

Draft Rules for Online Gaming

Why in news?

The Ministry of Electronics and IT (MeitY) has released the draft rules for online gaming.

What do the draft rules say?

Online gaming is a very important piece of the start-up ecosystem and a part of the goal of the 1-trillion dollar economy.

- The proposed rules have been introduced as an amendment to the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021.
- These rules aimed at safeguarding users against potential harm from skill-based games.

What are the key proposals in the draft rules?

- **Definitions** - The draft rules defines what constitutes an 'online game'.
- 'Online game' is a game that is offered on the internet and is accessible by a user through a computer resource if he makes a deposit with the expectation of earning winnings.
- 'Winning' constitutes any prize, in cash or kind, to be given to the participant on the performance of the user and in accordance with the rules of such online game.
- This addresses the discourse in the sector about the definitions of a 'game of skill' and 'game of chance'.

The term 'game of skill' had been used in the Public Gambling Act (1867) but had not been defined.

- **Self-regulatory body** - The proposed rules say that a self-regulatory body will be set up.
- This body will have a board of directors with 5 members from diverse fields, viz online gaming, public policy, IT, psychology and medicine.
- The online games will have to register with a self-regulatory body, and only games cleared by the body can legally operate in India.
- There could be more than one self-regulatory body and all of them will have to inform the Centre about the games they have registered along with a report detailing the criteria for registering.
- Going forward, the government may also regulate the content of online gaming, and "ensure that the games do not have violent, addictive or sexual content".

The self-regulatory bodies are required to examine a game in light of the member's adherence to due diligence norms and relevant laws.

- **No betting** - Online gaming companies will not be allowed to engage in betting on the outcome of games.
- **Protecting women gamers** - Around 40 to 45% of the gamers in India are women. Therefore it is all the more important to keep the gaming ecosystem safe.
- **Intermediaries** - The attempt is to regulate online gaming platforms as intermediaries and place due diligence requirements on them.
- Like an intermediary, online gaming firms will be required to undertake additional due diligence, including
 1. Know-your-customer (KYC) of users,
 2. transparent withdrawal and refund of money, and
 3. a fair distribution of winnings.
- For KYC, they will have to follow norms laid down for entities regulated by the Reserve Bank of India (RBI).
- The game operators would have to verify users on the platform and provide them with the terms of services.

What are the other proposals?

- Gaming companies will also have to secure a random number generation certificate, which is typically used by platforms that offer card games to ensure that game outputs are statistically random and unpredictable.
- They will also have to get a “no bot certificate” from a reputed certifying body.
- Similar to social media and e-commerce companies, online gaming platforms will also have to appoint
 1. a compliance officer who will ensure that the platform is following norms,
 2. a nodal officer who will act as a liaison official with the government and assist law enforcement agencies, and
 3. a grievance officer who will resolve user complaints.

What will be the impacts of the rules?

- These draft rules bring online gaming under uniform central regulation.
- This is a great first step for comprehensive regulation for online gaming and will reduce the state-wise regulatory fragmentation that was a big challenge for the industry.
- The online gaming industry would significantly benefit from a stable policy framework that renders clarity on what is permissible.
- The sector would evolve to be more accountable and thus safer for the end consumers.
- Online gaming companies and industry associations have welcomed the rules.

What are some of the concerns?

- The rules still bucket all gaming intermediaries into a broad category irrespective of size or risk.

- They all require similar compliances, including the need to have India based officers.
- This can disproportionately burden young start-ups, and make it difficult for global players to start their services in India.

Reference

1. [Indian Express | Draft Rules for Online Gaming](#)
2. [The Hindu | How is India moving to regulate online gaming?](#)

Quick Facts

Online gaming sector in India

- The revenue of the Indian mobile gaming industry is expected to reach \$5 billion in 2025.
- The industry grew at a compound annual growth rate (CAGR) of 38% in India between 2017-2020, as opposed to 8% in China and 10% in the US.
- It is expected to grow at a CAGR of 15% to reach Rs 153 billion in revenue by 2024, as per a report by VC firm Sequoia and management consulting company BCG.

