Grant Thornton

Guardians of safe play: Ethical gaming for Vibrant Bharat

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SHAPING **VIBRANT INDIA**

Contents

Foreword

Shalabh Saxena

Partner and Media Industry Leader
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In recent years, the gaming industry has undergone a profound transformation, evolving into a mainstream cultural phenomenon. As games become increasingly immersive and accessible, the responsibility of the industry to promote ethical gaming has never been more critical. This aligns with the mission of Vibrant Bharat, striving for a dynamic and inclusive digital landscape that balances governance and play. This whitepaper serves as a guide for understanding and implementing ethical practices in gaming.

Ethical gaming and responsible play are not just buzzwords; they are fundamental principles that ensure consumer protection and sustainable growth of the industry. The rapid evolution of gaming has introduced several challenges, including potential addiction, cybersecurity issues, and microtransactions. Mitigation strategies are required to enforce a moral code within the industry.

At the heart of this initiative is a commitment towards a robust code of conduct, serving as the foundational guiding principle for behaviour across the gaming ecosystem. This code ensures that developers, publishers, players, and platforms adhere to standards that enhance the player experience. With clear benchmarks and best practices, it fosters fair play, respect for others and transparent transactions, and prioritises mental and emotional well-being.

Vince Lombardi's statement that "a game is the complete exploration of freedom within a restrictive environment" relates to the industry's objective to achieve a delicate equilibrium, harmonising creative freedom with the need for responsible governance.

Ensuring psychological safety and preventing addictive behaviour, especially amongst minors, is an essential component of this whitepaper and a social responsibility for all stakeholders in the gaming ecosystem. Addressing player protection and rights while prioritising mental and emotional well-being is pivotal in today's times.

In this context, instituting mechanisms for self-regulation within a minimum code of conduct mandate should be extended to all interest groups. Regular audits of companies operating within the gaming industry can ensure compliance with ethical standards and best practices. By voluntarily subjecting their operations to these audits, operators can demonstrate their commitment to integrity and foster trust within the gaming community. These audits explore various facets of a company's practices, identifying areas for improvement and ensuring transparency and accountability.

This whitepaper presents a blend of industry insights and diverse perspectives, weaving together a rich tapestry of knowledge ranging from academic research to industry practices and personal experiences. Through these contributions, readers will attain a deeper understanding of the ethical imperatives shaping the future of gaming and the actionable steps required to realise these objectives.

As we look ahead, the commitment to ethical gaming and responsible play will shape the future of the industry. By prioritising these values, adhering to a strong code of conduct, and embracing self-regulation, we can ensure that the growth of gaming benefits players of all ages. Upholding these principles allows the gaming industry to contribute significantly to Vibrant Bharat, fostering a healthy, fair, and enjoyable gaming environment for everyone. Together, we can build a thriving digital landscape that upholds the highest standards of integrity and inclusivity.

Foreword

Anuraag Saxena

Chief Executive Officer
E-Gaming Federation

Trust is the foundation of all relationships.

It is how we choose who to engage with and the cornerstone of markets, governance, and the very fabric of civilisations. Trust is why consumers choose to engage with us.The gaming industry is no different. Within the E-Gaming Federation (EGF), we ensure that our gaming operators are bound by this commitment to responsible gaming.

The online gaming industry in India is on the verge of a significant boom, poised to become a leading sector in terms of revenue generation, employment opportunities, and market share. It is one of the fastest-growing segments in the entertainment industry, outpacing both the cinema and music industries combined. Globally, the gaming industry has seen exceptional growth, with over 1.2 billion players worldwide, making it the go-to entertainment option for digital natives. India has been a key contributor to this success, with 500 million active gamers, and 200 million of them willing to invest in enhancing their gaming experiences.

The online gaming industry is also the first use case for future technologies. Artificial intelligence (AI) and machine learning (ML) find their early applications in online games and extended reality, years ahead of their integration into the physical world. These technologies are set to enhance gameplay, improve user experiences, and drive innovation within the sector, positioning India as a hub for technological advancements in gaming. With a robust foundation for gaming intermediaries to thrive in India, we believe that our intervention at the policy level should also be grounded in trust.

Not just in my role at EGF, but as a proud Indian, I would love to see India emerge as a global leader in the gaming industry. For this vision to materialise, Indian policies aimed at regulating and fostering the growth of the industry should be prioritised. A progressive tax regime, recognition of legitimate online gaming companies, protection of consumer rights, and the enactment of specialised regulations are the way forward for this industry. The PM and the Government's enthusiasm in creating a facilitative policy environment and a progressive tax regime for the industry while protecting consumers' and national interests from irresponsible behaviour will benefit the gaming sector.

That is precisely where the EGF Code of Conduct comes in–to distinguish good from bad, desirable corporate behavior from undesirable actions, and legitimate from illegitimate. While we await comprehensive regulations, we have voluntarily taken it upon ourselves to adopt an uncompromising stance.

No compromise on national interest.

No compromise on consumers' interest.

No compromise on the industry's interest.

In a constitutional democracy such as India, there can be no balance without trust. Therefore, a balance between innovation capital and contribution to the nation's economy must be achieved. We also need to strike a balance between the Western view of unregulated capitalism and the protection of Indian consumer rights. While we search for this balance, national interests cannot be compromised. In navigating the complexities of the online gaming industry, it is imperative to uphold trust, strike a balance between innovation and consumer protection, and prioritize the nation's interests, ensuring a sustainable and equitable future for all stakeholders involved.

As we journey through the landscape of the online gaming industry, we must remain steadfast in our commitment to fostering trust, nurturing innovation, and safeguarding the interests of all stakeholders. In this dynamic environment, striking a delicate balance is essential for the sustainable growth of the sector. As we navigate these complexities, let us forge ahead with integrity, ensuring that our actions reflect our dedication to building a vibrant, inclusive, and prosperous gaming ecosystem in India.

Finally, we thank our gaming operators and their teams for actively choosing to adhere to the Code of conduct's high standards, even when the law did not require them to do so. We also extend deep gratitude to Grant Thornton Bharat for endorsing our values of trust and fair play through this whitepaper.

Without trust, we are nothing. With trust, we are the future!

Introduction

The Indian gaming landscape is at a pivotal juncture, with rapid technological progress and an increasing player base. This whitepaper, "Guardians of safe play: Ethical gaming for Vibrant Bharat" delves into the intricate regulatory framework governing the real money gaming (RMG) sector, emphasising on the critical importance of player protection and consumer rights.

The primary focus of the paper is to explore the regulatory landscape across state and federal jurisdictions, discerning between games of skill and games of chance. It navigates the Public Gambling Act to the Code of Ethics to the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) and analyses how legislative milestones have shaped current policies in the RMG sector. This analysis, combined with a comparative study of international policies and regulations, informs the recommendations section of the whitepaper, guiding the industry's future development.

The whitepaper advocates a comprehensive CoC in the gaming industry, setting standards for ethical behaviour amongst stakeholders. Additionally, the whitepaper underscores the significance of certification by an impartial third party, which follows a successful audit and adherence to a CoC, fostering self-regulation and upholding industry standards. The paper concludes with insights into best practices and risk mitigation strategies.

> Gaming today is serious business and so are the risks involved. Lack of clear regulatory framework continues to be a key concern for the gaming ecosystem. By taking cues from global regulatory models and collaboration between regulatory bodies and the gaming industry, India has the chance to establish an ecosystem that fosters ethical practices, protects players, boosts economic growth and encourages innovation. This will position India as a global leader in gaming.

Deepankar Sanwalka
Senior Partner
Grant Thorntan Bharat

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Navigating the Indian gaming landscape

1.1 Indian gaming landscape, importance of player protection and consumer rights

The dynamic gaming landscape in India is fuelled by a vibrant young demographic and is set for unprecedented growth. With robust IT infrastructure, soaring mobile penetration, and rapid advancements in artificial intelligence (AI), virtual reality (VR), AR-VR technologies and the metaverse, this industry's growth trajectory is remarkable.

The digital revolution has reshaped gaming, making it more accessible and immersive. Mobile gaming has democratised entertainment, while AI and VR/AR have introduced new dimensions. Streamlined development processes, microtransactions, and thriving e-sports have further enriched the industry. AI enhances game dynamics, and blockchain (Non-fungible tokens)NFTs bring ownership to in-game assets. Cloud gaming eliminates the need for powerful hardware, and fantasy gaming blends sports and gaming for competitive real-world experiences, amplifying player engagement.

Mobile gaming dominates the industry, reflecting the essence of a mobile-first market, where accessibility and convenience reign supreme.

The number of online gamers in India soared to an impressive 442 million, establishing it as the second-largest gaming user base globally, surpassed only by China.

The industry is projected to experience a 20% growth by FY25, reaching INR 253 billion. Over the last five years, Indian gaming has raised USD 2.8 billion from domestic and global investors.

