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How Decentralized Payments Are Challenging Traditional Gambling Regulation

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The iGaming industry is adaptive and highly prone to change. One of the latest frontiers in this rapidly evolving industry is the adoption of cryptocurrency and **decentralized payment** solutions to process transactions on iGaming platforms.

The marriage of decentralized payments and traditional gaming is transforming how players experience online gaming. But beyond the personal convenience and safety that it offers, crypto payments also have an industry-wide impact.

Integrating decentralized payments into the iGaming world offers solutions that address major industry problems. However, it also challenges many traditional regulations and introduces a wide range of issues that authorities struggle with under the current regulatory landscape. In this guide, we will explore the major impacts of decentralized payments on traditional gambling regulations and how they're being navigated.

Reduced Oversight

Blockchain transactions are decentralized. They are controlled by smart contracts on a blockchain which is mainly governed by code. This means they're not under the control of a single central authority. Crypto tokens are not run by any bank and deals do not need to have any third-party middlemen.

This decentralized way of doing things means that people who make the rules will have a hard time tracking gambling deals or enforcing rules like they do with regular gambling. Even if this gives players some of their own power and control, doing things in a way that is not controlled by anyone makes it hard to enforce rules that are meant to protect everyone.

Consumer Protection Challenges

Online casinos are supposed to look out for their users, which is essential for preserving the integrity of the gambling industry. Of course, some casinos can be less reliable. That's why there are independent services like Slotozilla that can help because they conduct in-depth reviews of casinos such as **Verde**. They look at things like licences, security measures, payment methods, and if the games are fair.

However, without centralized oversight, which is often the case with decentralized payments,

casinos face greater challenges in controlling or preventing a wide range of illicit activities. Since crypto is anonymous, it can attract the wrong crowd. This includes those looking to launder money, users creating multiple accounts to repeatedly claim bonuses, and criminals gambling with stolen tokens.

The relative ease of creating accounts on crypto casinos and circumventing KYC regulations also makes it easier for criminals to use stolen information to sign up on gambling platforms. Crypto transactions are also irreversible. This means players have little to no recourse in case of mistakes or malicious transactions and there's very little regulators can do for them.

Taxation Difficulties

Cryptocurrency transactions do not pass through the traditional banking system. This can obscure the flow of funds, which makes it difficult for authorities to track and tax gambling revenues and player winnings that would normally be taxed on regular gambling platforms. This is a major cause of tax revenue losses in various jurisdictions.

AML and KYC Compliance

The iGaming industry is often guided by complex and stringent regulatory requirements. Gaming platform operators are expected to verify the identity of users through a rigorous KYC process (Know Your Customer). Some of the typical KYC checks include:

- Identity verification
- Biometric verification
- Age confirmation
- Proof of address
- Payment method verification
- Source of funding checks
- Anti-money laundering screenings

Blockchain transactions are not completely off the grid. In fact, this method of payment introduces a high level of transparency, since the transactions are publicly available and verifiable. However, the addresses processing these transactions are pseudonymous, which can make it difficult to connect them to real world entities. This inherent private nature of decentralized transactions makes it difficult for authorities to enforce conventional Know Your Customer (KYC) and Anti-Money Laundering (AML) checks.

Crypto transactions can also make it hard to find out where the money coming into a player's casino account came from. This makes it hard for online casinos to do what the law says regarding money laundering and stopping terrorists from using their platform to funnel funds.

Jurisdictional Issues

Gambling laws vary from one jurisdiction to the other. While it is completely legal to participate in online gambling in many locations, other locations either prohibit gambling entirely or impose restrictions. To enforce jurisdictional restrictions, gambling authorities look out for unlicensed operators and block them. They also create laws that prohibit traditional payment service providers from processing transactions for unlicensed gambling platforms.

Enforcing these restrictions is difficult for gambling platforms that adopt decentralized payment processing. Cryptocurrencies are not controlled by centralized authorities and can easily work across borders. This complicates the process of enforcing jurisdictional authority or restrictions.

Consequently, many crypto casinos are able to operate and receive payments from players even in jurisdictions where they're not legally licensed to operate. The only way to prevent or limit this is for regulatory authorities to collaborate internationally to limit the reach of these gambling operations and enforce compliance.

What Can Casinos and Regulators Do?

Casinos and regulators must keep up with the new, advanced risks associated with transactions carried out on decentralized systems and implement more robust measures to tackle them effectively. Some of the things regulators can do to ensure sanity in the industry are highlighted in the table below:

Measure	Impact
New laws	Regulators have to adjust existing laws (including licensing and oversight regulators) to make room for current realities of decentralized systems.
Focusing on on-ramps/off-ramps	Cryptocurrency users still have to convert regular fiat currencies to crypto and vice versa. Regulators can focus on regulating the centralized exchanges where these transactions take place.
Advanced analytics	Regulators can adopt specialized analytics tools to identify and trace suspicious transactions on the blockchain. This will help prevent and reduce the chances of illicit activities.
International cooperation	The borderless nature of crypto gambling means regulators cannot focus on their jurisdictions alone. International collaborations and industry-wide regulations will improve the efficiency of regulatory measures.

Conclusion

As demonstrated in this article, decentralized payments processing introduces a wide range of challenges for gambling regulators. As blockchain technology continues to advance, the gap between traditional laws and current industry reality will only continue to widen. Since there's no way to explicitly prohibit decentralized payment processing, modern regulators must come up with suitably robust strategies to implement control while still harnessing all the benefits that the technology has to offer.

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