

GAMBLING AWAY INDIA'S SOVEREIGNTY

WHITEPAPER ON

ILLEGAL GAMBLING AND BETTING IN INDIA:

RISKS, CHALLENGES, AND RESPONSES

BY

LT GENERAL VINOD G. KHANDARE, PVSM, AVSM, SM

VINIT GOENKA

Contents

Executive Summary	3
Introduction	4
Size of the Illegal Gambling and Betting Market.....	6
Gaming vs. Gambling in India.....	8
Legal Jurisprudence	8
Legitimate Online Skill-based Startup Economy.....	10
Factors Contributing to Growth of Illegal Gambling and Betting in India	12
Lack of Comprehensive Regulation.....	12
Internet and Globalization	14
Increased Economic Growth and Disposable Income	14
Increase in Mobile Device Usage.....	14
Growth of Virtual Currency/Cryptocurrency.....	14
Challenges Posed by Illegal Gambling and Betting Operators in India.....	16
National Security	16
Compromising Indian Financial Ecosystem	17
Loss to Exchequer	19
Data Pilferage and Data Protection	19
Concerns Relating to Consumer Protection	20
Concerns Relating to Cybersecurity and Cybercrimes.....	21
Unknown foreign funding and ownership patterns.....	21
Responses to the situation	23
Option 1: Status Quo	23

Option 2: Sensitise states to deal with the issue.....	23
Cultural and Social realities	23
Psychological Research and its implications	24
Enforceability Concerns.....	25
Option 3: Surgically remove bad-operators and cannibalize the illegal market with legal options/alternatives.....	29
Increased Transparency and Enforceability	29
Encouraging domestic operators as a viable option.....	30
Recommendations.....	31
Additional Resources.....	33
Annexure 1: Indicative list of top illegal offshore betting/ gambling operators.....	34
Annexure 2: Selected news reports of data-pilferage, cybercrimes, financial crimes, and predatory market practices used by illegal gambling sector.	36

Executive Summary

The proliferation of illegal betting and gambling sites has been a social concern in India.

Lately this challenge has taken on a more sinister form, creating risks around national security, data sovereignty, cybercrimes, and questionable foreign funding of such operators that are operating in safe havens away from India's enforcement agencies.

While the digital revolution in India has been a significant lever of India's growth story, it also brings the risk of exposing India's citizens to predatory illegal content and apps. The exposure to offshore betting and gambling apps, often disguised as gaming apps, has complicated traceability and enforceability while making Indian users and their data vulnerable to rogue investors across the border that leverage such apps for nefarious activities (most notably China).

Furthermore, psychologists and anthropologists opine that play-for-money is an intrinsic part of the human condition. This means that mandating or policing a no-gaming environment is unlikely to be successful. Ever so more in an era of VPNs, proxies, and masking; absolute bans may be untenable to begin with.

Through these roundtables and consultations, we discuss the risks, challenges, and way-forward to resolve this complex challenge.

In summary, we recommend a three-pronged approach to protecting India and its citizens from the illegal betting industry:

- A. An in-depth understanding of the illegal, offshore, betting/gambling operators as a threat to national security, data-sovereignty, and citizens' interest.
- B. Acknowledging that human beings have a deep-rooted psychological and natural tendency/propensity to engage in games and sport involving money.
- C. Therefore, creating and promoting a regulated, domestic, e-gaming market (including measures to ensure transparency, oversight, and consumer interest) as an alternative.

Introduction

In July 2023, the Parliamentary Standing Committee on Finance presented a report identifying four major trends in cybercrime.¹ Notably, one of these trends includes the use of international online betting sites for purposes such as money laundering.

In the same Report, the Financial Intelligence Unit ('FIU') flagged several concerning trends. One major issue was the discovery of suspicious transactions linked to offshore illegal betting and gambling companies, which were primarily registered in countries like Curacao, Malta, and Cyprus. Despite being registered overseas, these websites were found to be connected to Indian bank accounts.² The analysis of financial transactions linked to these companies revealed that these sites collected money from individuals under false pretenses and diverted to a few individuals and entities, mostly those based abroad, and used for purchasing cryptocurrency.

In recent times, Asia has garnered a notorious reputation as a hotspot for illegal gambling activities involving organized crime. The region's complex relationship with gambling has made it fertile ground for criminal enterprises. According to the United Nations (2021), *while no region is immune to the problem of illegal gambling and betting, available evidence suggests that Asia-Pacific States are particularly affected by both the supply of and demand for this type of illicit activity.*³

Macau, often referred to as the "Monte Carlo of the East," is a prime example of how Asia has been a magnet for illegal gambling operations. Furthermore, numerous unregulated and offshore betting websites based in Asia or catering to Asian clientele provide a convenient avenue for illegal gambling and betting. Organized crime groups use these platforms to place bets and launder money across borders, exploiting the lack of domestic and international coordination and regulation.

The widespread and prevalent illegal betting and gambling operations across the Asian subcontinent have led to adverse spillover effects in India. This includes the outflow of foreign exchange and the emergence of money laundering and other illicit activities, as emphasized by the Parliamentary Standing Committee on Finance, raising significant concerns.

¹ *Standing Committee Report Summary Cyber Security and Rising Incidence of Cyber Crimes*, PRS Legislative, <https://prsindia.org/policy/report-summaries/cyber-security-and-rising-incidence-of-cyber-crimes>.

² Offshore betting firms listed selling groceries as biz activity to open bank accounts: FIU to Parliament Standing Committee, G2G News (August 1, 2023), <https://g2g.news/online-gaming-laws/offshore-betting-firms-listed-selling-groceries-as-biz-activity-to-open-bank-accounts/>.

³ "Global Report on Corruption in Sports" United Nations Office on Drugs and Crime (UNODC) (2021)

Size of the Illegal Gambling and Betting Market

According to the 2021 Global Report on Corruption in Sport from the United Nations Office on Drugs and Crime ('UNODC'), the size of the illegal market for betting and gambling is estimated to be around \$350 billion and \$1.7 trillion respectively. This is to date is considered the most authoritative report on the subject. ⁴

In India, despite regulatory restrictions, the illegal better market receives an estimated \$100 billion per annum in deposits. While there is scarcity of statistics on the subject, independent statistics suggest that this market grew at 7% CAGR from 2012 to 2018.⁵ In addition to this, it is expected that the market will grow at an annual rate of 30% in the coming years due to regulatory uncertainty surrounding the sector.⁶

⁴ "Global Report on Corruption in Sports" United Nations Office on Drugs and Crime (UNODC) (2021)

⁵ *Offshore betting platforms to mushroom in the absence of regulating authorities, reveals Think Change Forum report,* Financial Express, March 13, 2024: <https://www.financialexpress.com/business/brandwagon-offshore-betting-platforms-to-mushroom-in-the-absence-of-regulating-authorities-reveals-think-change-forum-report-3280423/>.

⁶ *Ibid.*

Gaming vs. Gambling in India

Legal Jurisprudence

In the Indian legal framework, the distinction between gaming and gambling is crucial, and hinges on the concept of games of skill versus games of chance. The Public Gambling Act, 1867 ('PGA'), a pre-independence era statute enacted during the British colonial rule prohibits gambling. *Section 12* exempts “any game of mere skill” from the provisions of the enactment.

Post independence, states were provided legislative competence to legislate on the subject of ‘gambling’ and ‘betting’. As a result, many states adopted PGA with minor modifications. Therefore, while games categorized as ‘games of skill’ enjoy legitimacy and constitutional protection under *Article 19(1)(g)*, those falling under the category of ‘gambling’ or ‘games of chance’ are predominantly prohibited, barring certain states where a licensing regime is mandated for their operation.

‘Games of skill’ are predominantly dependent on the player’s skills, expertise, knowledge, experience etc. For example, judicially approved games such as fantasy sports, rummy, poker, chess etc.

