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ANALYSING ROLE OF THE RBI AS A REGULATORY FRAMEWORK FOR REAL MONEY GAMING IN INDIA

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ABSTRACT

"The exponential growth of the real money gaming (RMG) sector in India, driven by technological advancements and increasing internet penetration, has highlighted the need for a robust and coherent regulatory framework. This research critically analyses the existing regulatory landscape for RMG in India, with a particular focus on the role of the Reserve Bank of India (RBI). The study examines the complexities and ambiguities within the current framework, including the distinction between games of skill and games of chance, and the fragmented nature of state and central regulations. By comparing international regulatory practices and analysing recent legal developments, this research identifies key regulatory gaps and proposes comprehensive reforms. The recommendations emphasize the establishment of a central regulatory authority, harmonization of laws, enhanced consumer protection measures, and strengthened anti-money laundering protocols. The study also underscores the pivotal role of the RBI in overseeing financial transactions, developing specialized guidelines, and promoting financial literacy. These reforms aim to create a secure, transparent, and effective regulatory environment that balances industry growth with consumer protection and financial integrity."

Keywords - *Real Money Gaming, Regulatory Framework, Reserve Bank of India, Online Gaming, Anti-Money Laundering, Consumer Protection, Games of Skill, Games of Chance, Digital Payments, Financial Transactions, Legal Ambiguities, Regulatory Reforms, India.*

INTRODUCTION

The rapid proliferation of digital technologies has significantly transformed various sectors, including the gaming industry. Real money gaming (RMG), which involves wagering real currency on games of skill or chance, has emerged as a prominent segment within this digital revolution. In India, the RMG sector has witnessed exponential growth, driven by increased internet penetration, smartphone usage, and a burgeoning young population. However, this growth has also brought to the forefront critical regulatory challenges that necessitate a robust and coherent legal framework.

The regulatory landscape for RMG in India is complex and multifaceted, involving various statutes, judicial pronouncements, and regulatory bodies. The primary legal instruments governing RMG include the Public Gambling Act, 1867[1], and state-specific gambling laws. Additionally, the Information Technology Act, 2000[2], and the Prevention of Money Laundering Act, 2002[3], play crucial roles in addressing issues related to online gaming and financial transactions. Despite these regulations, the sector remains fraught with ambiguities and inconsistencies, particularly concerning the distinction between games of skill and games of chance, which has significant legal implications.

The Reserve Bank of India (RBI), as the apex financial regulator, holds a pivotal position in the regulation of financial transactions within the RMG sector. The RBI's mandate includes ensuring the integrity of the financial system, preventing money laundering, and safeguarding consumer interests. Given the financial nature of RMG transactions, the RBI's role is crucial in addressing the associated risks, such as fraud,

[1] The Public Gambling Act, 1867 (Act No 3 of 1867).
[2] The Information Technology Act, 2000 (21 of 2000).
[3] The Prevention of Money Laundering Act, 2002 (15 of 2003).

money laundering, and cybersecurity threats. Recent developments, including the RBI's guidelines on digital payments[4] and the introduction of the Payment and Settlement Systems Act, 2007[5], underscore the need for a comprehensive regulatory approach that encompasses the unique challenges posed by the RMG sector.

This research aims to critically analyse the existing regulatory framework for RMG in India, with a particular focus on the role of the RBI. By examining the current laws, regulatory practices, and recent developments, this study seeks to identify gaps and propose recommendations for enhancing the regulatory framework. The objective is to provide a nuanced understanding of the regulatory challenges and to suggest measures that can ensure a balanced approach, promoting both innovation and consumer protection in the RMG sector.

In conclusion, the regulation of RMG in India is at a critical juncture, necessitating a thorough examination of the existing legal and regulatory mechanisms. The RBI's involvement is indispensable in crafting a regulatory framework that addresses the financial intricacies of RMG while safeguarding the interests of all stakeholders. This research endeavours to contribute to the ongoing discourse by providing a comprehensive analysis and proposing actionable recommendations for a more effective regulatory regime.

OVERVIEW OF REAL MONEY GAMING IN INDIA

Real Money Gaming (RMG) refers to online gaming activities where participants wager real currency on games of skill or chance. This sector encompasses a variety of gaming formats, including online poker, fantasy sports, rummy, and online casinos. Each of these formats operates under different legal and regulatory frameworks, often influenced by the distinction between games of skill and games of chance.[6] For instance, fantasy sports and rummy are generally classified as games of skill and are thus permitted under Indian law, whereas games of chance, such as online casinos, face stricter regulatory scrutiny.