The RMG segment is emerging as one of the chief revenue drivers within the industry. With users spending an average of 8.5 hours per week in FY22, this segment is gaining significant traction.

India's RMG sector faced several challenges in 2023. The government's implementation of a 28% Goods and Services Tax (GST) significantly impacted the sector, leading to widespread layoffs and the closure of some start-ups due to the tax burden.

CAGR: 20%

INR 253 billion by FY25

Game downloads soared from **5.65** billion to a staggering **9.5 billion**

India's share of global game downloads is **16%**

538 million gamers

15,000 game developers and programmers

Mobile gaming – **90%** of the online gaming market

Despite these challenges, the sector continues to account for "83-84% of the revenue, with approximately 100 million online gamers daily, including 90 million paying to play". This gamer participation ensures the industry's expansion continues, with the tax implications having a limited impact on overall long term growth.

Even after the 28% GST implication, investor sentiment remains strong in the industry, with deal activity reflecting confidence in its sustained growth Notable examples of investments made in FY23 include:

Figure: Top M&A deals in e-gaming in FY23-24

Acquirer	Target	Country	Padded Amt in Million USD
Galactus Funware Technology Private Limited - Mobile Premier League (MPL)	Ante Multimedia Private Limited - Good Game Exchange	India	12.75
Octro Inc.	DGN Games	U.S.A	5.00
Sporta Technologies Private Limited - Dream11	Sixer Entertainment Limited Liability Partnership	India	5.00
Nazara Technologies Pvt. Ltd- Nazara games	Snax Games Ltd	Israel	0.50
Oneverse Technologies	Quadrific Media Pvt Ltd - Spartan Poker	India	5.00
Oneverse Technologies	Playin Games Technologies Pvt Ltd - Calling station	India	5.00

Boosted by the pandemic and an expanding user base, the global gaming industry is expected to reach USD 665.77 billion in the next five years, with India accounting for USD 8.92 billion. This industry shows strong growth potential, leading to a rise in early-stage startups. Indian gaming companies have raised USD 2.8 billion (3% of total startup funding in India) in the last five years, highlighting significant growth potential. Since 2021, the industry has seen over six strategic exits worth USD 775 million, three unicorns, and a public listing oversubscribed 175× with an 80% listing gain.

PE/VCs are seeking early mover advantages, with specialised VC funds like Lumikai and Centre Court Capital focusing on gaming, sports tech, and interactive media. Large PE funds are also investing in this space, indicating a likely increase in deal activity.

India's tax and regulatory framework for online gaming has evolved, with clarity issued in FDI positions and overhauls in tax and GST regimes.

However, gaps remain, necessitating a robust, clear regulatory landscape to support growth. Investors need careful diligence and structuring to address tax risks and comply with laws when investing in Indian gaming companies.

Vishal Agarwal
Partner, Private Equity Group and Deals Tax Advisory Leader
Grant Thornton Bharat

Figure: Top PE, VC investments in e-gaming in FY23-24

Investor	Investee	Investment value in USD mn
Courtside Ventures, Griffin Gaming Partners, Mixi Inc, Waterbridge Ventures, Lumikai Fund, Kalaari Capital, Convivialite Ventures and Rocket Capital	Greenhorn Wellness Pvt. Ltd- EloElo	22.00
Sequoia Capital, Steadview Capital, Truecaller Investment, Hashed Emergent and angel investors	Mayhem Studios	20.00
Accel, Prosus Ventures, Courtside Ventures, Nexus Venture Partners, Nazara, and Jet Ventures.	Kratos Studios Ltd	19.51
Florintree Advisors and angel investors	Super Six Sports Gaming Private Limited- Fantasy	11.00
Peak XV Partners and Nexus Venture Partners	Brightpoint Studios Private limited	6.00
Nexus Venture Partners and angel investors	Liquidnitro Games Private Limited	5.25

Government initiatives are driving action, and the collaboration between the Government and IIT Bombay to establish the National Animation, Visual Effects, Gaming, and Comic (AVGC) Centre of Excellence is a notable one.

This initiative aims to cultivate excellence in animation, visual effects, gaming, and comics, reflecting the government's dedication to fostering talent and innovation in the growing AVGC sector.

1.2 Importance of player protection and consumer rights

Regulation and government oversight are essential to ensure organised growth, primarily focusing on customer and player protection. The Consumer Protection Act, 2019 applies to online gaming in India. When users avail services from online gaming platforms for consideration, they fall under the definition of "consumers" under this Act.

We have made significant progress with regard to innovation. However, amid this remarkable progress, we must acknowledge the looming spectre of cybersecurity threats, particularly within the domain of real-money gaming. These malicious assaults can potentially manipulate game outcomes, undermining the integrity of competitions and casting doubt upon the fairness of results.

Navigating consumer protection challenges in gaming amid evolving regulatory landscapes requires balancing immersive experiences with safeguarding consumer interests. Upholding legal compliance is vital, and operators must continuously adapt to changing regulations, mitigate risks, and maintain consumer trust.

Addressing inadequate consumer information and promoting responsible gaming practices is more critical than ever. Protecting vulnerable players, such as minors and those susceptible to addictive behaviours, has become increasingly important amidst industry disruptions. Proactive measures and educational initiatives are essential, emphasising collaborative efforts among industry stakeholders, regulators, and advocacy groups to foster a safer and more responsible gaming environment for all players.

Right to safety

Right to be informed

Right to be heard

Right to seek redressal

Right to consumer education

Right to choose

02

Regulatory framework in the online gaming industry

2.1 Regulatory landscape

India's regulatory framework concerning gaming is undergoing significant changes. Policymakers are grappling with the need to modernise existing laws, address regulatory gaps, and establish clear guidelines to govern the industry.

Game of skill vs game of chance

It is crucial to understand the distinction between games of skill and games of chance, in order to successfully regulate the real-money gaming ecosystem. The long-standing debate shapes the classification of games into two categories: games of skill and games of chance. Games of skill hinge on player abilities and decisions, while games of chance depend largely on random outcomes.

Legal distinction

Under Indian law, games of skill are generally considered legal, while games of chance are considered illegal. This legal distinction is based on the degree to which skill versus chance influences the outcome of the game.

This is pivotal in regulatory discussions as it informs decisions regarding legal status, taxation, and oversight of gaming activities. Recognising this difference allows for tailored regulations that address the specific risks associated with each category while supporting innovation and growth within the gaming industry.

| Game of skill	Game of chance
A "game of skill" primarily relies on the mental or physical expertise of a player, rather than chance. In such games, players' abilities and strategic decisions play a significant role in determining the outcome.	A "game of chance" is one in which chance predominantly determines the outcome. In these games, luck plays a more significant role than skill.
Rummy: Courts have consistently held that rummy is a game of skill because it involves memorisation, strategy, and decision-making.	**Casino games:** Slot machines, roulette, and dice games primarily rely on luck and random outcomes.
Horse racing: Horse racing is considered to be a game of skill, as it needs analysing horse performance, jockey skills, and track conditions.	**Lotteries**: Lottery draws are entirely based on chance, with no skill involved.
Poker: While poker combines skill and chance, courts have recognised the skill element involved in bluffing, reading opponents, and making calculated moves.	**Betting on random events:** Betting on coin tosses, dice rolls, or card draws falls into the category of games of chance.
Fantasy sports: Fantasy sports are where participants create virtual teams based on real-life player performances and considered as games of skill.	

2.2 Federal v. state: Constitutional framework and state laws

Currently, gaming in India is mostly regulated through ancillary federal laws with addition of state laws wherever applicable. Some states, such as Goa, allow licensed brick-and-mortar gaming activities. Others, such as Meghalaya, Nagaland, and Sikkim, have introduced licensing to regulate online gaming. However, there is a growing consensus that federal-level regulation is necessary. The importance of "skill gaming" is evident as courts recognise it as a protected activity under Article 19(1)(g) of the Constitution, which guarantees the freedom to practice any profession or carry on any occupation. The courts have acknowledged that while states cannot ban skill gaming, they are within their rights to impose reasonable controls on these activities.