‘Games of chance’ are dependent on randomness and luck, sidestepping the player’s skills, knowledge, or experience. In such games, outcomes are determined by chance rather than skills thereby restricting players’ influence over the outcome. For example, casinos, lottery, satta, sports betting etc.

The power to regulate and enact legislation in relation to online games, specifically those which do not involve any form of betting and gambling is vested with the Union Legislature of India. This is established on the basis of 3 entries in List I,⁷ i.e., Union List of the Seventh Schedule of the Constitution of India which when read with Article 246 of the Constitution of India provides for the matters in which the Union Legislature has exclusive jurisdiction to legislate upon.

Consequently, in pursuance of its powers under the Constitution and the Information Technology Act, 2000 ('IT Act'), the Ministry of Electronics and Information Technology ('MeitY') took a significant step in April 2023 by introducing a new central regulatory framework for online gaming. Leveraging its rule-making authority, MeitY enacted amendments to the IT Rules 2021 ('Online Gaming Rules') to effectively regulate online gaming.

⁷ Entry 31 (wireless, broadcasting and other like forms of communication); Entry

In addition to the legislative actions, the judiciary has extensively elaborated on the concept of “mere skill,” articulating that games where success is more a result of skill than chance are not classified as gambling but are recognized as games of skill.

In pivotal cases such as *State of Andhra Pradesh v K. Satyanarayana & Ors.*⁸ and *State of Bombay v R.M.D. Chamarbaugwala*,⁹ the Supreme Court scrutinized the game of rummy, differentiating between skill and chance. It ruled that rummy qualifies as a game of skill, unlike chance-based games such as ‘Teen Patti Flush’. While acknowledging the element of chance inherent in card-based games due to the unpredictability of shuffled decks, the SC upheld rummy’s classification as a skill-based game as it requires the player to memorize the sequence of falling cards and strategically determine which cards to hold or discard in order to build a strong hand.

This recognition acknowledges games of skill as business activities, protected by *Article 19(1)(g)* of the Constitution, which guarantees the right to practice any profession or engage in any occupation.

⁸ State Of Andhra Pradesh vs K. Satyanarayana & Ors, 1968 AIR 825: <https://indiankanoon.org/doc/84963/>.

⁹ The State of Bombay vs R. M. D. Chamarbaugwala, 1957 AIR 699: <https://indiankanoon.org/doc/212098/>.

Legitimate Online Skill-based Startup Economy

Due to the constitutional protection afforded to games of skill, in recent years, India has seen growth of sophisticated, technology-driven online skilled-based gaming startups. India currently boasts a thriving online gaming ecosystem with around 1330 homegrown startups generating revenue of \$2.8 billion and is projected to grow at a CAGR of 21% to over \$7 billion by 2026.¹⁰ Pay-to-Play gaming is expected to command 83% of this revenue share. Further, forecasts suggest that AI and online gaming could contribute as much as \$300 billion to India's GDP by FY 2026-27.¹¹

As one of the fastest growing segments within the digital economy and a key player in achieving the trillion-dollar digital economy goal, it currently comprises 42.5 crore gamers, employs more than one lakh skilled workers and is poised to create 2.5 lakh jobs by FY25.¹² Between FY 2020 and FY 2024, the sector attracted investments worth INR 22,931 crore from both domestic and international sources, demonstrating its compelling potential and growth prospects.¹³

The industry also makes a substantial contribution to the national treasury. According to recent estimates, online gaming companies registered under the new GST regime have contributed INR 3,500 crores in the October-December quarter.¹⁴ Furthermore, the central government expects to collect up to INR 14,000 crores in GST from this sector in the upcoming financial year.¹⁵ It is expected that this sector would contribute approximately INR 80,000 crore in the next five years.

Given its robust interconnection with other segments of the digital economy, the expansion of the online gaming industry inherently yields positive network effects throughout the entire spectrum of the IT and ITES sector. It diversifies employment opportunities in emerging technologies, offering roles in game publishing, payment solutions, smartphone manufacturing, and network services.

¹⁰ Invest India, available at <https://www.investindia.gov.in/team-india-blogs/gaming-culture-india-rising-phenomenon#:~:text=Conclusion,revenues%20at%20INR%20183%20Bn>.

¹¹ "AI, online gaming can add up to \$300 billion to India's GDP by 2026-27: Rajeev Chandrasekhar," The Economic Times, October 12, 2023: <https://economictimes.indiatimes.com/tech/technology/ai-online-gaming-can-add-up-to-300-billion-to-indias-gdp-by-2026-27-rajeev-chandrasekhar/articleshow/104379846.cms?from=mdr>.

¹² "New frontiers - Navigating the evolving landscape for online gaming in India," EY, December 2023: https://www.ey.com/en_in/news/2023/12/india-s-online-gaming-market-to-reach-inr-16428-crore-in-fy-23-to-enable-250000-jobs-in-india-by-2025-ey-report.

¹³ Id.

¹⁴ "Govt aims to collect \$1.7 billion revenue from online gambling tax in FY25," Business Standard, February 03, 2024: https://www.business-standard.com/economy/news/govt-aims-to-collect-1-7-billion-revenue-from-online-gambling-tax-in-fy25-124020300690_1.html.

¹⁵ Id.

Note: For the purposes of the document - illegal gambling and betting includes both offshore and domestic gambling and betting operators (except in states where it is legal). And online gaming refers to legitimate and constitutionally protected skilled based games.

Factors Contributing to Growth of Illegal Gambling and Betting in India

The illegal online gambling and betting market in India is flourishing due to a confluence of inter-related factors:

Lack of Comprehensive Regulation

India's existing legal framework for online gaming is markedly inadequate, acting as a significant driver behind the widespread emergence of illegal gambling and betting operations. The lack of a comprehensive regulatory mechanism for online gaming provides a conducive environment for the operation of illicit gambling and betting entities, allowing them to flourish without facing legal repercussions.

The central legislation, the PGA, as described earlier, is a statute from the British colonial era that exempts 'games of skill' from its prohibitions but fails to outline any operational guidelines for such games. Moreover, since the Act's enactment during the British period, there has been a significant evolution in the nature and mechanism of 'games of skill,' transitioning from the physical realm to the online ecosystem.

Recognizing this gap and the rapid increase in online gaming users, in April 2023, the MeitY took a significant step by introducing a new central regulatory framework for online gaming. The Online Gaming Rules aim to establish a light-touch, co-regulatory approach. These rules ushered in a new era of responsible online gaming through strict guidelines for ensuring safety of Digital Nagriks and accountability of the online gaming industry.

Under the Online Gaming Rules, online games and online real money games verified as "permissible" by self-regulatory bodies ('SRBs'), i.e., "permissible online games" and "permissible online real money games" ('PORMGs') are allowed to be offered. One of the prescribed conditions under the Online Gaming Rules for verification as a PORMG is that the online real money game "does not involve wagering on any outcome".

Hence, with the implementation of these rules, MeitY sought to ensure the availability of exclusively legitimate online games while weeding away prohibited gambling and betting. However, the progress in regulating the sector has been impeded due to delays in the notification of SRBs.

The absence of clear regulatory guidelines has escalated the presence of illegal operators, raising significant concerns regarding national security, data security and the privacy of digital nagriks. The absence of a clear regulatory regime, as noted in the Law Commission

of India report, *Legal Framework: Gambling and Sports Betting Including in Cricket in India*:¹⁶

“8.16 Some of the major problems related to illegal gambling and betting activities are the exponential growth of illegal trade and commerce, and corrupt practices such as spot-fixing and match-fixing being employed in sports, particularly cricket, the most popular sport in India. Left unregulated, this problem could further manifest and grow uncontrollably.”

