

Online Gaming Operators: Need for law and regulations (MoM)

Date: 23 April 2024

Time: 15:00 hours to 17:00 hours

Venue: Constitution Club of India, New Delhi

I. Participants

1. Shri Jaydeva Ranade, former Additional Secretary Cabinet Secretariat (Chair)
2. Lieutenant General Vinod G. Khandare, PVSM, AVSM, SM, Principal Adviser, Ministry of Defence, Former DG Defence Intelligence Agency and Dy. Chief, Integrated Defence Staff
3. Shri Vinit Goenka, Secretary, Centre for Knowledge Sovereignty (CKS), Former Governing Council Member- Centre for Railway Information Systems, GOI and Former Member Task Force IT, Ministry of Road Transport & Highways, GOI
4. Ms. Vedica Rajiv Poddar, Founder, Kangaroo Minds & Sport Beats Stigma and Mental Health Expert
5. Shri Rishab Gulati, Managing Editor, NewsX
6. Shri Mradul Sharma, News Anchor & Journalist, Republic World
7. Shri Agendra Kumar, Managing Director, Esri India
8. Shri Mudit Goel, Managing Director, Khailasha Devi Paper & Pulp Ltd
9. Shri Saurabh Rai, CEO, Arahos
10. Prof Ravinder Kumar, Dean, Faculty of Social Sciences Jamia Milia Islamia
11. Advocate Trisha Shreyashi, Legal Consultant
12. Advocate Sunil Agarwal, Former NCSC
13. Shri Pranav Mishra, Head-Government Relations, Cumulus PR
14. Shri Piyush Prasoon, Director, CKS
15. Lekshmi Parameswaran, CEO, CKS
16. Mohammed Azam, Research Intern, CKS
17. Vivek Sharma, Research Intern, CKS
18. Zubair, Research Intern, CKS

II. E-gaming Vertical Leadership

1. Hon'ble Lt Gen Vinod Khandare (Retd.) nominated Hon'ble Shri Jayadeva Ranade to head the E-gaming vertical of CKS.
2. Hon'ble Shri Jayadeva Ranade graciously agreed to assume the role.
3. As this was the seed session, the meeting's aim was to gather diverse viewpoints on e-gaming, facilitating CKS in gaining a deeper understanding of the matter.

III. Overview

1. The Puranas have continuously emphasised that *dhruth* or gambling is the root cause of all evils. But the texts have also emphasised that *kreedā* or gaming is an essential element for mental growth.
2. Inadvertently, people in general use the words gambling/gaming/e-sports interchangeably.
3. Betting and gambling represent forms of addiction. But gaming is in a grey space, it can either lead to addiction or skill upgradation. However, this is debatable.
4. Betting and gambling represent initially a social issue, which later escalates into a security concern, impacting various segments of society.
5. With India ascending as an economic powerhouse, moving to fifth largest economy, it is crucial to pinpoint its vulnerabilities. Identifying and addressing anything detrimental to the nation's well-being takes precedence.
6. App based betting/gambling impacts both the personal life and finances of the users, as gambling companies entice them to spend more, bet more and chase losses. It poses a significant social challenge, particularly for individuals within the lower middle-income bracket.
7. Underage betting/gambling are social and security threats. Generic words like minor and major may be inappropriate in deciding the levels and requisite mechanisms have to be put in place to ensure that access is available only to those who are in the correct age segments. Young children and adolescents are becoming addicted to mobile phones, often resulting in illicit surveillance of children.
8. Fundamental problem is that there is zero conversation on the issue by non-biased organisations and think-tanks.
9. Whatever an establishment bans outrightly will inevitably manifest in unforeseen and illegal forms and will be more dangerous than the flip side of current challenges.
10. There is a need to formulate amend and discuss laws, rules, regulations, policies and community guidelines
11. Ownership, location of registration are also challenges.
12. Intent of the company, whether it is profit making or collecting data or whether it is a front end for some other activities will have to be determined.