Type of gaming	Regulation in digital form	Regulation in land-based form	Regulatory authority
Casino gaming	State-level laws, Sikkim Act in Sikkim	State-specific laws (e.g., Goa Act) in Goa, Daman and Diu, Sikkim Casino Act in Sikkim	Finance, Revenue, and Expenditure Department (Sikkim), Home Department (Goa), Tourism Department (Sikkim)
Poker	Skill gaming licensed in Sikkim and Nagaland, prohibited in Tamil Nadu Ban in Tamil Nadu has been struck down and is under sub-judice by the Supreme Court	Skill variants not prohibited under State Gaming Laws	Department of Tourism and Civil Aviation (Sikkim), Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act (Nagaland)
Bingo	Barred under most State Gaming Laws, lotteries permitted in some states	Governed by central laws and state-level lottery laws	State finance ministry, designated departments, central laws
Betting	Varies by type (e.g., horse racing recognised as a game of skill in many states)	Intrastate licensing regimes, physical premises regulation	Respective state governments, race clubs, Sikkim intranet licensing
Fantasy sports	Generally exempted as games of skill in most states, licensing in Nagaland, proposed in Rajasthan	Exempted as games of skill in most states, proposed licensing in Rajasthan	Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act (Nagaland), proposed Rajasthan Bill
Lotteries	Governed by central and state-level lottery laws, private lotteries banned under IPC	Conducted by designated departments or state finance ministries, some states permit only physical lotteries	State finance ministry, designated departments, central laws
Social/skill arrangements	Unlikely to trigger State Gaming Laws without monetary stakes, subject to other relevant laws	Applicable laws may include intellectual property laws, obscenity laws, etc.	Applicable laws
Skill games and competitions	Generally exempted under State Gaming Laws, licensing regimes in Sikkim and Nagaland	No license required in most states except Sikkim and Nagaland	Department of Tourism and Civil Aviation (Sikkim), Nagaland Prohibition of Gambling and Promotion and Regulation of Online Games of Skill Act (Nagaland)

2.3 Key legislative milestones and other initiatives

Public Gambling Act (1867)

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The Information Technology, Intermediary Guidelines and Digital Media Ethics Code Rules (2021)

02

Amendmended Gazette Notification (2023)

03

Data Protection Bill (DPDPA) (2023):

04

The Voluntary Code of Ethics for Online Gaming Intermediaries (2023):

05

GST Council Meeting

06
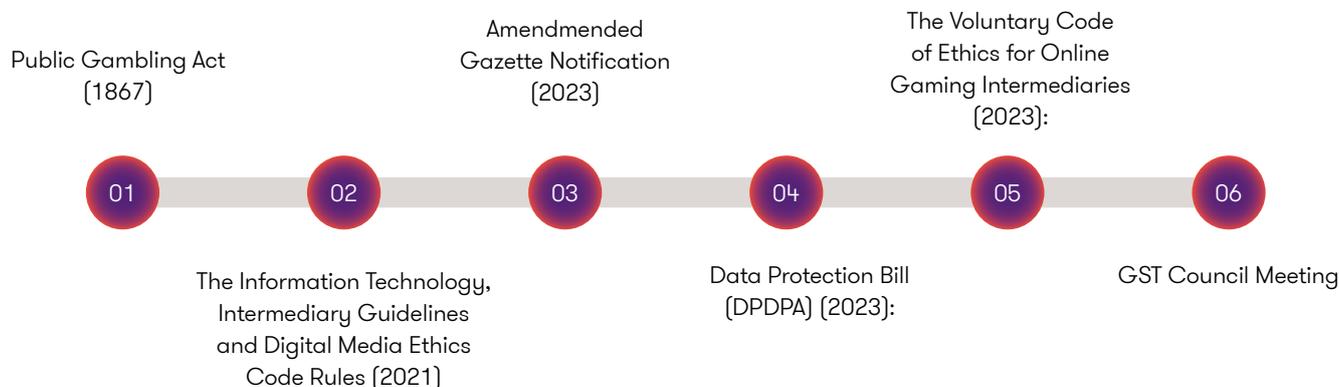
Public Gambling Act (1867): The Public Gambling Act of 1867 was enacted to address public gambling and the operation of common gaming houses in some areas of India. Its primary purpose was to protect society by penalising individuals involved in running and maintaining public gambling establishments.

The Information Technology, Intermediary Guidelines and Digital Media Ethics Code Rules (2021): These rules concerning online gaming, mandates platforms to implement age-appropriate access controls for gaming content. Furthermore, accessibility services have been improved to accommodate gamers with disabilities. Clear guidelines persist in gaming content which must undergo classification based on factors like violence and nudity. Additionally, the rules necessitate the appointment of grievance officers to handle user complaints effectively.

Amendments related to online gaming, Gazette Notification (2023): The Gazette Notification from the Ministry of Electronics and Information Technology (MeitY) in India outlines amendments to the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021. The Amendment primarily targets self-regulation with a government oversight .

The MeitY's broader focus encompasses citizen empowerment, inclusive growth, and efficiency enhancement through digital services. For comprehensive insight, referring to the official Gazette Notification is recommended.

Data Protection Bill (DPDPA) (2023): This bill aims to safeguard individual privacy and regulate data processing, encompassing data collection, consent, and user rights. While its specific implications for online gaming are not detailed, they form part of India's broader legal framework for digital governance and privacy protection.

Intermediaries (2023): This collaborative endeavour involving major industry bodies, such as the All-India Gaming Federation (AIGF), E-Gaming Federation (EGF), and Federation of Indian Fantasy Sports (FIFS), seeks to ensure consumer protection, promote responsible gaming practices, and standardise operational procedures within the Indian gaming sector.

It is co-signed by prominent online gaming companies, including Dream11 and Games24×7. This voluntary code aims to self-regulate the industry during challenging times, fostering a safer and more accountable gaming ecosystem.

GST Council Meeting: Following the 50th GST Council meeting on 11 July 2023, it was proposed to implement a uniform 28% GST rate on the full-face value of online gaming, casinos, and horse racing.

Need for SRBs: Regulatory Bodies (RBs) in the gaming industry are anticipated to foster growth and innovation through various measures. Self-Regulatory Bodies (SRBs) are expected to significantly enhance stakeholder confidence by promoting ethical practices and ensuring a stable and predictable regulatory environment. These bodies can drive competitiveness within the industry by encouraging indigenous research and development, leading to rapid product innovation and positioning India as a global innovation hub. Additionally, SRBs are expected to boost user and player confidence by ensuring the swift resolution of grievances and the implementation of standard operating procedures that align with global standards.

Currently, the Government is acting as the regulator for the online gaming industry instead of relying solely on industry-led SRBs. According to officials, the MeitY will develop a framework for permitting and certifying online games involving monetary transactions. Amidst regulatory challenges, the Government is set to look for recommendations on how to best regulate the industry.

The Voluntary Code of Ethics for Online Gaming

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Code of Conduct

3.1 Importance of codes of conduct (CoCs) to promote safe play and responsible gaming

As policies evolve and new regulations emerge, ensuring fair and responsible gaming remains a priority, especially amidst the changing landscape of RMG. The growth in gaming opportunities for entertainment, competition, and social interaction has brought about ethical concerns such as addiction, unfair practices, and cheating. Imposing self-regulation within gaming companies is crucial in addressing these challenges.

Robust frameworks are essential to guide both players and industry stakeholders towards responsible gaming practices. CoCs serve as benchmarks for acceptable behaviour in the gaming industry, providing guidelines and establishing clear boundaries and parameters for ethical practices. Players, developers, operators, and other stakeholders can implement change by committing to CoCs and using them as a rulebook for best practices.

3.2 Identity and age verification, KYC requirement

Identity and age verification, coupled with robust Know Your Customer (KYC) protocols, are the bedrock of online gaming platforms, especially those dealing with real money transactions. These measures are not just procedural checkboxes; they are essential safeguards that uphold the integrity of the gaming ecosystem and fortify defenses against fraudulent activities.

An online gaming intermediary, as recommended by the guidelines set forth by The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, is obligated to adhere to stringent identity verification protocols before accepting any deposits, whether in cash or kind, from users participating in permissible online RMGs.

At Games24×7, fair and responsible play is fundamental. From inception, we've prioritised data science and AI to enhance player protection, supported by robust KYC processes. Our industry-first AI tool, ScarceGAN, recognised at the Aegis Graham Bell Awards, uses advanced models to identify and mitigate problem gaming behaviours by analysing player interactions.

Our automatic limit setting feature helps players manage their time and spending, with adjustable limits. We ensure player privacy by collecting only necessary data securely and ethically. To promote responsible gaming, we educate users through pop-up notifications offering tips for healthy gaming habits. Our comprehensive approach safeguards players, fostering a sustainable and enjoyable gaming experience.

Dr. Trivikraman Thampy
Co-Founder and Co-CEO
Games24×7

Identity and age verification are foundational to upholding compliance, safeguarding user interests, and promoting responsible gaming. These processes are pillars of Octro's operational integrity and high standards in fostering a secure and trustworthy environment. We follow a meticulous two-step process including a manual verification and an advanced process utilising an external API to confirm the authenticity and validity of the submitted documents. This dual-layered approach guarantees the highest level of accuracy and reliability and helps Octro maintain the highest standards of compliance and user trust. In alignment with regulatory guidelines, we have also implemented strict policies concerning deposits and withdrawals which are communicated to users via our application to maintain transparency and user awareness. Octro is committed to providing a secure and responsible gaming environment. We continue to set the benchmark for integrity and confidence in the online gaming sector with our strict verification procedures and respect for legal requirements.

Saurabh Aggarwal
CEO and President
Octro, Inc.

