# How crypto exchanges blur the line between investing and gambling to profit from user losses



When Kim Kardashian faced a fine in 2022 for promoting a cryptocurrency without disclosing her payment, and Matt Damon implored audiences that "fortune favours the brave" in a high-profile crypto advertisement, it became evident that cryptocurrencies had penetrated popular culture. However, this crossover belies a more troubling reality. Crypto trading platforms, which have attracted millions of novice traders, exhibit traits not only of investment vehicles but also of gambling establishments. Beneath the surface of flashy visuals and enticing marketing, many of these platforms leverage systems that encourage high-risk speculation while profiting from the financial losses of their users.

Recent research from a team associated with Concordia University delves into the operational dynamics of these crypto exchanges. Contrary to traditional investment paradigms, many of these platforms deliberately blur the boundaries between investing and gambling, supporting a model that profits from user losses. Crypto exchanges, such as BitMEX, highlight this shift; by offering up to 100x leverage on trades, they allow users to control large positions with minimal capital—akin to gambling with borrowed chips. The design of such platforms is purposefully engaging, featuring colourful graphics and real-time feedback, simulating a high-stakes game rather than a serious financial activity.

While these gamified features may seem innocuous, they are embedded within the very structure of the platforms, essential for transforming user transactions into revenue. Just as casinos thrive on frequent betting rather than user success, crypto exchanges often flourish in conditions of volatility and high trading volume. Their profitability does not hinge on helping users realise gains but rather on orchestrating an environment where losses proliferate.

The trend of financialisation—where various aspects of life become entwined with the mechanisms of financial markets—has also enveloped cryptocurrency. As traditional finance increasingly integrates gamified elements, users are positioned as "entrepreneurs of the self," navigating risks with the promise of significant rewards. However, this promise is fraught with danger, particularly for those already disadvantaged in financial matters. The incentive structures of these platforms often exacerbate inequality, as individuals without existing capital are compelled to speculate on volatile tokens, bearing the brunt of market downturns.

The phenomenon labelled "gamblification" epitomises how crypto exchanges sustain user engagement, even amid losses. Features such as leaderboards, interactive community participation, and humorous takes on financial failures cultivate an environment where risk-taking is glorified, further entrenching addictive behaviours. This cultural shift reframes the narrative around financial loss, transforming it from a reckless gamble into a shared experience among traders, who wear their "degen" status—indicative of reckless trading—like a badge of honour.

As financialisation intersects with gamblification, a paradox emerges for users. They find themselves feeling empowered by their agency—making conscious choices in an exhilarating cultural moment—while simultaneously ensnared in systems that profit most when they fail. Enthralled by the allure of innovation and financial autonomy, users may overlook how these dynamics perpetuate an environment of dispossession and risk.

The implications of these intertwined forces extend beyond individual users to the broader landscape of financial systems. Regulatory bodies are increasingly recognising the need for comprehensive frameworks to address these emerging challenges. The rapid growth of crypto casinos, projected to reach gross gaming revenues of $81.4 billion by 2024, exemplifies this urgency. With major jurisdictions like the US, UK, and China enacting bans, users are accessing these platforms through VPNs and alternative measures, effectively circumventing oversight. This has led to a burgeoning industry characterised by minimal KYC requirements and heightened risks, including vulnerability to hacks and fraud.

Regulatory frameworks presently lack coherence, resulting in a legal landscape where many crypto gambling platforms operate within grey areas. Even when some enforcement actions occur, platforms often revamp their branding or relocate to evade accountability. The absence of universal guidelines not only complicates compliance for operators but also endangers users who remain exposed to exploitation without recourse.

Given the uncertainty enveloping crypto gambling, considerations of user protection and ethical practices are paramount. The intersection of anonymity, limited regulations, and the volatility of cryptocurrency raises serious concerns about addiction and financial instability. As industry stakeholders explore innovative approaches to regulation, the challenge remains: balancing the burgeoning potential of crypto innovation against the necessity for safeguarding users within this uncharted territory.

