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 e-sports 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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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.

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