Under these guidelines, the online gaming intermediary must employ the same rigorous procedures used by entities regulated by the Reserve Bank of India (RBI) for identifying and verifying customers, through a KYC procedure, at the begining of an account-based relationship. These KYC procedures address concerns such as fraud and underage participation and are crucial for complying with anti-money laundering (AML) and counter-terrorism financing (CTF) regulations.

The RBI's Know Your Customer (KYC) Directions 2016 provide comprehensive guidelines for financial institutions to verify customer identities and mitigate risks related to financial crimes.

Customer identification:
Verify the identity of customers through reliable documents, data, or information such as Aadhaar, PAN card, passport, driver's license, etc.

Address verification:
In addition to identity verification, verifying the customer's address is essential. This can be done using utility bills, bank statements, or other official documents confirming the residential address.

Risk categorisation:
Customers are categorised according to risk profiles, with higher-risk customers subjected to more stringent KYC measures. This risk assessment helps tailor KYC processes according to the level of risk.

Ongoing monitoring:
KYC is not a one-time process but an ongoing obligation. Organisations must continuously monitor customer transactions and update KYC information periodically, especially for high-risk customers or significant profile changes.

Record keeping:
Detailed records of KYC documents, verification processes, and customer profiles must be maintained for audit, compliance, and regulatory purposes. These records should be readily available for inspection by regulatory authorities.

The failure to comply with KYC requirements in online RMG can lead to various risks and consequences:

Identity theft

Identity theft is a grave concern in online gaming, where the absence of robust verification mechanisms can enable malicious individuals to exploit stolen or counterfeit identities, creating fraudulent accounts. This not only jeopardises the security of user data but also facilitates fraudulent activities such as unauthorised access and illegal transactions within gaming platforms. The repercussions extend to financial losses for legitimate users who may fall victim to fraudulent schemes, leading to monetary setbacks and disrupted gaming experiences.

Financial and legal implications

The consequences of identity verification failures in online gaming extend beyond mere security concerns, delving into substantial financial and legal ramifications. Victims of fraudulent schemes resulting from these failures often endure significant financial losses, experiencing disruptions in their gaming experiences and monetary setbacks. Moreover, the lack of robust verification measures complicates regulatory compliance efforts, exposing gaming platforms to legal scrutiny and potential penalties for non-compliance.

Hazards of minors accessing real money gaming platforms without age verification

Accessing online real money gaming platforms without proper age verification exposes minors to significant risks and challenges. Engaging in real money gaming at a young age can lead to addiction, compulsive behaviour, and mental health issues, affecting their academic performance and social interactions.

Reputation damage to gaming platforms

Beyond financial and legal implications, there is also a significant risk of reputation damage, as instances of fraud resulting from identity verification failures can erode trust amongst users and tarnish the overall credibility of gaming platforms. A damaged reputation can adversely affect user acquisition, retention, and business partnerships.
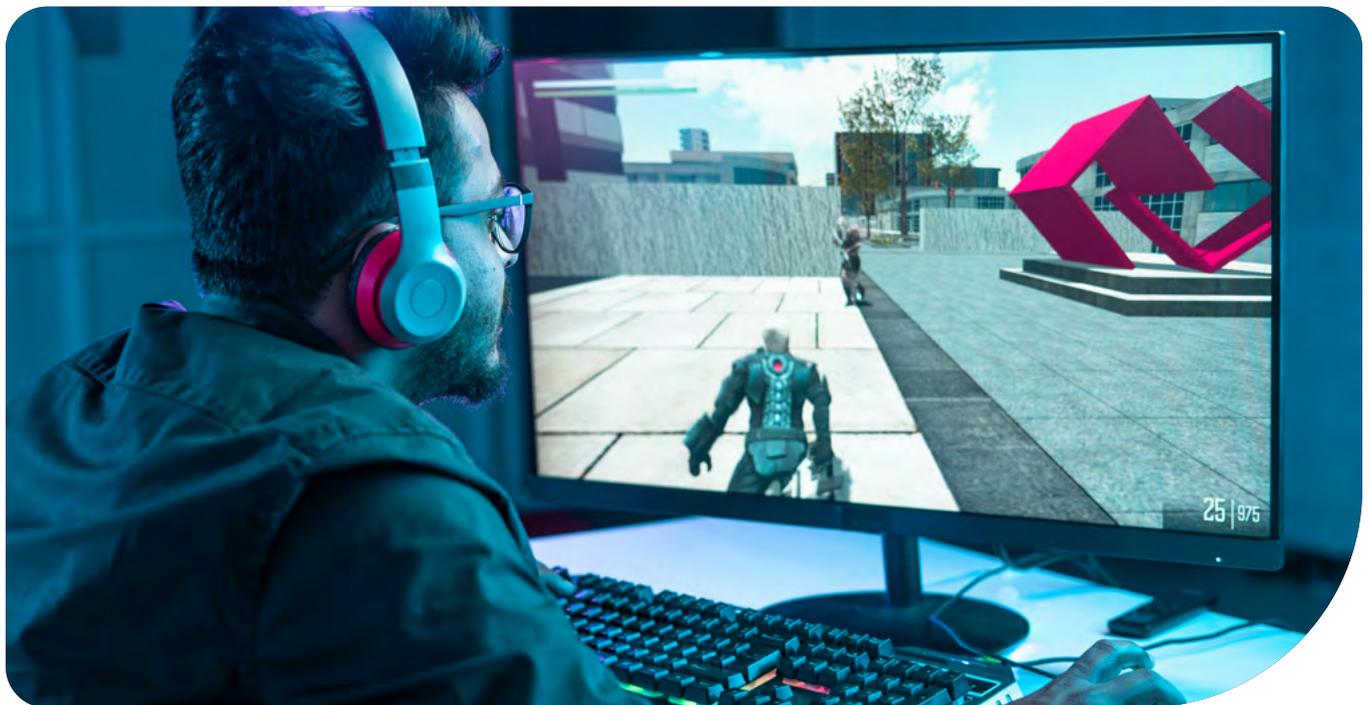
Ensuring strict adherence to regulatory-mandated identity verification protocols is crucial for online gaming intermediaries. By doing so, one can establish a secure user account-based relationship, effectively mitigating risks like identity theft, underage participation, and financial crimes.

3.3 Player protection

The IT (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules, 2023, notified by MeitY on 6 April 2023, mark a significant milestone in the regulatory landscape of the online gaming industry in India. Indian online gaming users are entitled to:

- A safe gaming environment (Right to Safety)
- Complete information about the nature and risks of online games (Right to be Informed and to Consumer Education)
- Access to a variety of legitimate games (Right to Choose)
- Reliable channels for assistance, feedback, and complaints (Right to be Heard and to Seek Redressal)

To uphold these rights, robust mechanisms for implementation and enforcement within the gaming ecosystem are essential. Players face significant challenges, such as exploitation and cheating, including:

- Deceptive practices in game design that manipulate elements to tempt players into excessive spending of money or time.
- Susceptibility to fraudulent activities such as identity theft, unauthorised account access, and rigged games that tilt the odds unfavourably, eroding trust in online gaming platforms.
- Dishonest operators who use unfair tactics such as withholding winnings, delaying payouts, or imposing undisclosed fees, all of which undermine the fairness of the gaming experience.
- Inadequate safeguards expose players' personal and financial data to risks like identity theft, financial fraud, and cybercrimes. By prioritising these player protection initiatives, operators in the online RMG industry can ensure sustainable growth and long-term success.

> As an avid fantasy player, I've experienced firsthand the allure and risks associated with online gaming. Overall, player protection is essential not only for maintaining player trust and loyalty but also for upholding ethical standards, promoting responsible gaming practices, and mitigating legal and reputational risks for gaming operators. By prioritising - player protection initiatives such as robust fraud prevention and fair gaming practices, the online real money gaming industry can thrive in a sustainable and ethical manner.
>
> **Ananay Jain**
> Director, GRO
> Grant Thornton Bharat

Secure play environment and personal data protection

- Encrypt player data transmitted during login with TLS/SSL for enhanced security.
- Certify the Random Number Generator (RNG) and Card Deck Shuffling Algorithm through an internationally recognised gaming laboratory.
- Strictly prohibit the use of bots in RMG and Obtain a "No Bot" certificate as a best practice for player protection.
- Maintain a valid Extended Validation Certificate to establish trust and authenticity.
- Ensure strict compliance with IT security rules and regulations for sensitive data storage.
- Implement controlled documentation practices to guarantee data availability, protection, and compliance with cyber laws.

Protecting player funds

- Ensure that player funds are separate from operator funds and cannot be used for business expenses.
- Keep player funds in a dedicated, encumbrance-free bank account to safeguard them.
- Regularly maintain a Player Fund Liability Report reconciled with bank balances to track fund movements accurately.
- Process cash withdrawals within 3 working days of approval to provide quick access to player fund.

