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.

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