaming, professional development and the growth of India's digital creative economy.

B. Prohibition of Online Money Games

Section 2(1)(g) defines an online money game by reference to payment of fees, deposits or other stakes in expectation of monetary or other enrichment. The definition applies irrespective of whether the outcome depends upon skill, chance or both, subject to the statutory exclusion for esports.

Section 5 prohibits offering, aiding, abetting, inducing or otherwise engaging in the offering of online money games and online money gaming services. This is particularly significant because the legal classification is no longer determined exclusively by the traditional skill-versus-chance distinction.

C. Prohibition of Advertising

Section 6 prohibits advertisements directly or indirectly promoting online money games. This extends the regulatory framework beyond the gaming operator to persons involved in promoting prohibited gaming activities.

D. Ban on Financial Transactions

Section 7 is perhaps the most significant one, from the point of view of fintech regulation. Any bank, financial institution or person involved in facilitating financial transactions or authorising funds is prohibited from making, allowing, assisting, encouraging, coercing or otherwise being involved in transactions for the purposes of making payment for online money games. That makes the role of financial intermediaries an essential component in the enforcement process. Payment aggregators, for example, cannot assume that a prohibited gaming transaction is just a regular payment from a merchant just because the payment instruction is authenticated. The actual intent of the business becomes relevant in the law.

E. Regulatory Authority and Enforcement.

- The Gambling Act 2017 creates an Authority (see Section 8).
- Penalties/cognizance and compliance consequences are covered in sections 9-12.
- Section 14 has been established to prevent illegal online gambling.
- Section 18 makes it clear that the law is in addition to other laws that may apply.

This is because compliance with the PROG Act does not waive compliance with the PMLA,

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RBI regulations, tax laws, or other applicable laws.

F. Impact on the Gaming Industry

The prohibition under the PROG Act creates significant compliance consequences for gaming operators and payment intermediaries. Therefore, according to compliance, the platforms must reassess their business models, revenue structures, and payment arrangements.

2.4.Promotion and Regulation of Online Gaming Rules, 2026

The Promotion and Regulation of Online Gaming Rules, 2026 operationalise the parent legislation and came into force on 1 May 2026. They establish the operational framework for the Online Gaming Authority of India.

The Rules address:

- Determination of the legal classification of online games.
- Registration of specified categories of games.
- User safety mechanisms.
- Age verification and parental controls.
- Grievance redressal.
- Regulatory coordination.
- Compliance monitoring.
- Appellate procedures.

An important feature is the introduction of a structured mechanism for determining whether a particular online game falls within the prohibited or permissible categories. The classification process considers factors including financial stakes, expected monetary winnings, the revenue model, and monetisation of in-game assets. The framework is relevant to fintech because the commercial and financial structure of a game can influence its legal classification. Therefore, developers and payment intermediaries must examine the economic substance of gaming arrangements rather than relying exclusively upon the description assigned to a product.

2.5.Prevention of Money Laundering Act, 2002

The Prevention of Money Laundering Act, 2002 (PMLA) provides the statutory framework for preventing money laundering and imposing obligations upon reporting entities, and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 prescribe the operational requirements concerning customer identification, record-keeping, and reporting. The PMLA framework becomes relevant where the statutory definitions and reporting-entity

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requirements are satisfied. An important qualification is necessary under section 2(1) (sa) (i), which specifically refers to games of chance for cash or kind. It should not be incorrectly interpreted as automatically covering every skill-based gaming platform. Furthermore, the March 2023 notification concerning specified virtual digital asset activities independently expands the anti-money laundering framework to cover VDA service providers. However, gaming platforms dealing with virtual digital assets may attract additional obligations depending upon the precise nature of their activities.

2.6. Information Technology Act, 2000, and Digital Intermediary Regulation

The Information Technology Act, 2000 provides the broader legal framework governing electronic transactions, digital intermediaries and cyber-related offences. Under this act, Section 69A empowers the Central Government to direct the blocking of public access to information in specified circumstances, while Section 79 provides conditional safe-harbour protection to intermediaries, subject to statutory requirements. These provisions become relevant when gaming services are operated through websites, mobile applications and other digital infrastructure. However, intermediary protection should not be confused with immunity from obligations under other applicable statutes.