IV. Economic Implications

1. The legitimate global gaming industry is valued at approximately USD 100 billion globally. The illegitimate gambling industry is estimated to be larger.
2. Approximately 14 crore innocent youth are affected by its consequences. What further exacerbates this situation is that 49 per cent of Indian educated youth are unemployed (ILO).
3. The scale of the illegitimate gambling industry is nearly ten times that of total healthcare expenditure.
4. It serves as a significant source of black money, leading to tax evasion equivalent to 2.5 percent of the country's GDP.

5. The sources of funding, origin and ownership for non- Indian entities remain largely undisclosed and drains not only the revenue of the government but has larger economic implications, both to the individual and the government. Funds often originate from obscure sources, complicating their tracing.

V. Threat to National Security

1. The illegal gambling and betting industry poses a national security threat as the data can be weaponized by state actors, non-state actors, corporate entities and lone wolves.
2. If it is a foreign company which is not registered in India, it cannot be penalised.
3. Data privacy and data sovereignty principles are challenges and have to be discussed.

VI. Impact on Mental Health

1. Gaming offers benefits for young children, aiding in the development of motor skills, spatial thinking, and more.
2. However, it is crucial to acknowledge the profound impact on mental health. Internet addiction is becoming increasingly prevalent.
3. The effects include loneliness, implications for physical health, behavioural addiction, theft and conflict within families.
4. Advocacy for responsible gaming, education of the distinction between gaming and gambling/betting is essential.

VII. Legal Aspect

1. Jurisdiction is sometimes an issue.
2. Regulatory gaps contribute to a lack of oversight, accountability and mistrust.
3. Implementation and effectiveness of existing laws by law enforcement agencies are at times less and in certain cases, they are questionable.
4. Detailed discussions on Public Gambling Act of 1867, Information Technology Act of 2000, Prize Competitions Act, 1955, Money Laundering Act, Consumer Act and other relevant acts have to be initiated in today's context. A distinction has to be made clearly between gambling vs gaming, foreign companies registered in India vs companies registered outside India, companies owned by Indians vs companies owned by foreign nationals, data stored in India vs data stored outside.
5. Whenever a restrictive policy is enforced, it triggers a dilemma between upholding free speech and facilitating free trade and there is also the danger of foreign players coming in through illegal channels.

VIII. Policy Challenges

1. Gaming operates on a global scale, whereas banning practices are confined to local jurisdictions.
2. A key policy challenge lies in regulating entities that operate from outside India.
3. Addressing the taxation of unauthorised companies presents a policy hurdle.
4. Quantifying the extent of the problem is a pressing challenge.
5. Intercepting the flow of money of illegal gambling and betting operators through cyber channels is a critical policy objective.

IX. Policy Recommendations:

1. Clear distinction between gambling and gaming companies.
2. Clear distinction between Indian-owned and foreign-owned companies
3. Clear regulatory measures like age verification and parental controls, should be considered.
4. Spreading awareness among the populace is imperative.
5. The state should put in a mechanism to regulate companies and delist games which are unauthorised from all integrator platforms and website. Penalties should be imposed on entities flouting the rules.
6. Given that these risks are being presented by entities across the border, we must encourage the domestic legitimate gaming sector.
7. Self-regulation within the legitimate gaming industry should be encouraged.
8. Countermeasures such as internet blocking need to be employed.
9. Establishing a special task force/authority is necessary.
10. Coordination mechanisms between relevant ministries should be established.
11. Banks can play a role in preventing gambling-related transactions. Blocking bank accounts can be an effective measure.
12. Gaming companies operating in India should be approved by a single nodal ministry.
13. Implementing data localisation measures is important.
14. Distinguishing between legitimate gaming careers and unhealthy practices is vital.
15. Integrating mental health education into school curricula is essential.
16. A dedicated helpline should be established for those struggling with gaming addiction.
17. An international agreement on regulating legitimate gaming is essential, with India playing a leading role. The Indian government should collaborate with other governments on gaming regulation.

The discussion concluded at 17:00 hours. All attendees were urged to forward any further points to CKS. It was agreed upon that there would be more interactions, open or closed-door with more stakeholders, following which CKS will draft a policy brief.