KYC verification

- Verify identity documents thoroughly to ensure they are genuine and not tampered with.
- Implement robust age verification processes to prevent minors from accessing real money gaming platforms.
- Keep KYC procedures up to date with regulatory requirements and industry standards to maintain effectiveness.
- Use encryption methods to secure sensitive customer information during KYC checks.
- Limit platform access until KYC verification is completed successfully, reducing the risk of fraudulent activities.

"

At Rummy Passion, we have an absolute zero-tolerance policy against underage gaming. Our robust verification processes leverage PAN and KYC data to stringently validate each user's age and restrict access for any minors. We are unwavering in our belief that real-money gaming must only be accessible to adults. Providing a safe, ethical environment that fully complies with laws and regulations is paramount. Protecting underage individuals is a core operating principle, and we uphold this through multi-layered age checks, access controls, and continuous monitoring during onboarding and gameplay. There is no flexibility when it comes to this critical issue.

Bobby Garg
Co-founder & CEO
Passion Gaming

"

3.4 Support for vulnerable players

Gaming, a globally prevalent leisure pursuit, provides entertainment and engagement to a vast audience. Yet, for certain individuals, it transitions from a recreational activity into a problematic behaviour, adversely affecting various facets of their lives. This transformation is characterised by excessive gaming, resulting in challenges in daily functioning and overall well-being.

The World Health Organisation (WHO) formally recognises gaming disorder (GD) as a mental/behavioural disorder in the 11th edition of the International Classification of Diseases (ICD-11). GD is distinguished by impaired control over gaming, a tendency to prioritise gaming over other activities, and persistent engagement in gaming despite experiencing negative consequences.

Excessive or problematic gaming can profoundly affect various aspects of life, extending beyond mere entertainment to impact daily routines, health, relationships, and financial stability. Understanding these effects is crucial in recognising when gaming habits become problematic and seeking the necessary support to regain balance and well-being.

The following signs indicate problematic gaming behaviour:

- Excessive gaming consumes a disproportionate amount of time, detracting from other responsibilities and activities.

- Obsessive thoughts about gaming persist during periods of non-gaming, leading to preoccupation with strategies and performance enhancement.

- Each gaming session incurs escalating expenditure as individuals seek increased excitement and satisfaction.

- Despite repeated attempts, individuals struggle to curtail or cease gaming behaviour.

- Discontinuing gaming triggers feelings of restlessness or irritability, indicating dependency.

- Gaming serves as a coping mechanism to evade problems or alleviate negative emotions such as sadness or anxiety.

- Losses incurred during gaming sessions prompt immediate efforts to recoup financial losses.

- Deception is employed to conceal the extent of gaming habits from loved ones, indicating shame or denial.

- Individuals resort to illicit activities such as forgery or theft to sustain their gaming expenditures, reflecting severe addiction.

- Significant relationships, employment prospects, and educational opportunities suffer due to the detrimental impact of gaming addiction.

- Financial reliance on others becomes necessary to compensate for gaming-related expenses, highlighting the economic strain caused by addiction.

> Junglee Games champions responsible gaming and player well-being. While instances of excessive play on our platforms are rare, we've established a robust framework to address such concerns. Employing Artificial Intelligence, big data, and machine learning, we analyse player behaviour to detect excessive patterns early, enabling us to offer personalised support and guidance. We provide self-assessment tools and advocate for the use of self-exclusion features to aid players in responsibly managing their gameplay habits. Additionally, we provide and enable limits for players to promote responsible gaming practices. Our overarching goal is to equip players with the necessary tools and support to navigate their gaming habits responsibly and foster healthier relationships with gaming.

Kapil Rathee
Co-founder and President
Junglee Games

Effects of excessive gaming

Excessive or problematic gaming can profoundly impact every aspect of one's life, from daily routines to personal relationships, leading to significant disruption and impairment in overall well-being. Specific areas affected may include:

Daily routine and self-care

Prioritising gaming over essential tasks can disrupt daily routines, making effective self care challenging.

Health and well-being

Excessive gaming can lead to health issues due to prolonged periods of sitting and lack of physical activities. Disrupted sleep and irregular eating habits further impact overall well-being.

Mood and emotions

Mood swings, irritability, and anger outbursts are common with excessive gaming, affecting relationships and interpersonal interactions.

Responsibilities and financial management

Neglecting responsibilities, including financial obligations, often leads to financial difficulties such as frequent borrowing, overspending, or relying on gaming earnings as a primary income source.

Work and career

There may be concentration issues, negative workplace feedback, and conflicts with colleagues, potentially jeopardising job stability and employment prospects.

Social relationships

Excessive gaming can isolate individuals from family and friends, leading to frequent conflicts and difficulties in maintaining relationships. Trust issues may also emerge, affecting social interactions.

Operators can support vulnerable players by implementing stringent measures, including self-exclusion, time limits, counselling, and assisting players in reassessing their behaviour before rejoining the game. Here are some recommendations.

Self-exclusion feature: The self-exclusion tool stands as a pivotal resource for vulnerable players seeking to address addiction and excessive gaming. By offering individuals the ability to voluntarily exclude themselves from gaming platforms for a designated period, it empowers them to proactively manage their habits, take essential breaks, and access support as necessary.

Self-assessment questionnaire: Operators are urged to establish an online self-assessment questionnaire designed to detect potential signs of gaming disorder. Aligned with internationally recognised standards such as those found in the DSM-V code, this questionnaire enables players to conduct self-evaluations, facilitating early identification of gaming-related issues.

Counselling support: Counselling and consultation are instrumental in helping vulnerable players curb addiction by identifying addictive behaviours, creating personalised strategies, offering emotional support, educating about risks and benefits, preventing relapse through skills development, and referring to specialised services for comprehensive care.

Allocation of deposit limits: Operators will institute daily, and monthly gross/net deposit limits based on comprehensive player assessments. Importantly, players will retain the autonomy to set their deposit limits below those designated by the operator, granting them enhanced control over their gaming expenditures.

Time limits: Operators can introduce time constraints for gaming sessions, empowering players to set maximum durations for their gameplay. This strategy fosters responsible gaming by discouraging extended sessions and encouraging regular breaks.

In-game notifications: Incorporating in-game notifications that remind players of the time spent on gaming and encourage breaks can be beneficial.

Educational resources: Operators should provide access to educational resources about responsible gaming, addiction awareness, and mental health support within their gaming platforms.

Player support services: Establishing dedicated player support services, such as helplines or chat support, can offer immediate assistance to players experiencing gaming-related challenges or addiction issues.

Regular audits and monitoring: Conducting regular audits and monitoring player behaviour patterns can help identify at-risk players early on. This data-driven approach enables operators to intervene proactively and provide targeted support to vulnerable individuals.
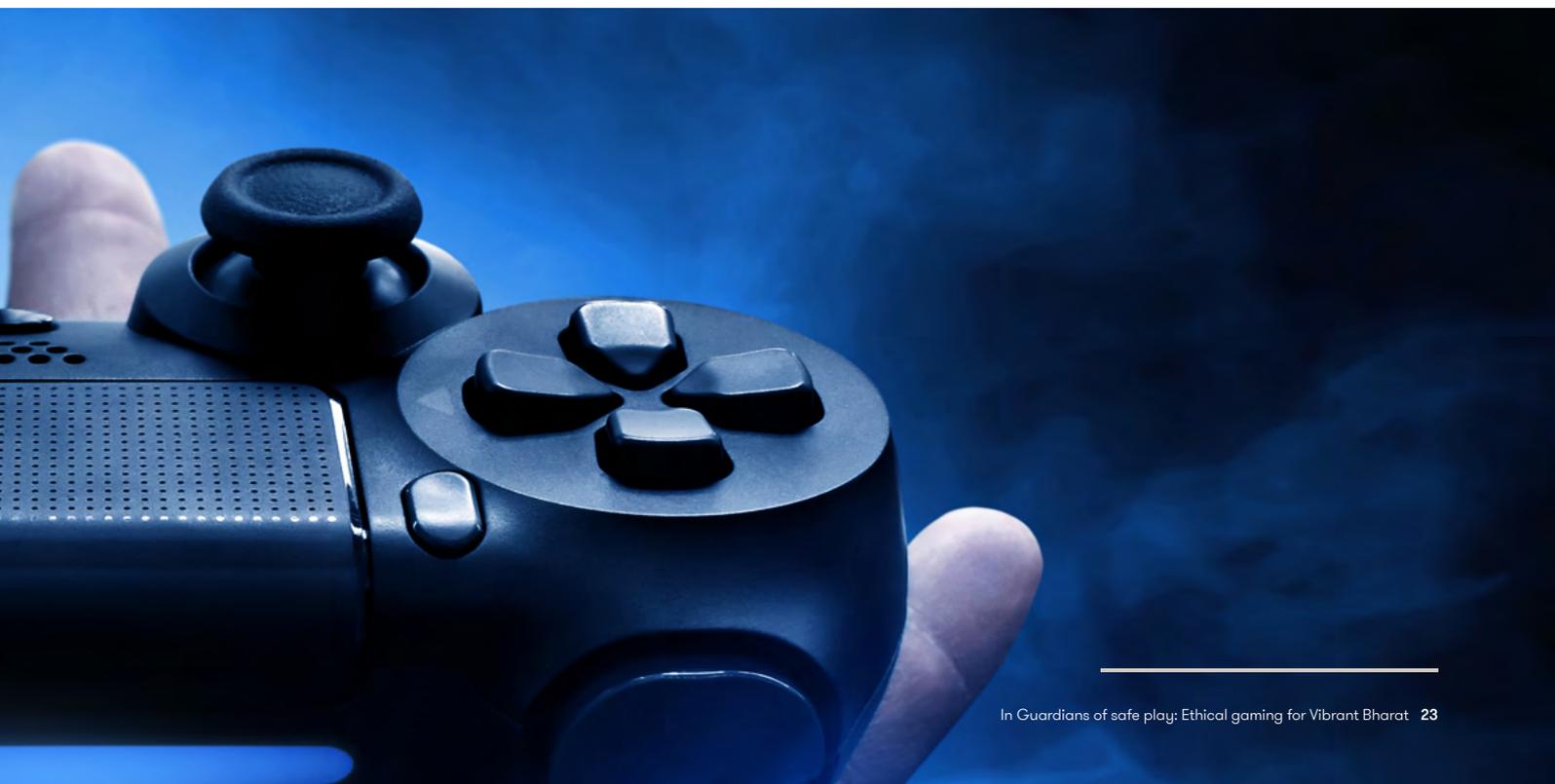
3.5 Financial safeguards in RMG: Funds and privacy (Anti-Money Laundering Guidance)