The issue has not gone unnoticed. In December 2023, the Minister of State for Finance, Mr. Pankaj Chaudhary informed Lok Sabha that MeitY had blocked a total of 174 betting and gambling related applications under *Section 69A* of IT Act, 2000.¹⁷ In the past, MeitY has issued blocking orders against 22 offshore betting apps and websites, following investigations conducted by the ED against illegal betting app syndicates.

However, it is imperative to acknowledge that the piecemeal strategy, characterized by periodic blocking orders under *Section 69A* of the IT Act, has proven ineffective in yielding the desired outcomes. The dynamic nature of the internet, coupled with the ingenuity of illegal operators in replicating themselves through new domains and adopting novel and deceptive tactics to target potential users, underscores the urgent need for regulators and policymakers to embrace a more comprehensive approach in combating this menace.

The issue is further compounded by the state level bans on legitimate skill-based gaming. For instance, in Telangana, the government’s blanket ban on all online games in 2017 led to a surge in illegal online gambling activities, exemplified by a Chinese firm allegedly operating a massive illegal gambling racket worth over Rs. 1100 crore in the state.

Additionally, it's important to highlight that the government introduced a new Goods and Services Tax (‘GST’) framework for online gaming, effective from 1 October 2023. This framework mandates that online gaming operators pay a 28% tax on deposits. Following the announcement of this new policy, illegal gambling and betting sites have taken advantage of the situation. They are deceiving consumers into joining and participating on their platform on the pretext of exemption from any GST or taxation obligations.

¹⁶ “*Legal Framework: Gambling and Sports Betting Including in Cricket in India*,” Report No. 276, Law Commission of India: <https://cdnbbsr.s3waas.gov.in/s3ca0daec69b5adc880fb464895726dbdf/uploads/2022/08/2022081655-1.pdf>

¹⁷ “*India's government blocked 174 betting and gambling sites*,” Economic Times, December 11, 2023: <https://economictimes.indiatimes.com/industry/media/entertainment/indias-government-blocked-174-betting-and-gambling-sites/articleshow/105902632.cms?from=mdr>.

Internet and Globalization

According to the United Nations, over the past two decades, online illegal gambling and betting has expanded as a result of the massive growth in Internet use, the globalization of sports viewing and the consequent popularity of betting on sports. The Internet has allowed the operators of online gambling platforms to reach larger audiences in locations where gambling is considered illegal. The operators often exploit existing political or legal situations to strategically host online gambling platforms in these locations where they cannot be easily spotted by local authorities. Gambling interfaces, which could act as proof of illegal activity, are often placed behind doorways.

Further to this, social media and messaging platforms are playing a significant role. These platforms are mostly used for advertising and promotions of services, while messaging apps are used for private peer-to-peer communication, invite-only group discussions and real-time betting.

Increased Economic Growth and Disposable Income

In the first decade of the 21st century, most countries in Asia including India experienced significant economic growth. India posted growth of 7.3% and this growth led to a corresponding increase in disposable income for a large number of people, giving them more money to spend on gambling and betting, which is a popular recreational pursuit.

Increase in Mobile Device Usage

Mobile usage in India grew rapidly in the last decade, again largely as a result of the increase in disposable income and low-cost internet. India currently hosts the world's second-largest internet population at over 1.2 billion users in 2023. Of these, 1.05 billion users accessed the internet via their mobile phones. This penetration has provided online illegal operators an efficient platform to deliver their products to customers.

Growth of Virtual Currency/Cryptocurrency

The emergence of modern alternative payment systems has exacerbated the challenges associated with illegal betting and gambling. These systems enhance the ease, accessibility, and user-friendliness of financial transactions, thus providing illicit operators with more discreet methods to carry out their activities.

Cryptocurrencies, for instance, have become a favored medium for transactions in the realm of illegal betting and gambling. The capability for cryptocurrencies to facilitate

peer-to-peer transactions without the necessity of banking intermediaries introduces significant risks regarding anonymity, thereby enabling their use for illicit purposes.

Moreover, instant peer-to-peer payment systems, also known as P2P payments or money transfer apps, which collaborate with hundreds of financial institutions, offer a mechanism to purchase Bitcoin. This Bitcoin can then be transferred to accounts held with sports betting operators. These systems, promoting anonymity, are operable across the internet on a global scale, further complicating the fight against illegal betting and gambling activities.

Challenges Posed by Illegal Gambling and Betting Operators in India

National Security

The exponential growth of the offshore industry poses a grave threat to India's national security, as illicit funds are siphoned out of the country through various nefarious channels. A glaring example is the Mahadev online book betting app, where money from Indian users engaging in online book betting was illicitly laundered to the UAE through a complex network of benami bank accounts.¹⁸ Moreover, transactions conducted in cryptocurrencies further facilitate the clandestine movement of funds out of the country.

Several investigations under PMLA have revealed the intricate web of 'proceeds of crime' generated through betting apps. Fictitious entities are used to open bank accounts, which serve as conduits for routing and layering illicit funds. After passing through multiple layers, the funds are ultimately transferred abroad under the guise of bogus entities, often posing as legitimate imports.

Compounding the issue, transactions are often conducted through individual accounts rather than those associated with legitimate businesses or entities, making them exceedingly challenging to track and monitor. This worrisome trend is exacerbated by the use of offshore servers, which enable entities to circumvent legal oversight.

Instances abound of offshore betting companies flouting laws with impunity, operating in the grey market and posing a significant challenge to regulatory authorities. In light of these developments, addressing the activities of such entities operating in the shadows has become an urgent and pressing concern.

Further, as per recent news reports,¹⁹ the central agencies, including the Intelligence Bureau (IB) and Research and Analysis Wing (R&AW), conducted a technical analysis of certain betting apps and discovered alarming features in their latest upgrades. These apps, operating on both Android and iOS platforms, have been found to engage in stealing

¹⁸ "What is the Mahadev betting scam case? All about the controversy and its founders who made Rs 200 crore per day," Financial Express, October 6, 2023: <https://www.financialexpress.com/india-news/what-is-the-mahadev-betting-scam-case-all-about-the-controversy-and-its-founders-who-made-rs-200-crore-per-day/3265068/>.

¹⁹ "Weapon of Mass Surveillance: How Upgraded Illegal Betting Apps are Posing Threat to National Security," News18, November 07, 2023: <https://www.news18.com/india/weapon-of-mass-surveillance-how-upgraded-illegal-betting-apps-are-posing-threat-to-national-security-8651906.html>.

and transmitting user data, as well as monitoring real-time activities covertly to servers located outside of India.

The upgraded versions of these apps seek extensive permissions, akin to those of Google, enabling them to record user movement and transfer backup data to their servers. Users are required to grant all permissions for the app to function, allowing the app to erase data, access the camera for video recording, and track user movement. Such developments have raised serious concerns regarding national security, particularly in the context of the current tense border situation.

Moreover, the analysis highlights the potential for these applications to be exploited as espionage tools, given their access to critical user data and the potential for remote access, leading to mass surveillance.

Compromising Indian Financial Ecosystem

In July 2023, the FIU relayed concerning findings to the Parliamentary Standing Committee on Finance, shedding light on suspicious transactions tied to numerous offshore entities, particularly the exploitation of gambling and betting sites for money laundering purposes.²⁰ The report underscored that reporting entities had submitted suspicious transaction reports linked to multiple UPI IDs associated with specific gambling websites. Initially registered overseas in locations like Curacao, Malta, and Cyprus, these websites were found to be intricately linked to Indian bank accounts.

Upon analysis of the financial transactions associated with these UPI IDs, a troubling pattern emerged. It became evident that funds collected by this network of foreign-registered websites-through false inducements-were not disbursed to investors or players as expected. Instead, they were diverted to the bank accounts of select individuals and entities, both domestic and abroad.