III. EMERGING FINTECH DEVELOPMENTS AND THEIR LEGAL IMPLICATIONS

The future of the gaming economy will increasingly depend on technological developments beyond conventional digital payments. Such as follows:

3.1. Artificial Intelligence and Fraud Detection

Artificial intelligence can help payment providers and gaming platforms identify suspicious transaction patterns. For example, machine-learning systems may identify:

- Multiple accounts controlled by a single individual.
- Unusual deposit and withdrawal patterns.
- Suspicious transaction frequency.
- Potential account takeovers.
- Automated payment manipulation.
- Abnormal prize-distribution activity.

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However, automated monitoring also raises questions concerning privacy, accuracy, algorithmic accountability, and false-positive identification. Therefore, India's Digital Personal Data Protection Act, 2023, and the applicable rules must be considered when personal data is processed for such purposes.

3.2. Blockchain-Based Gaming Transactions

Blockchain may support transparent and verifiable digital transactions. For instance, tournament prize distributions may be executed through smart contracts. However, the use of blockchain does not automatically make a transaction lawful. Where virtual digital assets are involved, the applicable provisions of the PMLA, Income-tax Act, and other relevant financial regulations must be considered. A particularly important distinction exists between digital ownership and monetary enrichment such that a non-transferable in-game achievement may be legally different from a token that can be exchanged for money or other economic value. Certain Financial institutions and platforms are also integrating embedded payments, subledger player wallets, and cross-title credential continuity for virtual marketplaces and peer-to-peer (C2C) trading.[15]

3.3. Cross-Border Payment Infrastructure

Modern gaming platforms frequently involve service providers operating in different countries. A single transaction may involve:

- An Indian user.
- A foreign gaming platform.
- An overseas payment processor.
- An Indian acquiring bank.
- A foreign settlement institution.

This structure creates jurisdictional difficulties to identify which regulator has primary responsibility for monitoring the transaction. Therefore, India's FEMA framework, the PROG Act, and applicable international financial compliance standards must be considered together. Following are the legal and Regulatory Implications in Cross – border payment infrastructure:

- **Cross-Border Licensing & Aggregation Rules:** Financial watchdogs are tightening oversight on cross-border data and fund movements. For instance, entities like Payoneer

[15]JP Morgan (Oct. 27, 2023), "*Revolutionizing the Gaming Industry through Embedded Payments*", https://www.jpmorgan.com/insights/payments/embedded-finance-baas/revolutionizing-gaming-through-embedded-payments

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have secured explicit in – principle authorization from the Reserve Bank of India to operate as Payment Aggregators – Cross Border (PA-CB) to govern inward and outward flows.[16]

- **AML/CFT and Currency Controls:** Stablecoins and decentralized networks challenge traditional sovereign currency controls, prompting regulators to enforce strict Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) guardrails.[17]
- **Taxation & Data Residency:** The blurring of boundaries between domestic and offshore platforms forces a restructuring of digital service taxation, cross-border value-added tax rules, and local data residency mandates. [18]
- **Regulatory Sandboxes:** Central banks increasingly deploy sandboxes through initiatives like the Bank for International Settlements (BIS) Innovation Hub to test multi-jurisdictional CBDC use cases before full-scale deployment.[19]

3.4. Digital Identity and Customer Due Diligence

Digital identity verification can assist in identifying users and preventing financial fraud. Depending on the applicable legal framework, gaming and payment intermediaries may use identity verification, authentication and transaction-monitoring mechanisms. However, identity verification must comply with privacy and data-protection requirements. The objective should be to establish sufficient identity assurance without unnecessarily collecting or retaining personal information.

Key Emerging Developments

- **Decentralized Identity Solutions & Digital Wallets:** Shifting control of identity credentials from central authorities to user-managed cryptographic wallets, with legal acceptance frameworks expanding (such as upcoming acceptance obligations for strong customer identification. [20]

[16]Jing Hong, "*The Impact of Global Fintech Development on Cross-border Capital Flows And Regulatory Frameworks*", Angus Academic Press, ISSN: 3007-9632, July (2026) https://www.researchgate.net/publication/408488682_The_Impact_of_Global_FinTech_Development_on_Cross-Border_Capital_Flows_and_Regulatory_Frameworks
[17]Stijn Claessens & Tara Rice, "*Cross-border Payment Technologies: Innovations and Challenges*", BIS Papers No. 167 (Mar. 2026) https://www.bis.org/publications/paper-167-cross-border-payment-technologies-innovations-and-challenges.pdf
[18]*Id.*
[19]Reserve Bank of India, *Homepage*, m.rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=22790 (last visited Nov. 7, 2026).
[20]Arnas Lasys, "*Digital Identity in Fintech – The Future of Onboarding and KYC*", FintechNetwork.eu, https://fintechnetwork.eu/article-digital-identity-in-fintech-the-future-of-onboarding-and-kyc/

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- **Aadhaar-Based e – KYC and Biometric Onboarding:** Widely used in regions like India for instant verification, though constrained by evolving court rulings and data privacy guardrails.[21]
- **AI-Powered & Alternative Data CDD:** Leveraging machine learning, device fingerprinting, and behavioral analytics to automate credit scoring, continuous monitoring, and risk assessment.
- **RegTech 3.0 & Automated Compliance:** Transitioning from static Know Your Customer (KYC) checks to real-time, dynamic anti-money laundering (AML) and identity fraud detection pipelines.

