

Regulation of Online Gaming in India

Why in news?

A task force set up the Ministry of Electronics and Information Technology (MeitY) has prepared a final report of its recommendations to regulate the online gaming industry in India.

How about the online gaming market in India?

- Market growth- The online gaming industry in India grew at a compounded annual growth rate (CAGR) of 38% between 2017-2020, as opposed to 8% in China and 10% in the US.
- **New user base** India's percentage of new paying users (NPUs) in gaming has been the fastest growing in the world for two consecutive years, at 40% in 2020 and 50% in 2021.
- **Revenue generation-** The revenue of the Indian mobile gaming industry is expected to reach \$5 billion in 2025.

What is the task force about?

• The task force was set up by MeitY in 2022 including the CEO of Niti Aayog, and secretaries of different ministries to propose an outline of a national-level legislation to regulate online gaming.

Recommendations

- **Central law-** Government should enact a separate law to regulate online gaming in the country.
- **Regulation** It has recommended creating a regulatory body for the online gaming industry.
- It will determine what qualifies as a game of skill or chance, and accordingly certify different gaming formats, seek compliance and enforcement.
- India's IT ministry would act as the central ministry for online gaming but they will be not monitoring esports (electronic sports) and games of chance.
- **Legalisation** Any online gaming platform (domestic or foreign) offering real money online games to Indian users will need to be a legal entity incorporated under Indian law.
- These platforms will be treated as 'reporting entities' under the Prevention of Money Laundering Act, 2002, and will be required to report suspicious transactions to the Financial Intelligence Unit-India.
- **Applicability-** The legal framework should apply to both real money and free games of skill including online fantasy sports, casual games and card games that may impose significant impact.

- The rules would also be applicable to gaming companies operating outside India but do target users in India.
- **Dispute resolution** A three-tier dispute re solution mechanism, similar to that prescribed under the Information Technology Rules, 2021 for online streaming services, should be put in place for online gaming.
- It must consist of a grievance redressal system at the gaming platform level, self regulatory body of the industry, and an oversight committee led by the government.

| Sector | Nodal agency for regulation |
|---|---|
| Online gaming (games of skill) except esports category | Ministry of Electronics and Information Technology |
| e-sports category | Department of Sports |
| Advertisements, code of ethics relating to content classification | Ministry of Information and Broadcasting |
| Sector for unfair trade practices | Ministry of Consumer Affairs |

What is the need for a central-level law?

- Online gaming has been a **state subject**, but state governments find it difficult to enforce certain rules like geo-blocking certain apps or websites within the territory of their state.
- Also, rules passed in one state are not applicable in another state.
- State governments do not have enough blocking powers like the Centre to issue blocking orders for offshore betting sites.

What about the efforts of State government?

- State governments in India are empowered by the constitution to legislate on gambling.
- **Meghalaya-** Meghalaya Regulating of Gaming Ordinance 2021- The ordinance seeks to regulate games of skill and games of chance within the state by envisaging a licensing regime for all forms of gaming.
- The law also creates a progressive independent regulatory body called the Meghalaya Gaming Commission to monitor all gaming activities in the state.
- **Kerala-** In 2021, the Kerala state government issued a notification making online rummy illegal when played for stakes.

What about the recent ban in Tamil Nadu about?

- Based on the recommendation of **K. Chandru committee**, Tamil Nadu Prohibition of Online Gambling and Regulation of Online Games Ordinance, 2022, was passed.
- It proposes to ban online gambling and online games of chance and to regulate other online games.
- **Online Gaming Authority-** The ordinance has proposed the creation of the Online Gaming Authority, with a Chairperson apart from 4 members.
- The Online Gaming Authority will
 - Issue certificates of registration to local providers of online games
 - Identify online games of chance for recommending them to the government for

being banned

- Oversee the functioning of the providers of online games
- **Appellate authority** An appellate authority has also been provided with three members, including a former judge of the High Court.
- **Offences and penalties** Any person offering these services will face an imprisonment of up to 3 years or a fine of up to Rs 10 lakh, or both.
- People playing these games with money shall face imprisonment of up to 3 months or a fine of up to Rs 5,000 or both.

Earlier, Madras High Court had held that a blanket ban on games of skill violates Article 19 (1)(g) (right to practise any profession, or to carry on any occupation, trade or business) of the Constitution.

References

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- 2. https://www.thehindu.com/news/national/tamil-nadu/online-gambling-virtual-games-of-chance-banned-in-tamil-nadu/article65981510.ece
- 3. https://www.moneycontrol.com/news/business/tamil-nadu-to-ban-online-rummy-and-po-ker-games-9292581.html

Quick facts

- **Games of chance** The outcome is predominantly driven by luck.
- Games of skill- The success depends principally upon the knowledge, training, expertise and experience of the player.
- **Gambling** Traditionally considered an act of risking something of value with a chance to win prizes.