The Reserve Bank of India has established regulations that prohibit the use of Indian payment instruments for transactions on foreign gambling and forex sites. However, offshore gambling websites have devised various methods to circumvent these legal restrictions, facilitating both deposits and withdrawals of funds in a manner that skirts statutory regulation.

For deposits, customers have utilized a range of tactics. These include the use of UPI and direct bank transfers to accounts of gambling operators in India, which are often opened under the guise of fictitious Sole Proprietorship firms. Additionally, cash recharge

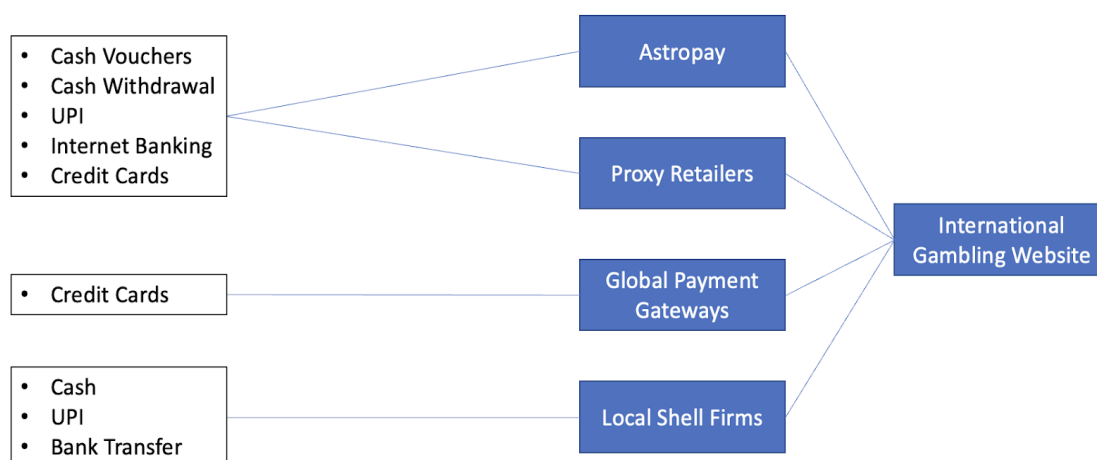
²⁰ “Cyber Security and Rising Incidence of Cyber/White Collar Crimes,” Fifty Ninth Report, Standing Committee on Finance: https://sansad.in/getFile/lssccommittee/Finance/17_Finance_59.pdf?source=loksabhadocs.

vouchers are sold through local agents, and proxy retailers in India disguise themselves as online grocery or clothing stores, converting order values into gambling portal account balances. Direct connections are made to international payment gateways linked to gambling sites, along with the use of international wallets such as Astropay, Neteller, Skrill, ecoPayz, Flexepin, Khelocard, and others. Cryptocurrency payments have also gained prominence, with platforms like Malta-based Betway Limited and Sportsbet.io employing these methods, including the opening of fake current accounts and advertising cryptocurrency payments as a key feature.

Withdrawals for customers are similarly facilitated through direct bank transfers, cash handovers via agents, or through the same assortment of wallet apps used for depositing funds. Remarkably, these platforms require minimal documentation for registration, deposits, or withdrawals, typically only needing a bank account number, IFSC code, and account holder's name for direct bank transactions.

Astropay stands out as a widely used payment processor within the global gambling industry, offering services to Indian customers that effectively mask the destination of payments to gambling apps, thereby sidestepping RBI regulations. This facilitates both deposit and withdrawal transactions in a manner that evades regulatory oversight.

To extract money from India, foreign operators resort to methods such as cash transfers through hawala transactions, utilization of international payment gateways that directly remit funds to companies abroad, and the depositing of funds into local bank accounts which are then either withdrawn via ATMs to enter a hawala network or directly transferred to offshore accounts through banking channels.



Underground or black-market operators, including entities like MahadevBook, Lotus365, AmbaniBook, ThirupathiBook, and AnnaReddy, operate without licenses and lack a fixed

location, possibly even operating from outside India. These operators frequently change their domain names and IP addresses to evade detection. Their methods for handling deposits and withdrawals involve a network of agents who collect physical cash to credit user accounts and the opening of fraudulent bank accounts using stolen identity documents. Payment gateways such as Payu are employed to process payments to these gambling apps and websites, further complicating the financial flows and evading regulatory oversight through techniques like standard Hawala and the use of an extensive network of Vostro and Nostro accounts by Hawala operators, allowing for large-scale cross-border transactions without regulatory scrutiny.

The compromised integrity of Indian financial systems presents a significant threat to India's financial security. Funds funneled through mechanisms such as hawala, cryptocurrencies, and other illicit transactions pose a grave risk, endangering the nation's financial stability. These diverted funds could be used to finance a range of illegal and criminal activities, ultimately undermining public order and national security.

Loss to Exchequer

Online gaming platforms registered and duly complying with the law are significantly contributing to revenue collection through direct and indirect taxes. Since the GST Amendment, there has been a surge in GST collection by over 500%, as also stated above. In contrast, offshore gaming platforms continue to remain unregistered, as was highlighted during the winter session of Parliament, undermining not only the revenue streams of registered online gaming entities but also inflicting significant financial losses on the government's treasury.

Data Pilferage and Data Protection

The proliferation of offshore gambling platforms, operating outside Indian jurisdiction, poses a significant risk of personal information being funneled to unregulated servers. This heightens the potential for misuse and phishing attacks, exposing users to substantial privacy breaches and security vulnerabilities. Moreover, there are suspicions that these operators may be receiving funding in exchange for Indian citizens' data, further exacerbating concerns over data privacy and national security.

In a recent case, a fintech company was implicated in the illicit activity involving 150 bank accounts used for layering funds obtained from individuals engaging in illegal bets through the website www.wolf777.com.²¹ Allegations emerged against Rakesh R Rajdev

²¹ "ED raids fintech involved in illegal betting, freezes ₹3 crore bank deposits," BusinessLine, March 28, 2023: <https://www.thehindubusinessline.com/news/ed-raids-fintech-involved-in-illegal-betting-freezes-3-crore-bank-deposits/article66672260.ece>.

and others, who reportedly opened a bank account in the name of Akash Ojha without his knowledge or consent, using his PAN and AADHAAR details. This account was then used to transact Rs. 170.70 Crore of betting money generated through the aforementioned betting website.

The operating method of the website involved providing a platform for placing bets on a variety of speculative games, including ‘Teen Patti’. According to the ED, customers were required to deposit money into their accounts to purchase credits/coins through online transactions. Once the funds were deposited, individuals could utilize their login credentials to place bets on the website. Subsequently, the ED conducted searches under the PMLA, 2002, in connection with the case, and froze Rs. 3 crores lying in these bank accounts.

Concerns Relating to Consumer Protection

Illegal operators, especially offshore entities, operating beyond the jurisdiction of domestic laws, creates fertile ground for exploitation, particularly targeting vulnerable consumers. Some websites resort to deceptive advertising tactics, enticing unsuspecting users with exaggerated promises. For instance, VIP-Bet Club allegedly offers betting tips based on insider information of fixed sports matches, claiming a flawless 100% winning rate without any possibility of losses.

In a report by the Esya Centre, the accessibility of such services was detailed.²² Researchers behind the report initiated contact through the provided number on the website to gauge the ease of availing the service. The operator of VIP-Bet’s WhatsApp business account offered a monthly plan for 150 euros, promising inclusion in a Telegram group for betting after payment. The VIP-Bet operator recommended digital wallets like Neteller, Skrill, or Ria for payment, though it was also communicated that the VIP-Bet accepted transactions through agents like Western Union. Upon agreement, the operator provided the name and location of the individual to whom funds could be transferred.