The RMG market in India has experienced significant growth over the past decade, driven by factors such as increased internet penetration, the widespread use of smartphones, and a young, tech-savvy population. According to industry reports, the Indian RMG market was valued at approximately USD 1.5 billion in 2020 and is projected to grow at a compound annual growth rate (CAGR) of 22% over the next five years.[7] This growth is not only indicative of the sector's economic potential but also highlights its contribution to employment, revenue generation, and technological innovation.

Economically, the RMG sector has a substantial impact, contributing to the digital economy and generating significant tax revenues for the government.[8] The sector also supports ancillary industries such as payment gateways, cybersecurity firms, and digital marketing agencies. However, the rapid expansion of RMG has also raised concerns regarding financial security, consumer protection, and regulatory compliance.[9] These concerns underscore the need for a robust regulatory framework that can effectively address the unique challenges posed by the

[4] Reserve Bank of India, 'Guidelines on Digital Payments' <https://www.rbi.org.in> accessed 12 September 2024.

[5] The Payment and Settlement Systems Act, 2007 (51 of 2007).

[6] The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, G.S.R. 139(E).

[7] KPMG, 'Online Gaming in India: A Primer' (2020).

[8] Deloitte, 'Economic Impact of Online Gaming in India' (2021).

[9] Anjali Anchayil, 'A New Dawn for India's Online Gaming Industry: Introduction of Central Rules for Real Money Games' (The National Law Review, 27 April 2023) <https://www.natlawreview.com/article/new-dawn-india-s-online-gaming-industry-introduction-central-rules-real-money-games> accessed 12 September 2024.

RMG sector while fostering its growth and innovation.

In conclusion, the RMG sector in India is a dynamic and rapidly evolving industry with significant economic implications. Understanding its definition, types, market size, and economic impact is crucial for developing a comprehensive regulatory framework that balances innovation with consumer protection. This overview sets the stage for a detailed examination of the regulatory challenges and the pivotal role of the Reserve Bank of India (RBI) in ensuring the sector's financial integrity and regulatory compliance.

CURRENT REGULATORY FRAMEWORK

The regulatory framework for real money gaming (RMG) in India is a complex amalgamation of central and state laws, reflecting the diverse and evolving nature of the sector. At the central level, the Information Technology Act, 2000[10], along with its subsequent amendments, including the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021[11], and the recent amendments in 2023, form the cornerstone of the regulatory regime. These amendments introduced specific provisions for the regulation of online gaming intermediaries, emphasizing due diligence, grievance redressal mechanisms, and the establishment of self-regulatory organizations (SROs) to oversee compliance[12]. The amendments define key terms such as "online gaming intermediary" and "online real money game," and mandate that intermediaries ensure their platforms are not used for illegal activities[3].

In addition to the IT Act, the Public Gambling Act, 1867[12], continues to influence the regulatory landscape, although its applicability varies across states. States have the constitutional authority to enact their own laws on gambling, leading to a patchwork of regulations. For instance, states like Sikkim[13] and Nagaland[14] have enacted specific laws to regulate online gaming, while others like Telangana and Andhra Pradesh have imposed stringent prohibitions on real money gaming. This state-level variation creates significant legal ambiguities, particularly concerning the classification of games of skill versus games of chance, which has critical implications for the legality of RMG activities.

The Reserve Bank of India (RBI) plays a pivotal role in regulating the financial transactions associated with RMG. The Payment and Settlement Systems Act, 2007[15], and the RBI's guidelines on digital payments[16] and anti-money laundering measures are instrumental in ensuring the integrity of financial transactions within the RMG sector. The RBI's oversight aims to prevent financial fraud, money laundering, and ensure consumer protection, thereby contributing to a more secure and transparent gaming environment. Recent guidelines issued by the RBI have further emphasized the need for stringent KYC (Know Your Customer) norms and the monitoring of payment gateways to prevent illicit activities.