Money laundering poses significant risks in RMG, stemming from various factors unique to this digital landscape. One critical risk arises from the anonymity and pseudonymity that online platforms can offer, making it challenging to verify players' identities and trace the sources of funds accurately. This anonymity can be exploited by criminals to conceal illicit transactions within gaming accounts, creating a veil of secrecy around their activities.

Another substantial risk lies in the high transaction volume of online gaming platforms. The sheer number of transactions processed daily makes it easier for money launderers to blend their illegal funds with legitimate gaming activities, potentially evading detection by compliance teams. Moreover, the global nature of online gaming introduces cross-border transaction risks, allowing launderers to exploit jurisdictional variations in regulatory oversight to move funds discreetly.

The emergence of virtual currencies enables money launderers to transfer funds anonymously and rapidly across borders. Complex transaction patterns, involving multiple accounts and intricate layering techniques, pose additional challenges for traditional monitoring systems to detect suspicious activities effectively. Insider threats within gaming operators or payment processors also contribute to the risk, as insiders may collude with launderers to facilitate illicit transactions, circumventing standard security measures.

Money laundering cases in the online gaming industry have been on the rise. The Madras High Court emphasised the urgent need for a robust regulatory framework to govern modern and online games in India. Concerned by the increasing number of unemployed youths being lured into betting and losing money, the court highlighted the significant gap in comprehensive regulation for online gaming. Several such cases have also been reported in 2023 following the application of GST to online gaming.

> Online gaming industry has vulnerabilities across the customer onboarding life cycle especially with respect to identify and verification checks. Further, the online gaming business can also serve as a conduit for moving money if appropriate scenarios for identifying financial crime are not proactively tracked by the industry. Give the above financial crime is turning out to be a high priority area for the online gaming industry.

Vivek Iyer
Partner, FS Risk
Grant Thornton Bharat

The MeitY has introduced regulations for online RMG under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021. A proactive, multi-faceted approach is necessary to mitigate the risks associated with money laundering in online RMG. Key strategies include:

Robust KYC and AML policies:

- Implement stringent KYC procedures to verify the identity of players, including identity documents and verification checks.
- Enforce anti-money laundering (AML) policies that include transaction monitoring, suspicious activity reporting, and enhanced due diligence for high-risk transactions.

Enhanced due diligence:

- Conduct enhanced due diligence for high-risk customers, such as those making large transactions or exhibiting unusual gaming behaviour
- Develop risk profiles for players based on their gaming history, spending patterns, and account activity to flag high-risk behaviour for closer monitoring.

Geolocation and IP tracking:

- Use geolocation services to verify the physical location of players and detect any discrepancies or attempts to circumvent regional restrictions.
- Monitor IP addresses to identify suspicious logins or access from sunauthorised locations, flagging such activities for further scrutiny

Source of funds verification:

- Mandate players to provide documentation or proof of the legitimate source of their funds, especially for significant transactions or withdrawals.
- Conduct thorough due diligence on the source of funds, particularly for high-net-worth players or those with complex financial backgrounds.

Advanced transaction monitoring:

- Utilise sophisticated transaction monitoring tools that can detect unusual patterns, high-volume transactions, and other red flags indicative of potential money laundering.
- Employ advanced analytics and machine learning algorithms to analyse customer behaviour patterns and identify anomalies or deviations from normal gaming activity.
- Implement real-time monitoring to promptly identify and investigate suspicious activities.

By adopting these strategies and integrating them into a comprehensive risk management framework, online RMG platforms can strengthen their defences against money laundering and uphold the integrity of their operations.

3.6 Ethical marketing and responsible advertising

In the case of RMG, the outcome for players often correlates directly with their understanding of the game, level of experience, regular practice, and frequency of play. While chance factors in, RMG differs significantly from gambling in that it heavily relies on players' abilities rather than mere luck. Conversely, gambling predominantly revolves around luck, where players wager money on outcomes over which they have little control.

Misleading advertisements in RMG can be detrimental, particularly when they blur the line between skill-based gaming and gambling. Some RMG ads emphasise the allure of winning large sums effortlessly, potentially misleading consumers into believing success is solely a matter of luck. Consequently, these advertisements can be mistaken for gambling promotions, stirring ethical concerns among viewers.

It is crucial for RMG advertisers to ensure transparency and accuracy in their promotions, clearly delineating the skill-based nature of their offerings from pure games of chance. This transparency not only fosters trust amongst consumers but also helps mitigate moral apprehensions surrounding RMG advertising.

Lack of clarity between gaming and gambling

Industry stakeholders must be mindful of the narrative they present in advertisements, steering clear of associations that equate RMG with gambling. Emphasising factors such as ease of winning or maximum rewards with minimal effort can inadvertently blur the distinction between RMG and gambling, potentially undermining public confidence in the industry.

In accordance with the Public Gambling Act and recognising the necessity for safer and more responsible advertising practices, the Advertising Standards Council of India (ASCI) introduced guidelines in 2020. These guidelines are designed to ensure that RMG advertisements comprehensively informing users about the financial risks and other associated implications involved in participating in such activities.

Established in 1985, the Advertising Standards Council of India (ASCI) is dedicated to promoting self-regulation in advertising, safeguarding consumer interests. ASCI enforces its Code for Self-Regulation, mandating that advertisements adhere to standards of legality, decency, honesty, and truthfulness, while also avoiding hazards or harm and promoting fair competition. Consequently, The Ministry of Information and Broadcasting has urged broadcasters and advertisers to comply with ASCI guidelines, alongside recently issued advisories prohibiting advertisements for offshore-betting platforms. Some key points on guidelines include:

Age restriction: Gaming ads should not feature individuals under the age of 18 or suggest they can participate.

Disclaimer: Each gaming ad must include the disclaimer: "This game involves financial risk and may be addictive. Play responsibly and at your own risk." This disclaimer should occupy at least 20% of the advertising space.

Audio/video: The disclaimer must be placed at normal speaking pace at the ad's end, in the same language as the advertisement, in both audio and visual formats for audio-visual mediums.

Income opportunity: Ads must not promote "Online gaming for real money winnings" as an income opportunity or employment option.

> Key government bodies such as the Ministry of Information & Broadcasting, the Department of Consumer Affairs, and the Ministry of Electronics & Information Technology, support these guidelines to combat misleading and harmful gambling advertisements.

> At Head Digital Works, responsible marketing lies at the core of how we advertise. We believe in creating a long-term value proposition for our customers. This is not limited to adhering to regulatory requirements but a fundamental business imperative—one that differentiates us from the rest.
>
> Promoting responsible gaming has been a cornerstone of our marketing philosophy and it's visible across our promotions and products. Our offers and communications are founded on transparency from the time of inception through to their market launch. Our brand ambassador Shah Rukh Khan, through his influence and popularity, has effectively communicated the importance of safe play, encouraging users to engage in a balanced and mindful manner. We will continue to instil the habit of playing within limits. We strive to set a new standard for ethical practices that embody our core values of integrity and responsibility every step of the way.

Gunnidhi Singh Sareen
VP- Marketing Head
Digital Works

Summarising the don'ts of ethical marketing and responsible advertising:

Misleading communications:

- Avoid portraying, condoning, or encouraging behaviour that could lead to financial, social, or emotional harm.
- Any claims about monetary benefits must be factually true, with clear conditions stated in communications and on the landing page.