According to the same report’s findings, Indian consumers have reportedly suffered significant losses due to similar operations. The risks are further exacerbated in the case of minors, as many websites fail to conduct essential KYC or age verification checks. This lax approach enables minors to easily access these platforms, exposing them to inappropriate content and enticing them into unlawful activities. The same report also states offshore websites like Parimatch even offer payment options such as cash on

²² “*Offshore Online Betting and Gambling in India: A Risk Assessment*,” Esya Centre, July 2022: https://static1.squarespace.com/static/5bcef7b429f2cc38df3862f5/t/62d020d712d40116d659c033/1657807085771/Esya_Centre_Report_021_Offshore+Online+Betting+in+India_V2.pdf

delivery, where a gaming platform agent collects cash payments from consumers to top up their gaming wallets.

This method simplifies the exploitation of minors, who may lack access to digital payment methods, and draws them into illicit activities.

Concerns Relating to Cybersecurity and Cybercrimes

The gambling industry stands as a prime target for cybercriminals, owing to the vast sums of money and sensitive data it handles on a daily basis. According to a study by Security Scorecard, the online gambling sector ranked third in terms of the likelihood of experiencing cyberattacks, trailing only behind the energy and financial services sectors.²³

The gambling industry faces a myriad of prominent cybersecurity challenges, ranging from financial frauds to ransomware attacks, personal information theft, and data breaches. Additionally, distributed Denial of Service (DDoS) attacks, system disruptions, insider threats, and employee malfeasance further compound these challenges. In a notable incident that emerged in August 2023, a Chinese national named Woo Uyanbe allegedly defrauded 1,200 individuals in Gujarat of a staggering INR 1400 crore through a soccer betting app.²⁴

Unknown foreign funding and ownership patterns

Indian companies are subject to checks and approvals while receiving foreign funding. Norms around data-localization, consumer protection, business operation, taxation, and consumer interest are to be followed with penal consequences for non-compliance. As offshore gambling companies are not subject to such regulations and transparency; it may become a surrogate way to access Indian markets, data, and intelligence, for investors across the border.

Enemies across the border may find investing in an illegal betting site as an easy option to access Indian citizens' KYC data, Aadhar information, geo-location, spending patterns, usage patterns, and access their personal files, pictures, emails, messages, and information stored on mobile devices.

²³ "The Murky Illusion: Online Gambling and Cyber-Security Issues," CyberPeace, February 28, 2024: <https://www.cyberpeace.org/resources/blogs/the-murky-illusion-online-gambling-and-cyber-security-issues>.

²⁴ "With soccer betting app, Chinese dupes 1,200 of Rs 1,400 crores in 9 days," The Times of India, August 17, 2023: <https://timesofindia.indiatimes.com/city/ahmedabad/with-soccer-betting-app-chinese-dupes-1200-of-rs-1400cr-in-9-days/articleshow/102783609.cms>.

Most of the offshore betting/ gambling entities operate through a maze of shell companies and the key employees operate only through emails without establishing full identities. Even the India based employees are not aware of full identities of their reporting managers located outside India. Pari Match, a Ukraine based betting platform which advertises in many local leagues for example communicates with local personnel, media agencies only through emails and telephone. It is often the case that PariMatch officials don't disclose their full identities.

Several investigations into such operations have seen freezing of countless bank accounts belonging to shell companies. Further, almost all the bank accounts belong to drivers, peons, daily wage laborers, roadside vendors whose identity details are used for a nominal fee. The individuals concerned are not aware of transactions in huge volumes in their name. The shell firms also have dummy directors who do menial jobs.

In 2023 DGGI nabbed a crypto exchange operator in Mumbai handling one set of shell companies promoted by dummy directors. According to the crypto operator, INR 96 crore money collected from users of apps had been converted into crypto currency and moved out of the country.

In February 2023, the Serious Fraud Investigation Office (SFIO) during an investigation into a Chinese company named Shigoo Technology found that layers were created in a manner so that it was almost impossible to identify the final beneficiary. After a large-scale investigation, it was found that the final beneficiary was a Chinese individual in the name of Le Anming.

Responses to the situation

Option 1: Status Quo

Status quo is not a sustainable option.

Given the high taxation rate, illegal operators (who do not pay GST) will eventually destroy Indian operators (who pay 28% GST on deposits). Economic disequilibrium under the status quo will make it unviable for Indian operators to survive, even in the medium term.

This is perhaps the least recommended option, as it ensures the destruction of the domestic regulatable industry, in favor of unregulatable illegal operators.

Option 2: Sensitise states to deal with the issue

A complex but constitutionally robust option is to build consensus among states to deal with the ill effects of betting and gambling. This option is premised on two realities. (a) Law and order is in any case a state matter, and (b) Games of chance are under a state's purview.

However, before doing so, one must consider three major factors.

Cultural and Social realities

Games and gaming have been an integral part of our civilization's archetype. Both the epics - *Mahabharata* and *Ramayana* - reference to stories of societies centered around feuds taking the shape of game contests.

In the *Mahabharata*, for e.g. the main action revolves around what has become famous as the contest between the *Kauravas* and the *Pandavas*, in the form of a gambling match. The latter staked all their wealth, and lost, and this incident became a time marker for historical events to follow, culminating in the epic war, a record of which is the *Bhagavad Gita*. Similarly, the folktale of *Ramayana* is centered around contests and heroic deeds. Hence playing games for stakes was not only acceptable in ancient cultural histories but also encouraged, as they have proved to be the tipping points for such clan-based societies dating back to 900 BC.

Games represented significant social and cultural interactions in the later civilizations as well. *Chaturanga*, a game named after the four traditional wings of the Indian army and played by four players, became popular in west Asia and evolved into chess.

Similarly, the origins of present-day board games can also be traced back to ancient India, where it was known as *Pachisi*. *Pachisi* was a traditional Indian board game played by members of royalty

and nobility as early as the 6th century CE. The game was commonly depicted in ancient Indian art and literature, highlighting its popularity and cultural significance.

According to Hindu mythology, playing dice on the national festival of Diwali is very auspicious. The custom/ tradition of playing cards is well popular among the people on the night of Diwali. They believe this will bring good luck and grace of Goddess Lakshmi for the whole year, so much so that even children are encouraged to participate.

So deeply engrained is gaming for stakes in our Indian cultural heritage for centuries, that it continues to be an integral part of contemporary gaming preferences, offering not just entertainment but also serving as a means for social interaction and skill development. And it is exactly this narrative that the illegal betting/ gambling operators leverage to promote their products to the Indian audience. Capitalizing on the natural human tendency to engage in gaming for stakes, these operators link gambling to popular Indian festivals and traditions including Holi and Diwali.

Psychological Research and its implications

Modern empirical research has also highlighted the gaining popularity of gaming to meet basic psychological needs. A paper published in the journal of the American Psychological Association has linked the meteoric rise in popularity of video games with their potential to satisfy basic psychological needs for competence, autonomy, and relatedness (the three needs of self-determination). The paper further states that video game engagement shapes psychological processes and influences well-being²⁵.

The University of Cambridge in its research titled “The psychology of gambling” published in 2007 emphasized a reliable pattern of brain activity when humans receive monetary wins²⁶. Specifically, a region called the striatum, near the center of the brain, is a crucial component in a reward circuit (that also responds to natural reinforcers like food and sexual stimuli). The author of the study, Cambridge Scientist Dr Luke Clarke, used functional Magnetic Resonance Imaging (fMRI) to measure such patterns of brain activity while volunteers performed a gambling game.