Despite these regulatory measures, the RMG sector in India faces significant challenges due to legal ambiguities and enforcement issues. The distinction between games of skill and games of chance remains a contentious issue, with various judicial pronouncements attempting to clarify this dichotomy. Recent legal developments, such as the Supreme Court's rulings on fantasy sports platforms, have provided some clarity but have also highlighted the need for a more coherent and unified regulatory

[10] The Information Technology Act, 2000 (21 of 2000).
[11] The Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, G.S.R. 139(E).
[12] The Public Gambling Act, 1867 (Act No 3 of 1867).
[13] The Sikkim Online Gaming (Regulation) Act, 2008 (Sikkim Act No 9 of 2008).
[14] The Nagaland Prohibition of Gambling and Regulation of Online Games of Skill Act, 2016.
[15] The Payment and Settlement Systems Act, 2007 (51 of 2007).
[16] Reserve Bank of India, 'Guidelines on Digital Payments' <https://www.rbi.org.in> accessed 12 September 2024.

framework.[17] [18]The rapid growth of the RMG sector, driven by technological advancements and increasing internet penetration, necessitates continuous regulatory updates to address emerging challenges and ensure effective governance.

In conclusion, while the current regulatory framework for RMG in India comprises a combination of central and state laws, significant gaps and ambiguities persist. The role of the RBI in overseeing financial transactions is crucial, but there is a pressing need for a more coherent and comprehensive regulatory approach to address the evolving dynamics of the RMG sector.

ROLE OF THE RBI

The Reserve Bank of India (RBI) plays a critical role in the regulatory framework governing real money gaming (RMG) in India, primarily through its oversight of financial transactions and payment systems. As the apex financial regulator, the RBI's mandate includes ensuring the integrity, security, and efficiency of the payment infrastructure, which is crucial for the RMG sector where financial transactions are frequent and substantial. The Payment and Settlement Systems Act, 2007, empowers the RBI to regulate and supervise payment systems, thereby ensuring that all transactions within the RMG ecosystem are conducted in a secure and transparent manner.

One of the key areas where the RBI's role is pivotal is in the implementation of anti-money laundering (AML) and counter-terrorist financing (CTF) measures. The RBI's guidelines on Know Your Customer (KYC)[19] norms and due diligence processes are designed to prevent illicit activities such as money laundering and fraud within the RMG sector. These guidelines mandate that all entities involved in processing payments for RMG platforms must adhere to stringent KYC procedures, ensuring that the identities of all participants are verified and documented. This not only enhances the security of financial transactions but also helps in maintaining the integrity of the gaming environment.

Furthermore, the RBI's regulations on digital payments have a significant impact on the RMG sector. The introduction of the Payment and Settlement Systems (PSS) Regulations, 2008[20], and subsequent guidelines on electronic payment systems have facilitated the growth of digital transactions, which are the backbone of the online gaming industry. The RBI's oversight ensures that payment gateways and intermediaries comply with regulatory standards, thereby reducing the risk of financial fraud and enhancing consumer protection. The RBI's emphasis on secure and efficient payment systems is crucial for fostering trust among users and promoting the sustainable growth of the RMG sector.

In addition to these regulatory measures, the RBI also plays a role in shaping policy through its advisory and consultative functions. By engaging with stakeholders, including gaming companies, financial institutions, and policymakers, the RBI contributes to the development of a coherent regulatory framework that addresses the unique challenges of the RMG sector[21]. Recent initiatives, such as the formation of inter-regulatory working groups to study and recommend measures for the regulation of digital payments and fintech innovations, underscore the RBI's proactive approach in adapting to the evolving landscape of the RMG industry.

Despite these efforts, challenges remain in the effective regulation of the RMG sector. The rapid pace

[17] Dr KR Lakshmanan v State of Tamil Nadu AIR 1996 SC 1153.

[18] Varun Gumber v Union Territory of Chandigarh (P&H HC, 18 April 2017) (2017) CWP No 7559 of 2017.

[19] Reserve Bank of India, 'Master Direction – Know Your Customer (KYC) Direction, 2016' <https://www.rbi.org.in> accessed 12 September 2024.

[20] The Payment and Settlement Systems (PSS) Regulations, 2008, G.S.R. 622(E).

[21] Reserve Bank of India, 'Guidelines on Regulation of Payment Aggregators and Payment Gateways' <https://www.rbi.org.in> accessed 12 September 2024.

of technological advancements and the dynamic nature of online gaming necessitate continuous updates to regulatory frameworks. The RBI's role, therefore, extends beyond mere oversight to include ongoing monitoring and adaptation of regulations to address emerging risks and opportunities. By leveraging its regulatory authority and expertise, the RBI can play a transformative role in ensuring that the RMG sector operates within a secure, transparent, and fair legal framework.