The narrative surrounding cryptocurrency continues to evolve; what began as a beacon of financial liberation has morphed into a digital landscape rife with the complexities of speculation and risk. As this environment matures, understanding its mechanics through the lenses of financialisation and gamblification will be crucial for policymakers, users, and industry players alike. Only by shining a light on these dynamics can we hope to craft a future in digital finance that prioritises accountability and equitable access.

## Reference Map:

* Paragraph 1 – [[1]](https://www.miragenews.com/crypto-platforms-like-gambling-users-seek-high-1466760/), [[2]](https://www.ft.com/content/66f879c6-e51c-4e9d-91ba-b15eecac45c1), [[4]](https://sccgmanagement.com/sccg-articles/2025/4/24/inside-the-rise-of-crypto-gambling-industry-disruption-and-regulatory-gaps/)
* Paragraph 2 – [[1]](https://www.miragenews.com/crypto-platforms-like-gambling-users-seek-high-1466760/), [[3]](https://asa.ventures/the-high-stakes-of-crypto-gambling-regulation-risk-and-rapid-growth/), [[5]](https://www.bcic.org/crypto-casino/risks-of-playing-at-crypto-casinos/)
* Paragraph 3 – [[2]](https://www.ft.com/content/66f879c6-e51c-4e9d-91ba-b15eecac45c1), [[6]](https://mygardenandpatio.com/prospects-risks-and-future-trends-of-crypto-gambling-in-2025/)
* Paragraph 4 – [[1]](https://www.miragenews.com/crypto-platforms-like-gambling-users-seek-high-1466760/), [[6]](https://mygardenandpatio.com/prospects-risks-and-future-trends-of-crypto-gambling-in-2025/), [[3]](https://asa.ventures/the-high-stakes-of-crypto-gambling-regulation-risk-and-rapid-growth/)
* Paragraph 5 – [[2]](https://www.ft.com/content/66f879c6-e51c-4e9d-91ba-b15eecac45c1), [[4]](https://sccgmanagement.com/sccg-articles/2025/4/24/inside-the-rise-of-crypto-gambling-industry-disruption-and-regulatory-gaps/), [[7]](https://coinstats.app/news/a788e9addc9e9c7bfcab2a73352e6a82139b597f124544d45bf368c11a0d436c_Crypto-Gambling%E2%80%99s-Explosive-%24814B-Growth-Amidst-Global-Bans/)
* Paragraph 6 – [[5]](https://www.bcic.org/crypto-casino/risks-of-playing-at-crypto-casinos/), [[1]](https://www.miragenews.com/crypto-platforms-like-gambling-users-seek-high-1466760/), [[4]](https://sccgmanagement.com/sccg-articles/2025/4/24/inside-the-rise-of-crypto-gambling-industry-disruption-and-regulatory-gaps/)
* Paragraph 7 – [[2]](https://www.ft.com/content/66f879c6-e51c-4e9d-91ba-b15eecac45c1), [[4]](https://sccgmanagement.com/sccg-articles/2025/4/24/inside-the-rise-of-crypto-gambling-industry-disruption-and-regulatory-gaps/), [[5]](https://www.bcic.org/crypto-casino/risks-of-playing-at-crypto-casinos/)
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## Bibliography