Use of 'cash' or 'money': Prohibit the use of 'cash' or 'money' in TV, radio, and billboard advertising.

Misrepresentation of solutions: Avoid suggesting that skill gaming with cash prizes can solve personal, professional, or educational failures.

Financial misrepresentation: Do not suggest that skill games with cash prizes are solutions to financial concerns or alternatives to employment.

Priority misrepresentation: Avoid portraying skill games with cash prizes as indispensable or prioritising them over family, friends, or other commitments.

Enhancement claims: Do not suggest that skill gaming with cash prizes can enhance personal qualities unless related specifically to the skill involved.

Forced participation: Do not show peers pressuring or forcing someone to participate in skill games with cash prizes.

Sexualisation: Avoid linking skill games with cash prizes to seduction, sexual success, or enhanced attractiveness.

Recklessness portrayal: Avoid portraying or linking skill games with cash prizes to recklessness.

Youth appeal misrepresentation: Do not create marketing likely to appeal specifically to children or young persons.

Targeting minors: Marketing should not intentionally target those under 18 years old.

Age-appropriate representation: No gaming advertisement may depict any person under the age of 18 years, or who appears to be under the age of 18, engaged in playing a game of 'Online Gaming for Real Money Winnings' or suggest that such persons can play these games.

Chance vs. skill: Do not portray skill-based RMG as a game of chance.

Criminal or anti-social behaviour: Do not condone or encourage criminal or anti-social behaviour.

Work environment distraction: Do not feature skill games with cash prizes in a work environment in a way that de-prioritises professional commitments or disturbs the work environment.

3.7 Fostering sustainable growth within the gaming ecosystem

The EGF certification, much like a badge of honour, represents a commitment to fair play and responsible gaming standards. Through audits, operators showcase their dedication to these principles. This certification not only reassures players and stakeholders of the operator's focus on player protection, ethical conduct, and integrity but also establishes trust within the gaming community. It signifies the thorough evaluation of operators against the CoC parameters and benchmarks, followed by independent audits by a third party to ensure compliance.

In cultivating a sustainable and responsible environment within the RMG sphere, a collaborative effort amongst various stakeholders is key. Regulatory bodies acts as guardians of integrity, ensuring that game development and gameplay adhere to ethical standards, thereby prioritising player well-being and fairness. Gaming operators play a pivotal role in fostering trust and transparency, championing integrity within platforms to safeguard player data and control cheating.

Financial partners invest in initiatives committed to ethical gaming practices, advocating for responsible gaming measures and financial transparency. Meanwhile, technology providers strive to fortify the security and reliability of gaming platforms, erecting robust defenses against fraud and safeguarding player privacy. Content providers are entrusted with delivering diverse and ethically sound gaming experiences, fostering responsible gambling behaviour while catering to player preferences.

Industry associations and self-regulatory bodies collaborate to establish and enforce ethical standards, conducting audits and promoting transparency to uphold the integrity of the RMG sector. Media outlets bear the responsibility of reporting on ethical issues and developments accurately, fostering informed discourse and awareness. Entrepreneurs drive innovation, crafting ethical solutions to industry challenges, and player welfare in their ventures.

Lastly, investors play a pivotal role in shaping the landscape of RMG, directing their support toward initiatives aligned with ethical values and player welfare. Through this collective effort, a sustainable and responsible gaming environment can thrive, ensuring the well-being and integrity of both players and the industry .

3.8 Recommendations: International models for governing RMG

Recommendation	Description
Comprehensive regulatory Framework	Develop a comprehensive framework covering all aspects of online gaming. Collaborate with experts to balance innovation, consumer protection, and revenue.
Player protection and responsible gaming	Implement age verification, self-exclusion options, and awareness campaigns. Encourage responsible gaming practices.
Transparency and fairness	Mandate transparency in game mechanics, odds, and payouts. Regularly audit platforms for fairness.
Data privacy and security	Align regulations with data protection laws. Define guidelines for handling player data and cybersecurity.
Promotion of skill-based games	Encourage development of educational and skill-based games.
Taxation and revenue generation	Continuously review GST rates. Explore alternative taxation models.
Industry collaboration and self-regulation	Encourage self-regulation and ethical practices within the industry.
Research and data collection	Study the impact of gaming on mental health, demographics, and spending patterns.
Education and awareness	Educate players, parents, and educators about safe gaming practices.
International best practices	Learn from successful regulations in other countries. Participate in global forums.
Protecting minors	UNICEF's recommendations emphasise various aspects of gaming, including promoting healthy gaming habits, ensuring inclusivity and representation, fostering safe and non-toxic environments, implementing appropriate age limits and verification measures, addressing issues related to grooming and sexual abuse, and managing the impact of commercial influence.
Support to vulnerable players	Impose strict time limits and spending limits

Our recommendations underscore the importance of learning from global frameworks. The US employs a combination of federal and state regulations, including the Communications Decency Act (CDA) and the Child Online Protection Act (COPA), to address online content and video games. South Korea actively regulates online gaming to address addiction and intellectual property protection, providing a model for collaborating with industry bodies on responsible gaming initiatives. Canada's provincial regulations offer a template for considering regional regulatory bodies to manage gaming markets effectively. European countries like the UK and France have well-established legal frameworks for gambling and online gaming. Australia's state-level regulation emphasises responsible gambling practices, which could be emulated through awareness campaigns and self-exclusion options. Additionally, engaging in global collaboration to share experiences and learn from successful regulatory practices worldwide is crucial. To shape Vibrant Bharat, it is essential to strike a balance between innovation, consumer protection, and economic growth, tailoring global models to India's cultural and social context.

- Ensuring that minors are protected remains paramount. The UNICEF's 'Recommendations for The Online Gaming Industry on Assessing Impact on Children' can serve as a source of inspiration to ensure greater emphasis on promoting healthy gaming habits, inclusivity, safe environments, age-appropriate measures, and addressing issues like grooming and commercial influence. The Government of India is considering implementing stricter regulations on online games to address concerns about gaming addiction, particularly amongst children and young adults. According to the Ministry of Electronics and IT, "measures to protect users from financial loss and gaming addiction include: issuing repeated warning messages at higher frequencies beyond a reasonable gaming session duration, and enabling users to set self-exclusion limits based on their own time and money spending preferences."

04

Risks and mitigation practices

4.1 Risks faced by companies in the e-gaming space

1. Cyber risk

Phishing and credential stuffing, Distributed Denial of Service (DDoS) attacks, and vulnerabilities in gaming software are some of the main cyber risks.

Best risk mitigation practices: Web applications and APIs are essential to the gaming industry, enabling online multiplayer experiences and in-game purchases. However, they also introduce vulnerabilities that attackers exploit. Ensuring robust security for these technologies is crucial to protect user data and maintain the integrity of the gaming ecosystem. To combat with DDoS attacks, which has significantly picked up pace in India, identifying the vulnerabilities and securing them with firewalls and other security measures is essential. Additionally, deploying DDoS mitigation tools and partnering with third-party DDoS security providers are effective strategies to combat malicious traffic and bolster protection against cyber threats.

> In the rapidly growing RMG sector, cybersecurity risks are critical due to sensitive data and financial transactions. RMG platforms are prime targets for cybercriminals seeking to steal personal and financial information. High transaction volumes increase susceptibility to payment fraud. Implementing robust transaction monitoring and secure payment gateways is essential.
>
> Phishing and credential stuffing attacks threaten user accounts. Multi-factor authentication (MFA) and regular security audits help protect accounts. DDoS attacks can cause downtime and financial losses; advanced DDoS protection and resilient network architectures are crucial.
>
> Gaming software vulnerabilities can be exploited to manipulate outcomes or gain unauthorised access. Regular updates, patch management, and rigorous security testing are critical. Insider threats from employees require strict access controls, activity monitoring, and a strong security culture.
>
> Adhering to regulations like GDPR, PCI-DSS and local gaming laws is essential to protect user data and avoid legal repercussions. Securing RMG platforms demands advanced defenses, robust policies, and continuous monitoring to protect users and maintain platform integrity.

Jaspreet Singh
Partner, Cyber and IT Risk
Grant Thornton Bharat

2. Regulatory risk

The online gaming companies are increasingly governed by various laws and regulations, and any adverse regulatory developments could impact business operations negatively, leading to severe consequences for non-compliance.

Recent regulatory developments in India, including the 2021 Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, Amendments Related to Online Gaming, Gazette Notification (2023), Data Protection Bill (DPDPA), revised Tax Deduction at Source (TDS) policies, etc. affect customer retention, necessitating careful navigation by industry players.

Furthermore, KYC processes add complexity. Despite government clarification, ambiguity in specific compliance standards persists. Companies implement varying levels of KYC, creating competitive disparities and customer friction. Clear, standardised KYC regulations are essential for customer trust and safety. Start-ups and smaller companies struggle with limited resources for developing robust KYC processes, leading to customer dropouts. Additionally, a lack of clarity regarding officially valid documents (OVDs) further complicates KYC verification.