RECENT DEVELOPMENTS

The regulatory landscape for real money gaming (RMG) in India has witnessed significant developments in recent years, reflecting the sector's rapid growth and the evolving nature of digital technologies. One of the most notable developments is the amendment to the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, which introduced specific provisions for online gaming intermediaries. The 2023 amendments to these rules have further clarified the regulatory requirements for RMG platforms, mandating the establishment of self-regulatory organizations (SROs) to ensure compliance with due diligence and grievance redressal mechanisms. These amendments aim to create a more structured and accountable regulatory environment for online gaming, addressing concerns related to user protection and platform integrity.

In addition to these legislative changes, there have been significant judicial pronouncements that have shaped the regulatory framework for RMG. The Supreme Court of India's rulings on fantasy sports platforms, such as Dream11, have provided clarity on the distinction between games of skill and games of chance.[22] These rulings have affirmed that games predominantly involving skill do not fall under the ambit of gambling laws, thereby providing a legal basis for the operation of fantasy sports platforms. However, the interpretation of what constitutes a game of skill versus a game of chance continues to be a contentious issue, necessitating further legal and regulatory clarity.

The Reserve Bank of India (RBI) has also been proactive in addressing the regulatory challenges posed by the RMG sector. Recent guidelines issued by the RBI on digital payments and anti-money laundering (AML)[23] measures have emphasized the need for stringent Know Your Customer (KYC) norms and enhanced due diligence processes.[24] These guidelines aim to prevent financial fraud and money laundering within the RMG sector, ensuring that all financial transactions are conducted in a secure and transparent manner. The RBI's focus on strengthening the payment infrastructure and enhancing consumer protection is crucial for fostering trust and promoting the sustainable growth of the RMG industry.

Furthermore, the formation of inter-regulatory working groups by the RBI to study and recommend measures for the regulation of digital payments and fintech innovations underscores the regulator's commitment to adapting to the evolving landscape of the RMG sector. These working groups bring together stakeholders from various sectors, including gaming companies, financial institutions, and policymakers, to develop a coherent and comprehensive regulatory framework that addresses the unique challenges of the RMG industry.

In conclusion, the recent developments in the regulatory framework for RMG in India reflect a concerted effort by the government and regulatory bodies to create a more structured and accountable environment for the sector. The amendments to the IT Rules, judicial pronouncements, and proactive measures by the RBI highlight the dynamic and evolving nature of the regulatory landscape. As the

[22] Varun Gumber v Union Territory of Chandigarh (P&H HC, 18 April 2017) (2017) CWP No 7559 of 2017.

[23] Reserve Bank of India, 'Guidelines on Digital Payments and Anti-Money Laundering Measures' <https://www.rbi.org.in> accessed 26 September 2024.

[24] Reserve Bank of India, 'Formation of Inter-Regulatory Working Groups on Fintech and Digital Banking' <https://www.rbi.org.in> accessed 12 September 2024.

RMG sector continues to grow, ongoing regulatory updates and stakeholder engagement will be essential to address emerging challenges and ensure effective governance.

CASE STUDIES

1. **Dream11 and the Legality of Fantasy Sports**: Dream11, one of India's leading fantasy sports platforms, has been at the forefront of legal debates concerning the classification of games of skill versus games of chance. In 2017, the Punjab and Haryana High Court ruled that Dream11's fantasy sports format constituted a game of skill, as it required substantial knowledge, judgment, and discretion.[25] This ruling was subsequently upheld by the Supreme Court of India, which dismissed a Special Leave Petition challenging the High Court's decision. The Supreme Court's affirmation provided significant legal clarity and set a precedent for the legality of fantasy sports in India. This case underscores the importance of judicial interpretation in shaping the regulatory landscape for real money gaming (RMG) and highlights the need for clear legal definitions to distinguish between games of skill and games of chance.