In another 2005 American publication titled “Everything bad is good for you”²⁷ by Steven Johnson, the author explains that if one creates a system where rewards are both clearly defined and achieved by exploring an environment, one will find human brains drawn to those systems, even if they are made up of virtual characters and simulated sidewalks. He further clarifies that it is not the subject matter of the games that attract, rather it is the game’s reward system. He further argues that the appeal of video games is not through their (possibly violent or sexual) content,

²⁵ A motivational model of video game engagement

https://scholar.google.com/citations?view_op=view_citation&hl=en&user=XkRHx1gAAAAJ&citation_for_view=XkRHx1gAAAAJ:d1gkVwhDpl0C

²⁶ The Psychology of Gambling, <https://www.cam.ac.uk/research/news/the-psychology-of-gambling>

²⁷ Everything bad is good for you https://en.wikipedia.org/wiki/Everything_Bad_Is_Good_for_You

but rather through the fact that the "structure" of the video games uniquely invites exploration and stimulates the reward centers of the brain (i.e. mesolimbic pathways).

Enforceability Concerns

Despite the evident illegality of offshore betting and gambling websites, systematic actions against them have been limited, or ineffective. These platforms operating from foreign jurisdictions continue to evade Indian authorities' enforcement actions (wherever taken).

1. Directorate General of GST Intelligence

The amendment to the Central Goods and Services Act notified on 6th September 2023 requires the offshore gambling operators to register their platforms within the Indian territory and pay 28% GST on their earnings. This is to ensure that the activities of offshore companies are taxed as Online Information Database Access and Retrieval (OIDAR) services under the Integrated Goods and Services Tax Act, 2017. OIDAR includes businesses that provide information technology-powered services over the internet, including for activities like online gaming in India. The law also allows for the blocking of platforms that fail to comply with the rules.

However, only a handful of platforms have registered so far. This blatant non-compliance by such operators has prompted the Directorate General of GST Intelligence (DGGI) to serve them notices for operating illegally in the country. DGGI is partnering with MeitY to track offshore online betting and gambling companies and working together to block access to websites and apps of companies not registered in India. As latest as on 28 March 2024, DGGI notified 60 non-compliant offshore online gambling platforms to MeitY for blocking.

However, progress has been sluggish. As of March 2024, 144 betting and gambling websites have been sent by DGGI to MeitY for blocking. Out of these, only 56 have been blocked so far. The government's inability to block access effectively and quickly to these websites poses a threat to Indian citizens and national security.

In 2023, DGGI busted one among hundreds of such networks working in India for Pari match. The network had collected INR 700 crores from users of gambling apps in India and channeled it out by converting it into cryptocurrency. The meticulous investigation spanned several months, probing the backgrounds of 50 firms and individuals in Delhi and an additional 350 in Kolkata. Notably, Dubai emerged as a pivotal transit point for the flow of funds through cryptocurrency, underscoring the complexity of these illicit operations.

DGGI is also investigating the Mahadev betting app and persons associated with it for potential GST violations claimed to be around INR 30,000 crore, including interest and penalties.

2. Directorate of Enforcement

The Directorate of Enforcement (ED) has conducted several investigations and subsequent raids on illegal betting app syndicates for money laundering including the recent and

prominent example of Mahadev Book under PMLA, 2002. It is reported that the scam involves siphoning off INR 5000 crores.

Key Highlights of the ongoing comprehensive investigation into Mahadev betting app:

- a. In February 2024, ED reportedly froze assets worth INR 100 crores of individuals associated with the Mahadev Group, which allegedly runs betting operations in India through various offshore as well as offline channels.
- b. The ED has previously made multiple arrests and seized assets claimed to be worth more than INR 500 crores. Another report states that the ED has so far arrested over 120 individuals in relation to this case.
- c. Several prominent celebrities have been summoned by the ED for endorsing the products and for having financial transactions with the Group. In October 2023, ED summoned leading celebrities including Ranbir Kapoor, comedian Kapil Sharma, actor Huma Qureshi, Hina Khan and Shraddha Kapoor linked to Mahadev Online Booking gaming-betting app.
- d. While investigating a case against Fairplay, part of the Mahadev Group, it is reported that the ED is set to summon multiple celebrities with financial links to Fairplay. It is claimed that such celebrities received consideration from Fairplay for promoting its app.

Other investigations: ED has also seized INR 8.89 Crore assets linked to illegal online *Satta Matka* betting. 10 properties and 5 bank accounts, held by individuals alleged to be part of the betting operations, were provisionally attached under money laundering laws. Triggered by an FIR on illegal betting apps like Dhan games, the probe exposed a network targeting users across India. The apps facilitated betting through mobile wallets and laundered illegal gains via fake accounts. The key accused reportedly amassed INR 25 crore from this scheme. This action underscores efforts to combat online gambling and money laundering. The ongoing investigation aims to expose the full scale of the operation and hold perpetrators accountable.

3. Serious Fraud Investigation Office (Ministry of Corporate Affairs)

In February 2023, the Serious Fraud Investigation Office (SFIO) under Ministry of Corporate Affairs (MCA) busted a major betting racket run by Chinese individuals in India. SFIO identified at least 289 such websites, which are allegedly luring Indians into betting. The domains of most of these websites are out of India and the companies are operating from tax havens. Indian authorities have shared information about these illegal betting websites with MeitY to block access to these websites.

4. Local enforcement agencies

Firm steps are being taken by local enforcement agencies to curb illegal betting apps operating in India.

- a. Madhya Pradesh police busted an illegal betting operation, which is claimed to have been functioning across at least three states. As part of the operation, 11 individuals were arrested following a raid by the state police, and multiple devices and other assets were also recovered from the site.
- b. The Economics Offence Wing (EOW) of the Delhi Police is currently investigating an alleged money-laundering network operated from outside to target Indian users. It is claimed that

- foreign-based online gambling companies are using VPNs to mask their identity and exploit Indian residents. Further, the companies allegedly collect money through Indian bank accounts and illegally transfer it abroad using fake businesses and hawala money transfers. This international network involves companies registered in various countries like China, Singapore, and Dubai. Over 200 bank accounts linked to Indian and foreign companies are suspected to be involved. Following extensive search and seizure operations, the ED arrested the key accused in the investigation and high-value assets as well as incriminating documents and electronic devices containing incriminating data.
- c. The Bihar police's Economic Offences Unit asked MeitY to ban over 100 gambling/gaming and loan lending apps, citing potential threats to the country's financial security. The action follows several FIRs registered against these apps in the state.

5. Ministry of Home Affairs

The Ministry of Home Affairs (MHA) has consistently called on MeitY to implement stringent measures against 232 apps with links to China. Amongst this cluster, a notable presence was held by 138 betting apps.

In January 2024, the Indian Cyber Crime Coordination Centre (I4C), under the Ministry of Home Affairs issued an advisory for safe gaming and urged consumers to download online games only from authentic sources such as the official website or recognized stores. This advisory came just weeks after blocking over 500 illegal operators, including 178 betting and gambling applications.

In March 2024, the I4C was designated as the agency of the Ministry of Home Affairs under Sec 79(3)(b) of the Information Technology Act 2000 (IT Act). This means that instances of information, data or communication link residing in or connected to a computer resource controlled by any intermediary being used to commit unlawful acts can be notified by the I4C to the intermediary. Upon being notified, if the intermediary fails to expeditiously remove or disable access to that material, they will no longer be eligible for safe harbor protection under Sec 79 of the IT Act.

6. Ministry of Electronics and Information Technology

MeitY has reiterated that while it is mindful of the bad actors in the betting space, it is difficult to police websites that are not based in India. Owing to the nature of operations, whereby the website URLs constantly change, blocking the offshore online gaming platforms has emerged as a huge challenge for MeitY.

Reportedly,

- a. MeitY has banned over 230 illegal betting and gambling apps, including 174 apps under section 69A of the Information Technology Act, 2000 (IT Act), which empowers the government to issue blocking orders to protect India's sovereignty, integrity, state security, friendly foreign relations, and public order.
- b. As an ongoing exercise, MeitY has been receiving requests for blocking URLs of such app by other Ministries as well as law enforcement agencies. For e.g. in response to ED requests, MeitY has banned around 22 illegal apps on allegations of money-laundering.