Risk mitigation practices: This needs establishing lasting partnerships with local governments and authorities to proactively adapt to evolving laws and regulations, thereby mitigating the risks associated with non-compliance. It is paramount for online gaming companies to prioritise regulatory obligations and meticulously manage statutory compliance are paramount for gaming companies to effectively mitigate risks and ensure adherence to regulatory standards.

Moreover, in streamlining KYC processes, gaming companies are increasingly integrating with high-accuracy KYC solutions to minimise manual reviews. Automation reduces time and costs, enhancing operational efficiency. Viewing the KYC process as continuous, companies need a well-defined roadmap outlining tasks and timelines to keep data up-to-date and accurate.

To combat fraud, proactive measures are vital, including identifying patterns and segmenting users based on withdrawal activities. Core KYC and name-based duplication help reduce identity theft, while technological solutions, such as analysing device history and play data, assist in creating fraud profiles and detecting potential fraudsters.

3. Operational risk

Online gaming companies face high operational risks due to several factors, making effective mitigation practices crucial for survival in this competitive industry. Firstly, user acquisition costs and lifetime value to customers acquisition cost (LTV/CAC) ration in the online gaming industry are vulnerable to frequent changes by app distribution platforms. Secondly, regulatory uncertainties, including shifts in tax regimes and varying legal interpretations of games of skill vs. chance, pose significant challenges. Thirdly, protecting intellectual property (IP) and exclusive media rights is critical; any IP infringements can result in substantial financial losses, prolonged litigation, and operational disruptions, which can hinder industry growth and stability. Proactively addressing these issues through strategic partnerships, robust legal frameworks, and continuous monitoring of regulatory landscapes can help mitigate these risks.

Risk mitigation practices: To mitigate these risks, gaming companies can collaborate with numerous partners to stay ahead of platform changes. Building a skilled in-house team to quickly adapt to new norms is also essential. To address legal uncertainties, companies can actively work with industry leaders and government agencies to educate stakeholders on the distinction between games of skill and chance. For securing intellectual property and media rights, companies must register their intellectual property with the Office of the Controller General of Patents, Designs, and Trademarks under the Department for Promotion of Industry and Internal Trade.

4. Financial risk

Online gaming companies face significant financial risks, including market risk, credit risk, and liquidity risk.

Market risk: This is the risk from fluctuations in market prices, particularly impacts financial instruments such as deposits, mutual funds, and debt investments. It encompasses interest rate, currency, and other price fluctuations, posing challenges for companies operating globally, especially regarding foreign currency exposure. The impact of market volatility on future cash flows and fair values necessitates proactive risk management strategies to safeguard financial stability and operational continuity.

Credit risk: This refers to the risk of financial loss when a counterparty fails to fulfill its obligations under a financial instrument or consumer contract. The company faces credit risk primarily through operational activities such as trade receivables and financing activities.

Liquidity risk: This is the risk associated with the company's inability to meet its financial obligations as they become due.

Additionally, gaming companies frequently depend on volatile revenue sources such as in-game purchases and advertising. Variations in user engagement, consumer spending, and economic climates can disrupt revenue stability. Moreover, the development and upkeep of games can be costly, particularly for extensive projects or those integrating advanced technologies, potentially leading to budget overruns or project delays, which can strain financial resources.

Risk mitigation practices: Risk mitigation practices should be robustly enforced by senior management, ensuring that the company's financial operations adhere to appropriate regulations and processes. Financial risks must be identified, measured, and managed according to the company's policies and risk objectives.

One effective strategy to manage credit risk involves internal credit rating system, which categorises financial instruments into low, moderate, or high credit risk based on various criteria. Additionally, senior management must oversee procedures and policies related to liquidity risks, analysing net liquidity using rolling predictions of cash flows. The company's liquidity risk policy can prioritise maintaining sufficient cash reserves and investing in liquid mutual funds to cover operational needs.

5. Technological disruptions:

Today, AI is a game changer, creating realistic environments and personalised experiences for players. Games are evolving to adapt to individual player preferences, marking a significant shift in the gaming landscape.

Risk mitigation practices: Staying ahead of the technological curve and embracing new trends is crucial. Proactive investment in R&D and strategic partnerships can help companies navigate these disruptions effectively.

A summary of risks, challenges, and mitigation strategies that we need to understand before developing a comprehensive CoC framework to address risks across the industry are tabulated below.

Risks	Challenges	Mitigation strategies
Fraud risk	Rigged algorithms, use of bots for cheating, identity theft, money laundering, collusion among players, payment fraud (such as unexpected fees, delayed withdrawals, and use of unauthorised credit card), unauthorised access to personal data, and deceptive advertising, leading to concerns about fairness and privacy.	Enforcing transparent algorithms and conducting regular audits for fair play, imposing strict prohibitions on bot usage, establishing stringent identity verification measures, leveraging AI for gameplay monitoring, guaranteeing transparent fees and secure payments, and implementing robust data encryption and access controls.
Behavioural risk	Addiction risks stemming from constant access, immersive gameplay, allure of quick rewards, potentially leading to negative impacts on self-esteem and emotional well-being through adverse gaming encounters. Additionally, compulsive gaming behaviour may result in neglect of real-life obligations and responsibilities.	Offering players an online self-assessment questionnaire to identify gaming disorder symptoms and referring those in need to specialists for consultation, self-exclusion programme for players to voluntarily exclude themselves, automatic limit-setting options that enable players to control gaming time and spending, easy account closure, a dedicated web page on responsible gaming provides resources and support.
Cyber risk	Phishing, malware attacks, DDoS threats, insider misuse, third-party vulnerabilities, and data breaches, pose significant challenges. These risks target player data, disrupt services, and threaten platform reputation	Ensure strict compliance with IT security rules and regulations, encrypting player data with TLS/SSL, mandating Random Number Generator (RNG) & No Bot certificate, deploying DDoS protection services, implementing access controls, monitoring systems, and prohibiting employee from participation.
Reputation and trust risk	Security breaches, unfair gaming practices, poor customer service, lack of transparency, regulatory non-compliance, and negative publicity can damage player trust and the platform's reputation.	A strong CoC showcases the company's commitment to responsible gaming, data protection, regulatory compliance, ethical marketing, and player support. This builds trust with players, enhances credibility with regulators, and fosters a positive image in the public eye.
Regulatory oversight risk	Meeting strict licensing requirements, implementing Anti Money Laundering/KYC measures, ensuring responsible gaming, maintaining data privacy, adhering to advertising standards, securing payment processing, and protecting consumers. Addressing emerging technologies like blockchain and virtual currencies adds further complexity.	Serves as a framework for gaming companies to comply with existing regulations and adapt to evolving legal landscapes by enforcing guidelines for data protection and anti-money laundering measures such as customer due diligence, transaction monitoring, disclosures on websites etc.

4.2 Recommendations

1. Robust regulatory framework: As part of the framework, there is an urgent need to revamp laws to tackle cyber threats. India's new online gaming rules lack efficacy in addressing sectoral threats as they solely target games involving real money, leaving microtransactions unregulated. The absence of loot box regulations and oversight on virtual currency purchases poses significant challenges, necessitating immediate attention and alignment with global best practices to safeguard players, especially minors.

Incorporating the issue of microtransactions and loot boxes into existing gaming laws is crucial. While an outright ban on games employing these might be construed to be extreme by both developers and consumers, there are milder steps that can be taken.

Moreover, tackling money laundering in video games poses a challenge due to the complexity of tracing virtual currency transactions. Indian laws must also address the leakage of sensitive information through gaming platforms, necessitating robust content moderation.

Furthermore, empowering agencies to investigate online gaming from the viewpoint of consumer interest protection to check the predatory practices of video game developers can be another effective measure.

2. Standardised KYC processes: Gaming companies are looking at MeitY to lay down the KYC process that is standardised for all. This standardised verification methods are likely to offer clarity and ease of navigation for customers, thereby reducing the burden on gaming companies.

• Enhance user experience and reduce drop-offs by offering customers multiple options for OVDs and automatic switching between them when one option is unavailable.

Drawing from global regulatory models, India could craft a framework that promotes ethical practices, safeguards young players, and drives economic growth. By encouraging collaboration between regulatory bodies and the gaming industry, India can establish a stable, predictable environment that supports rapid innovation and positions the country as a global leader in the gaming sector. Through thoughtful regulation and industry cooperation, India can achieve a vibrant, sustainable gaming ecosystem that aligns with its unique cultural and social context.

Acknowledgements

Notes

Notes

We are
Shaping Vibrant Bharat

A member of Grant Thornton International Ltd., Grant Thornton Bharat is at the forefront of helping reshape the values in the profession. We are helping shape various industry ecosystems through our work across Assurance, Tax, Risk, Transactions, Technology and Consulting, and are going beyond to shape a more #VibrantBharat.

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