2. **The Sikkim Online Gaming (Regulation) Act, 2008**: Sikkim has been a pioneer in the regulation of online gaming in India, with the enactment of the Sikkim Online Gaming (Regulation) Act, 2008.[26] This legislation allows for the licensing and regulation of online gaming activities, including real money games, within the state. The Act mandates that operators obtain a license from the state government and comply with stringent regulatory requirements, including measures to prevent money laundering and ensure responsible gaming. The success of Sikkim's regulatory framework has provided a model for other states considering the regulation of online gaming. It demonstrates the potential benefits of a well-structured regulatory approach, including increased revenue generation and enhanced consumer protection.

3. **The Telangana Gaming (Amendment) Act, 2017**: In contrast to Sikkim's regulatory approach, Telangana has adopted a more prohibitive stance towards real money gaming. The Telangana Gaming (Amendment) Act, 2017, expanded the definition of "gaming" to include online games and imposed a blanket ban on all forms of real money gaming, including games of skill. This legislative move was driven by concerns over gambling addiction and financial losses among the public. The amendment faced significant opposition from industry stakeholders and led to legal challenges questioning its constitutionality. The Telangana High Court's subsequent rulings have highlighted the tension between state-level regulatory autonomy and the need for a balanced approach that considers both consumer protection and industry growth.

4. **The Role of the RBI in Regulating Payment Systems for RMG**: The Reserve Bank of India (RBI) has played a crucial role in regulating the financial transactions associated with RMG. A notable example is the RBI's directive to payment gateways and banks to ensure compliance with anti-money laundering (AML) and Know Your Customer (KYC) norms. In 2020, the RBI issued guidelines requiring payment intermediaries to implement robust KYC procedures and monitor transactions for suspicious activities. This directive aimed to prevent financial fraud and money laundering within the RMG sector. The RBI's proactive measures have been instrumental in enhancing the security and transparency of financial transactions, thereby fostering trust among users and promoting the sustainable growth of the RMG industry.

These case studies illustrate the diverse regulatory approaches adopted by different states and the pivotal role of the judiciary and the RBI in shaping the

[25] Varun Gumber v Union Territory of Chandigarh (P&H HC, 18 April 2017) (2017) CWP No 7559 of 2017.

[26] The Sikkim Online Gaming (Regulation) Act, 2008 (Sikkim Act No 9 of 2008).

regulatory framework for RMG in India. They highlight the need for a coherent and balanced regulatory approach that addresses the unique challenges of the RMG sector while promoting consumer protection and industry growth.

ANALYSIS OF THE PROMOTION AND REGULATION OF ONLINE GAMING ACT, 2025 AND ITS IMPLICATIONS FOR THE RBI'S ROLE

1. Overview and Legislative Architecture of the Act

The enactment of the Promotion and Regulation of Online Gaming Act, 2025 (Act No. 32 of 2025) marks a watershed moment in India's approach to governing the online gaming ecosystem. Receiving Presidential assent on 22nd August 2025, the Act represents the culmination of years of legislative deliberation and fills the critical regulatory vacuum that had long plagued the sector. The research presented in the preceding sections of this project analysed the regulatory landscape as it existed under the fragmented patchwork of state laws, the IT Act, 2000, and the RBI's financial oversight guidelines. The 2025 Act now fundamentally transforms that landscape, and a thorough critical analysis of its provisions—particularly against the backdrop of the regulatory challenges identified in this paper—is essential.

The Act's architecture is structured around a dual mandate: the promotion of legitimate online gaming (e-sports and online social games) on one hand, and the strict prohibition of online money games on the other. Parliament, invoking its authority under Entry 97 of the Union List and the doctrine of pith and substance, has assumed a uniform national-level legislative competence over the sector, displacing the inconsistent state-by-state regulatory approaches that this paper identified as a primary source of legal ambiguity. The accompanying Promotion and Regulation of Online Gaming Rules, 2025 (Draft Rules) further operationalise the statutory framework by establishing the Online Gaming Authority of India (OGAI), prescribing registration procedures, grievance mechanisms, and penalty enforcement norms.

