AILET

Introduction to the New Legal Framework for Online Gaming in India

Adtiya Aryan · 29 Oct 2025

Introduction: Why This New Law?

The Promotion and Regulation of Online Gaming Act, 2025, along with its accompanying Rules, establishes a new, comprehensive legal framework for India's digital gaming industry. The law's introduction, or preamble, explains *why* this was necessary.

It acknowledges that the online gaming sector is one of the fastest-growing parts of the digital economy, full of innovation and potential for employment and technological advancement. It also notes that India, with its large pool of young professionals and a vast domestic market, is positioned to be a global leader in this space.

However, this rapid growth has occurred in a legal vacuum. This lack of a clear national law has led to two major problems:

1. Hindered Growth: The "good" parts of gaming (like e-sports, educational games, and casual social games) haven't had structured development or policy support.
2. Widespread Harm: A "parallel proliferation" of online money games has caused serious social, financial, and psychological harm, especially to youth and vulnerable groups. These games are often linked to addiction, financial ruin , money laundering, and even threats to national security.

This Act, therefore, has a **dual purpose**:

- To promote and develop the legitimate online gaming sector, including e-sports and social games.
- To prohibit all forms of online money games to protect citizens, maintain public order, and safeguard the nation's financial integrity.

It creates a single, uniform national-level framework, replacing the confusing patchwork of different state-level regulations.

The Core Concept: A New Three-Category System

The most fundamental change this law introduces is that it *completely abandons* the old, ambiguous legal debate of "game of skill vs. game of chance."

Instead, the Act creates three new, distinct legal definitions for online games. A game's legal status now depends entirely on which of these categories it falls into.

1. Online Money Game (The Prohibited Category) This is the category that is now illegal. An "online money game" is defined as any online game where a user pays fees, deposits money, or provides "other stakes" (like virtual coins bought with real money) with the expectation of winning monetary enrichment in return. Crucially, the law explicitly states this category applies "irrespective of whether such game is based on skill, chance, or both". This single clause makes the old "skill vs. chance" argument irrelevant. If you pay to play and can win money back, it is a prohibited online money game.
2. E-Sport (The Promoted Competitive Category) This category is legally protected and promoted. An "e-sport" is defined as a competitive online game where the outcome is determined solely by the players' skill (e.g., physical dexterity, mental agility, or strategic thinking).
    1. How it differs from a money game: E-sports can have registration fees and performance-based prize money. However, they cannot involve any form of betting or wagering by any person (participant or spectator).
    2. Key Requirement: To be legally considered an "e-sport," the game must be duly recognized under the National Sports Governance Act, 2025.
3. Online Social Game (The Promoted Casual Category) This covers most casual games. An "online social game" is defined as a game offered for entertainment, recreation, or skill-development.
    1. How it differs from a money game: It cannot involve staking money with the expectation of winning monetary gain.
    2. Permitted Monetization: These games are allowed to charge a subscription fee or a one-time access fee, as long as that payment is not a stake or wager.

The Two-Pronged Strategy: Promotion and Prohibition

The entire legal framework operates on a clear “promote vs. prohibit” model based on the categories above.

Promotion (For E-Sports & Social Games)

The Central Government is tasked with actively developing the legitimate gaming sector. The responsibility is divided:

- The Ministry of Youth Affairs and Sports will administer the promotion of e-sports , including creating guidelines, establishing training academies, and offering incentives .
- The Ministry of Information and Broadcasting will administer the promotion of online social games , supporting their development for recreational and educational purposes.

Prohibition (For Online Money Games)

For the prohibited category, the Act lays down a three-level blockade in Chapter III:

1. Ban on Offering (Section 5): No person is allowed to offer, aid, or engage in providing an online money game or its services.
2. Ban on Advertising (Section 6): No person can create, cause, or be involved in any advertisement (in any media) that directly or indirectly promotes playing an online money game.
3. Ban on Finances (Section 7): No bank, financial institution, or payment processor is allowed to facilitate any transaction or authorization of funds for an online money gaming service.