7. Ministry of Information and Broadcasting

The Ministry of Information and Broadcasting (MIB) has issued a series of advisories cautioning against the advertisement and promotion of betting products, including through surrogate advertisements. On 21 March 2024, MIB issued its sixth advisory against online gambling and betting ads. Noting the use of black money and potential money laundering involved in illegal betting and gambling operations, the MIB warned ad publishers including online sites and social media companies that legal action would be taken if such advertisements continue on their platforms. Earlier, the MIB had issued advisories declaring the advertisements of these betting platforms as illegal under the provisions of the Consumer Protection Act 2019, Cable TV Network Regulation Act 1995, and the IT Rules, 2021. The Advisory identified instances of companies engaging in surrogate advertising and reiterated MIB's stance that direct or indirect ads or promotion of online betting and gambling games violate Indian laws.

The latest advisory dated March 2024 directs social media platforms and online advertisement intermediaries to refrain from publishing and broadcasting advertisements of offshore online betting platforms or any such service depicting these platforms in a surrogate manner.

8. Central Consumer Protection Authority (Department of Consumer Affairs)

On 6 March 2024, the Central Consumer Protection Authority (CCPA) published an Advisory cautioning celebrities from promoting betting and gambling activities. In its Advisory, CCPA noted that betting platforms are partnering with celebrities and influencers to create legitimacy for their services and cautioned that their promotion is unlawful, with punishment for such promotion at par with participation in such activities.

In April 2023, CCPA on its own accord has reportedly issued notices to Lotus 365 and its celebrity endorsers Nawazuddin Siddiqui and Urvashi Rautela over concerns of misleading advertisements by the gaming company. Lotus365 claimed that it was 'India's most trusted sports exchange since 2015.' The CCPA asked for proof of the company's claims and the assessments of the celebrities before endorsing the company. In June 2022 and March 2023 respectively, the CCPA released 'CCPA Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022' and Endorsement guidelines for celebrities.

***How blanket-bans are practically counter-productive...
...and create opportunities for our neighboring countries***

Despite banning all online games (including games of skill) by the Telangana government in 2017, there was a massive influx of illegal online gambling racket, worth more than INR 1,200 crore, run by a Chinese firm.

In a news report of August 14, 2020, it was reported that a Chinese national and three of his Indian associates have been arrested in a crackdown on an illegal online gambling racket being run by a China-based company in Hyderabad, in violation of the law. Online gambling was allegedly organized by different companies under the umbrella of China-based “Beijing T Power Company” and transactions worth over Rs 1,000 crore had been unearthed. (<https://timesofindia.indiatimes.com/city/hyderabad/hyderabad-grocer-a-director-in-chinese-co-running-gambling-racket/articleshow/77568960.cms>)

Consequently, the state government of Telangana realized that blanket bans are not effective and subsequently worked on a draft legislation to regulate the sector. (<https://tech.hindustantimes.com/gaming/news/online-gaming-ban-is-not-the-solution-says-telangana-govt-official-71631778453264.html>)

Therefore, leaving this matter to states only (i.e. both legitimate and illegitimate games) might not just be ineffective, but may make matters worse. Given natural human tendency, and our cultural archetype to engage in games involving money, the lack of legal options will only drive consumers to illegal options. Furthermore, matters of national security are best dealt at a central level.

Option 3: Surgically remove bad-operators and cannibalize the illegal market with legal options/alternatives

A third option is to follow a multi-pronged approach. Namely, while strengthening enforcement against illegal operators, encourage a well-regulated domestic industry as an option for consumers.

Increased Transparency and Enforceability

The domestic online skill-based gaming industry should be subject to security measures and rigorous audit mechanisms. As all transactions are digital, it ensures a high degree of traceability and transparency, making it less susceptible to unlawful practices. Advanced security protocols and data-privacy norms can be enforced to safeguard user data, financial transactions, and to comply with all regulatory requirements.

Furthermore, a sophisticated system of age-gating can be mandated, as a part of the industry is already following in their code-of-conduct to deter underage users, reaffirming the industry's commitment to responsible gaming and societal values²⁸.

Addressing the scourge of illegal offshore gambling demands a multifaceted approach involving stringent regulatory measures, enhanced enforcement mechanisms, and robust public awareness campaigns. Strengthening regulatory frameworks and closing loopholes in existing laws are imperative to stem the tide of illegal gambling activities. Law enforcement agencies must ramp up efforts to track and prosecute offshore operators, leveraging technology and international cooperation to combat this transnational threat. Moreover, raising public awareness about the risks of online gambling and promoting responsible gaming practices are essential to safeguarding individuals and communities from the perils of addiction.

Encouraging domestic operators as a viable option

The gaming industry is already recognised as an industry of the future. This industry globally is bigger than the movies and music industry put together, a fact that has escaped mainstream attention in India.

Innovations in past generations (post World War II) would find their first use-case in military use cases. Similarly, much of the future technologies like AI and ML, are finding their first use case in gaming.

India should take an assertive and ambitious stand to capture this next wave, by encouraging domestic gaming industry through creating platforms, providing subsidies and tax breaks, and developing a skill-base in the sector.

Providing Indian alternatives for pay-to-play games, therefore, is not just the only viable strategy, but one with payoffs of both economic and strategic nature.

²⁸ E-Gaming Federation Code of Conduct, <https://www.egf.org.in/standards>

Recommendations

- a. Constitution of a dedicated taskforce to tackle illegal operators - both offshore and domestic.
- b. It is proposed to establish a 'Whitelist' comprising companies that comply with both state and federal laws. This list would specifically include entities offering games of skill, along with a voluntary declaration affirming their exclusive provision of skill-based games.
- c. All payment gateways, hosting providers and ISPs to ensure that they comply with provision of their services only to those operators within the 'Whitelist'. Necessary actions including imposition of financial penalty to be imposed against those payment gateways or hosting providers continuing to allow usage of their services to any gaming operators outside of the given list. Similarly, all payment gateways and hosting providers ensure their services are compliant with local (state) regulations.
- d. Stricter regulations to thwart illegal gambling and betting ads: The Ministry of Information and Broadcasting may create an overarching framework to regulate online advertising, after consultation with relevant industry stakeholders. The regulatory regime for online advertising should be comprehensive with measures to attribute accountability on all stakeholders, including platforms and online advertising intermediaries. Demand Side Platforms (DSPs), Supply Side Platforms (SSPs), media agencies, and any other participants in the ecosystem that host advertisements for operators not included in the Whitelist should be held accountable.
- e. Given the cross-border nature of online gambling and betting and the global reach of illicit operators, international cooperation and coordination are essential components of an effective regulatory framework. Collaborative initiatives with other jurisdictions, sharing best practices, and harmonizing regulatory standards can enhance the effectiveness of efforts to curb illegal gambling and betting activities.
- f. Co-opt institutes of eminence, think-tanks, etc to study these challenges in depth; with specific focus on the risks presented by illegal games w.r.t. national-security, cyber threats, financial crimes, data sovereignty, and psy ops.
- g. As gaming is a natural and inalienable human tendency, India should create progressive policies, including a regulated domestic gaming industry, to encourage domestic operators to provide legitimate services to her citizens, In

the absence of such alternatives, India might be exposing itself to the risks listed above.

- h. Notify self-regulation under the Online Gaming Rules, or implement an independent, progressive regulatory framework for encouraging domestic skill gaming operators in India, who can be effectively regulated and controlled.
- i. Impress upon the Department of Consumer Affairs and Ministry of Information and Broadcasting to conduct awareness programs and to educate citizens about (a) the risks of illegitimate betting and gambling operators, and (b) the presence of legitimate and regulated gaming operators.