The core legal and regulatory issues - The foundational legal and regulatory concerns:

- Strict data minimization policies, explicit user consent, and auditability of decision-making algorithms which are becoming a mandate in financial regulators, including the RBI in India and the world's data protection authorities. The implications of FinTech Lending for Privacy and Autonomy in India.
- Data Privacy and Surveillance Threats: The large-scale collection of financial data, identity information, and device metrics creates significant risks of data breaches and mass-profiling within regulatory systems such as GDPR and other current data protection laws.
- Cross-Border Harmonization: Inconsistencies in digital identity standards between countries create difficulties for cross-border transactions and cross-border KYC/AML compliance.

3.5. Data Protection and Financial Vigilance

Gaming sites gather tons of personal and transactional information. This information can include:

- User identity
- Payment details
- Transaction histories
- Device information
- Gaming behaviour
- Account activity

[21]Vidusi Marda, Amber Sinha, "*Fintech Lending in India: Taking Stock of Implications for Privacy and Autonomy",* Indian Journal of Law and Technology: Vol. 18, Iss.1, Article 6 (2022) https://repository.nls.ac.in/cgi/viewcontent.cgi?article=1150&context=ijlt

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- Financial preferences

The collection and processing of this information must comply with applicable data-protection requirements. Hence, the challenge becomes to strike a balance between financial surveillance for compliance and protection of the individual's privacy. However, the rapid rise of financial technology has transformed digital finance through embedded finance, AI-powered banking, autonomous platforms, and central bank digital currencies (CBDCs), while simultaneously intensifying data privacy and financial surveillance concerns.[22] In India, fintech firms must comply with the Digital Personal Data Protection Act, 2023 (DPDP Act) and the DPDP Rules (2025), which enforce explicit, affirmative, and withdrawable user consent. It must balance MeitY/DPDP data rules with mandates from financial sector regulators such as the RBI, SEBI, and IRDAI.

Gaming platforms collect substantial quantities of personal and transactional data, such as: User Identity, Payment details, Transaction histories, Device information, Gaming behaviour, Account activity & Financial preferences. Hence, it becomes crucial for such collection and processing of information to be carried out in accordance with the relevant conditions of data protection laws. However, the difficulty lies in harmonizing the need for financial surveillance for legitimate compliance with respect to the protection of individual privacy.

CONCLUSIONS

Financial technology, combined with the gaming economy, is one of the most dominant trends in today's digital economy.

By allowing for instant payments, automated settlements, digital ownership, and cross-border business deals, Fintech has revolutionized the gaming sector. But these advances have also opened a new regulatory area of concern related to financial fraud, money laundering, consumer protection, illegal transactions, and jurisdictional liability.

India's legislative effort, notably the Promotion and Regulation of Online Gaming Act, 2025 and the Rules of 2026, reflects a notable paradigm shift in the regulatory approach. Not only the online money games are prohibited (regardless of skill and chance), but so is any financial facilitation under section 7, which puts the payment system at the heart of gaming regulation.

But, it's not the full regulatory solution to ban fintechs. Such that the framework's effectiveness

[22]Vipin Kumar M, Akshara B, *Fintech and the Right to Privacy: Data Protection in Digital Finance*, International Journal for Multidisciplinary Research (May 2025), https://www.researchgate.net/publication/392210774_FINTECH_AND_THE_RIGHT_TO_PRIVACY_DATA_PROTECTION_IN_DIGITAL_FINANCE

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in the long run will depend on the ability of the regulatory institutions to coordinate their responsibilities, define compliance guidelines and create a separation between illegal financial activities and legal technological innovation.

Hence, Fintech should not be looked at from a solitude but rather adhered to its compliance guidance and admittedly find a way to articulate the distinction between illegal financial steps and legal tech innovation. It need not to be inextricably intertwined with regulatory strategies and digital innovations.