The Central Regulator: The Online Gaming Authority of India

To enforce this new framework, the law establishes a new, powerful regulator: **The Online Gaming Authority of India**.

- Composition: It’s an ex-officio body, meaning its members are high-ranking government officials by virtue of their posts. It is chaired by an Additional Secretary from the Ministry of Electronics and Information Technology (MeitY) and includes members from the Ministries of Information & Broadcasting, Youth Affairs & Sports, and Financial Services . This ensures a coordinated, cross-governmental approach.

- Key Powers: The Authority has wide-ranging powers to regulate the sector:
  - The Power to Determine: This is its most critical function. The Authority has the power to examine any online game (either on its own or when a developer applies) and determine whether it is an online money game or not. This decision is based on a test outlined in the Rules, which looks at whether the game involves stakes, monetary payouts, or fees used as wagers .
  - The Power to Register: The Authority will maintain a “National Online Social Games and E-sports Registry”. This will be a public list of all legally registered and approved games.
  - The Power of a Civil Court: For conducting inquiries, the Authority has the same powers as a civil court: it can summon and enforce the attendance of any person, require the discovery and production of documents, and receive evidence on affidavit .
  - The Power to Enforce: It can issue binding directions , impose penalties , and suspend or cancel the registration of any game.

The Process: Registration and Enforcement

The Rules lay out the practical process for how the Authority will interact with game providers.

- Application for Registration (Rule 12):
  - For e-sports, registration with the Authority is mandatory. They must first get recognition under the National Sports Governance Act and then apply to the Authority.
  - For online social games, registration is voluntary. A provider can choose to apply to get the official “registered” status, which may build user trust.

- The Determination Process (Rule 13):
  - If a game is found to be a money game: The Authority will not register it. Instead, it will immediately direct the provider to cease offering the game , prohibit its advertisement , and add it to a public list of banned online money games. The government can then use its power under Section 14 of the Act to block access to the computer resources (websites, apps) hosting that illegal game.
  - If a game is found to be a social game or e-sport: The Authority will register it and issue a Certificate of Registration, which is valid for up to five years.

- Ongoing Compliance: A registered game provider must inform the Authority of any “material change” to its game, such as a change in its revenue model. If that change turns the game into an online money game, its registration will be cancelled.

Penalties and User Protection

The Act enforces its prohibitions with severe penalties and provides a clear path for user complaints.

Harsh Penalties (Chapter V)

The law treats violations as serious criminal offenses:

- Offering a Money Game (Sec 5): Punishable with imprisonment up to three years or a fine up to one crore rupees, or both.
- Advertising a Money Game (Sec 6): Punishable with imprisonment up to two years or a fine up to fifty lakh rupees, or both.
- Facilitating Finances (Sec 7): Punishable with imprisonment up to three years or a fine up to one crore rupees, or both.
- Cognizable & Non-Bailable: Offenses for offering and financing money games are cognizable and non-bailable, meaning police can make an arrest without a warrant and bail is not a right.

Grievance Redressal (Rule 23)

For users of *registered* social games and e-sports, there is a new three-tier grievance redressal mechanism:

1. Level 1: Game Provider: The user must first file a grievance with the online game service provider itself.
2. Level 2: Grievance Appellate Committee (GAC): If the user is dissatisfied with the provider’s resolution, they can appeal to the GAC (the same body established under the 2021 IT Rules).
3. Level 3: The Online Gaming Authority: If the user is still dissatisfied with the GAC’s decision, they have a final appeal to the Online Gaming Authority of India.

Conclusion: A Clear ‘Promote vs. Prohibit’ Model

This new legal framework effectively ends the ambiguity that has long defined online gaming regulation in India. It creates a clear, binary system:

- It promotes legitimate e-sports and social games through a structured, supportive, and registration-based system.
- It prohibits all forms of online money gaming, regardless of skill or chance, through an outright ban, financial blockades, and severe criminal penalties.