Additional Resources

1. Observer Research Foundation- <https://www.orfonline.org/research/cybersecurity-threats-in-online-gaming-learnings-for-india>
2. Esya Centre- <https://www.esyacentre.org/documents/2022/7/7/offshore-online-betting-and-gambling-in-india-a-risk-assessment>
3. Unicef- <https://www.unicef-irc.org/publications/pdf/GKO%20Summary%20Report.pdf>
4. Financial Intelligence Unit- https://fiuindia.gov.in/pdfs/downloads/AnnualReport2022_23.pdf
5. Directorate of Enforcement- <https://enforcementdirectorate.gov.in/sites/default/files/latestnews/Press%20Release%20-%20Mahadev%20Online%20Book%20-1.3.2024.pdf>
6. Indian Cyber Crime Coordination Centre- https://i4c.mha.gov.in/cyber_digest/apr_2024/I4C%20Daily%20Digest-%2010.04.2024%20.pdf
7. Ministry of information and Broadcasting- <https://mib.gov.in/sites/default/files/06.04.2023%20Advisory%20on%20Betting%20Advertisements.pdf>
8. Department of Consumer Affairs- <https://consumeraffairs.nic.in/sites/default/files/file-uploads/latestnews/CCPA-1-1-2024-CCPA.pdf>

Annexure 1: Indicative list of top illegal offshore betting/ gambling operators

S No	Operator	Country of Origin/ Registration
1	10Cric	Curacao
2	1XBet/ 1Xbat	Curacao
3	22bet	Cyprus
4	4RABET	Curacao
5	Ambani Book	NA
6	Bc.game	Curacao
7	Bet365	Malta
8	Betway	Malta
9	Betwinner	Curacao
10	Casumo	Gibraltar
11	ComeOn	Malta
12	Crickex	Curacao
13	Dafabet	Philippines
14	Fairplay	Curacao
15	Fun88	Montenegro / Isle of Man
16	Lottoland	Gibraltar
17	Lotus365	Curacao
18	Megapari	Curacao
19	Melbet	Cyprus
20	Mostbet	Curacao
21	Parimatch	Curacao
22	Satbet	Curacao
23	Sportsbet.io	Curacao
24	Stake	Curacao
25	W88	Isle of Man

Annexure 2: Selected news reports of data-pilferage, cybercrimes, financial crimes, and predatory market practices used by illegal gambling sector.

1. <https://timesofindia.indiatimes.com/city/hyderabad/data-gamble-for-fast-buck-hooking-addicts-with-messages/articleshow/99226462.cms>
2. <https://www.hindustantimes.com/ht-insight/future-tech/cybersecurity-threats-in-online-gaming-learnings-for-india-101707406925574.html>
3. <https://news.abplive.com/gaming/online-gaming-cybersecurity-security-data-protection-1628987>
4. <https://economictimes.indiatimes.com/tech/internet/games-like-candy-crush-can-be-used-for-data-harvesting-warn-experts/articleshow/63595875.cms?from=mdr>
5. <https://www.indiatoday.in/technology/news/story/pubg-fifa-minecraft-and-25-popular-games-infected-with-dangerous-malware-player-s-data-leak-2001086-2022-09-16>
6. <https://indianexpress.com/article/technology/tech-news-technology/webkinz-world-hack-23-million-accounts-6372252/>
7. <https://www.india.com/news/india/play-smart-mha-issues-public-warning-amid-increasing-online-frauds-through-gaming-apps-6678520/>
8. <https://news.abplive.com/gaming/online-gaming-cybersecurity-security-data-protection-1628987>
9. <https://www.indiatodayne.in/national/story/indian-cyber-wing-issues-urgent-warning-for-online-gaming-scams-792662-2024-01-24>
10. <https://www.timesnownews.com/technology-science/safeguarding-online-gaming-empowering-security-through-advanced-ai-and-ml-algorithms-article-103466793>
11. <https://inc42.com/features/why-indian-online-gaming-platforms-must-invest-in-always-on-cybersecurity/>
12. <https://www.indiatoday.in/technology/features/story/gamers-in-india-are-losing-thousands-of-rupees-due-to-cyber-attacks-1877183-2021-11-16>

13. <https://www.businessinsider.in/advertising/ad-tech/article/rising-cases-of-cyberbullying-data-privacy-and-other-threats-in-online-gaming-report/articleshow/89611643.cms>
14. <https://indianexpress.com/article/technology/tech-news-technology/every-3-out-of-4-gamers-in-india-experienced-a-cyberattack-norton-special-report-7625715/>

Annexure V- Cyber-crimes and associated enforcement

1. <https://ciso.economictimes.indiatimes.com/news/cybercrime-fraud/parliamentary-panel-onfinance-debates-cyber-security-rising-white-collar-crimes/100696356>
2. <https://timesofindia.indiatimes.com/city/mumbai/mahadev-app-17-raids-ed-freeze-on-rs-100cr-shares/articleshow/108091776.cms>
3. <https://g2g.news/gaming/assets-of-120-accused-of-mahadev-book-app-set-to-be-seized/>
4. <https://www.freepressjournal.in/india/ed-to-summon-celebrities-involved-in-promoting-mahadev-subsiary-app-fairplay>
5. <https://www.freepressjournal.in/crime-news/bhopal-online-betting-racket-busted-kingpin-among-11-arrested>
6. <https://www.newindianexpress.com/cities/delhi/2024/Feb/29/delhi-eow-probes-money-laundering-by-foreign-based-online-gaming-firms>
7. https://twitter.com/dir_ed/status/1767872766521315411?s=20
8. <https://economictimes.indiatimes.com/news/india/stay-safe-while-gaming-online-alerts-mhas-cyber-wing/articleshow/107106915.cms?from=mdr>
9. https://www.business-standard.com/india-news/ed-makes-two-fresh-arrests-in-mahadev-betting-app-money-laundering-case-124011300164_1.html
10. <https://g2g.news/gaming/dggi-probes-alleged-gst-violations-by-mahadev-online-book-suspects-dues-of-rs-30000-crore/>
11. <https://g2g.news/gaming/ed-cracks-down-on-illegal-online-satta-matka-betting-attaches-assets-worth-rs-8-89-crore/>
12. <https://economictimes.indiatimes.com/tech/technology/offshore-gaming-apps-lure-users-with-no-gst-carrot/articleshow/104834094.cms>
13. <https://timesofindia.indiatimes.com/business/india-business/illegal-betting-and-gambling-tax-authorities-losing-rs-2-lakh-crore-annually-says-report/articleshow/104556382.cms?from=mdr>
14. <https://economictimes.indiatimes.com/tech/newsletters/tech-top-5/stricter-rules-in-the-works-to-deter-betting-apps-indian-cricket-jerseys-hit-it-out-of-the-park/articleshow/104471677.cms?from=mdr>

15. <https://inc42.com/buzz/government-ramps-up-actions-against-illegal-offshore-betting-services/>
16. <https://timesofindia.indiatimes.com/city/mumbai/ed-summons-more-bollywood-celebs-in-gaming-app-case/articleshow/104200164.cms?frmapp=yes>
17. <https://economictimes.indiatimes.com/tech/technology/govt-issues-orders-to-ban-22-illegal-betting-apps/articleshow/104990640.cms>
18. <https://inc42.com/buzz/indian-govt-to-introduce-stricter-ad-rules-for-online-betting/>
19. <https://mib.gov.in/sites/default/files/Advisory%20dated%2025.08.2023%20with%20enclosures.pdf>
20. <https://mib.gov.in/sites/default/files/06.04.2023%20Advisory%20on%20Betting%20Advertisements.pdf>
21. <https://timesofindia.indiatimes.com/city/hyderabad/hyderabad-grocer-a-director-in-chinese-co-running-gambling-racket/articleshow/77568960.cms>