1. <https://www.miragenews.com/crypto-platforms-like-gambling-users-seek-high-1466760/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/66f879c6-e51c-4e9d-91ba-b15eecac45c1> - This article discusses the rapid growth of crypto casinos, with gross gaming revenue reaching $81.4 billion in 2024, a fivefold increase since 2022. Despite bans in major jurisdictions like the US, UK, and China, users access these platforms via VPNs and other tools. Major operators like Stake, Rollbit, and Roobet, based in regulatory havens, rival traditional gambling companies in scale. The popularity of crypto casinos is driven by limited KYC processes, absence of spending limits, and the appeal of cryptocurrency, albeit with heightened risks due to its volatility. Regulatory bodies acknowledge enforcement challenges, with ineffective oversight and global coordination gaps enabling the crypto gambling industry's rapid growth.
3. <https://asa.ventures/the-high-stakes-of-crypto-gambling-regulation-risk-and-rapid-growth/> - This article explores the challenges in the crypto gambling sector, including regulatory uncertainty, security risks, and the volatility of cryptocurrencies. It highlights the lack of a unified global approach, making it difficult for operators to navigate legal complexities. Security risks are paramount, with high-profile hacks resulting in substantial cryptocurrency thefts. The volatility of cryptocurrencies adds another layer of risk for gamblers, as values can fluctuate wildly. Ethical considerations are also at the forefront, with concerns about increased gambling addiction due to the ease of access and anonymity offered by crypto gambling platforms. The article concludes by emphasizing the need for regulators, operators, and users to work together to address these challenges.
4. <https://sccgmanagement.com/sccg-articles/2025/4/24/inside-the-rise-of-crypto-gambling-industry-disruption-and-regulatory-gaps/> - This article examines the rise of crypto gambling, focusing on industry disruption and regulatory gaps. It discusses the dual risk of combining gambling with cryptocurrency, amplifying volatility and diminishing player protection. The lack of clear ownership around enforcement is highlighted, with crypto casinos operating from legal grey zones, creating a regulatory vacuum. Even when enforcement occurs, such as cease-and-desist letters or fines, platforms often rebrand, relocate, or continue operating under different guises. The white-label model adds another layer of complexity, creating legal distance between the brand front-end and the actual license holder. The article concludes by emphasizing the need for clear regulatory frameworks to address these challenges.
5. <https://www.bcic.org/crypto-casino/risks-of-playing-at-crypto-casinos/> - This article explores the legal risks and uncertainties associated with crypto casinos. It discusses the varying regulations across different countries and states, leading to a host of uncertainties for players. Licensing issues are also highlighted, with many crypto casinos operating without proper licensing, raising concerns about legitimacy and security. The evolving legislation surrounding cryptocurrencies and online gambling is examined, with new laws potentially affecting the legality of certain platforms and practices. The article also addresses regulatory challenges in online gambling with cryptocurrencies, including consumer protection, money laundering concerns, and tax implications. It concludes by emphasizing the importance of understanding the legal landscape and recognizing the risks involved.
6. <https://mygardenandpatio.com/prospects-risks-and-future-trends-of-crypto-gambling-in-2025/> - This article discusses the future of crypto gambling, focusing on risks and challenges. It highlights the volatility of cryptocurrencies, with extreme price swings subjecting players to risks of sudden losses. The lack of accountability in decentralized and anonymous crypto gambling platforms is also discussed, with players having no recourse against unethical practices. Money laundering risks are examined, with the pseudonymous nature of cryptocurrency transactions potentially enabling illicit activities if crypto casinos fail to implement adequate KYC checks. The article also addresses uninsured losses, with cryptocurrency transactions being irreversible, so any unfair confiscations of winnings or hacks leading to crypto theft result in players absorbing the losses without any insurance safety net. The article concludes by emphasizing the need for balanced regulation to allow innovation in crypto gambling while protecting users and society.
7. <https://coinstats.app/news/a788e9addc9e9c7bfcab2a73352e6a82139b597f124544d45bf368c11a0d436c_Crypto-Gambling%E2%80%99s-Explosive-%24814B-Growth-Amidst-Global-Bans/> - This article discusses the explosive growth of crypto gambling, with gross gaming revenue reaching $81.4 billion in 2024, a fivefold increase since 2022. It highlights the challenges and risks in the crypto gambling space, including regulatory uncertainty, consumer protection issues, risk of scams and fraud, cryptocurrency volatility, and problem gambling. The article emphasizes the need for technological solutions, responsible operator practices, and evolving regulatory approaches to address these challenges. It concludes by noting that addressing these challenges requires a complex interplay between technological solutions, responsible operator practices, and evolving regulatory approaches.