2. Definitional Clarity and Resolution of the Skill vs. Chance Dichotomy

One of the most significant contributions of the 2025 Act is the codification of clear, technology-neutral definitions that directly address the definitional ambiguities this paper identified as a central regulatory challenge. The Act defines "online money game" under Section 2(1)(g) as any online game — irrespective of whether it is based on skill, chance, or both — that involves a user paying fees or depositing money in expectation of monetary gain. This definition is deliberately agnostic to the skill-chance distinction that had for decades formed the crux of contentious judicial and legislative debates.[27]

This definitional approach has profound implications. The Supreme Court rulings discussed in the Case Studies section — particularly the affirmation of Dream11 as a game of skill — had created an expectation that skill-based games with monetary components could operate freely. The 2025 Act effectively overrides this doctrinal edifice by prohibiting all online money games regardless of skill element. "E-sports," defined under Section 2(1)(c), is carved out as a permissible exception: it must involve no placing of bets or wagers, be duly recognised under the National Sports Governance Act, 2025, and have outcomes determined solely by skill.[28] Similarly, "online social games" under Section 2(1)(i) are permissible provided they do not involve staking of money. Together, these definitions create a tripartite taxonomy — e-sports, online social games, and online money games — that replaces judicial ambiguity with statutory precision. While this resolves the longstanding uncertainty, it also effectively prohibits a wide range of skill-based RMG platforms (such as fantasy sports and online rummy involving real money) that had hitherto occupied a legally grey zone.

[27] The Promotion and Regulation of Online Gaming Act, 2025 (32 of 2025) s 2(1)(g).

[28] ibid s 2(1)(c).

3. The Prohibition Regime and Its Intersection with the RBI's Mandate

Chapter III of the Act constitutes its enforcement backbone and is of direct relevance to the RBI's regulatory function. Section 5 imposes a blanket prohibition on any person offering, aiding, abetting, or otherwise participating in the offering of any online money game or online money gaming service. Section 6 prohibits all forms of advertisement, direct or indirect, that promote online money games. Most significantly for the purposes of this paper, Section 7 prohibits any bank, financial institution, or any other person facilitating financial transactions from engaging in, permitting, aiding, or facilitating any transaction towards payment for any online money gaming service.[29]

Section 7 directly implicates the RBI's regulatory domain. As the apex regulator of payment and settlement systems under the Payment and Settlement Systems Act, 2007, the RBI now has a statutory anchor in the 2025 Act to direct all entities within its regulatory perimeter — including payment aggregators, payment gateways, banks, and prepaid payment instrument (PPI) issuers — to refuse and block fund flows to online money gaming platforms. This is a significant legislative reinforcement of the RBI's existing advisory capacity, which this paper had identified as an area requiring greater statutory backing. The Act's approach mirrors, and indeed goes further than, the analogous provisions found in Section 7 of the US Unlawful Internet Gambling Enforcement Act, 2006 (UIGEA), which similarly imposed obligations on financial institutions to identify and block restricted transactions. Violation of Section 7 of the 2025 Act is punishable under Section 9(3) with imprisonment extending to three years and a fine up to one crore rupees, with enhanced penalties for repeat offences.[30]

However, the Act leaves a critical operational question unanswered: how are banks and payment intermediaries to identify a transaction as relating to an "online money gaming service" in real time, given the opacity of many such platforms? The Act delegates to the Central Government rule-making power but does not specify a mechanism for RBI coordination in building a transaction-flagging or negative-list system. This gap will need to be bridged through RBI circulars and coordination with the newly established Online Gaming Authority of India, whose published list of online money games under Rule 13(4)(d) of the Draft Rules provides a potential starting point for such a compliance architecture. The RBI must proactively develop a regulatory interface with the OGAI to ensure that the Section 7 prohibition is operationally enforceable.

4. The Online Gaming Authority of India: Institutional Design and Coordination with the RBI

Section 8 of the Act empowers the Central Government to constitute the Online Gaming Authority of India (OGAI) as the sector's dedicated regulatory body, and Rule 5 of the Draft Rules establishes it as a statutory body corporate with perpetual succession.[31] This paper had recommended, drawing from the UK's Gambling Commission model, the creation of a centralised regulatory authority as a solution to the fragmented regulatory landscape. The OGAI, therefore, directly addresses that recommendation. Its composition, as prescribed under Rule 6, includes members from the Ministries of Electronics and Information Technology, Information and Broadcasting, Youth Affairs and Sports, and Financial Services. The inclusion of a representative from the Ministry of Financial Services is particularly noteworthy, as it creates a structural channel for coordination between the gaming regulator and the financial regulatory ecosystem within which the RBI operates.

Rule 10(1)(j) of the Draft Rules explicitly empowers the OGAI to coordinate with "financial institutions, law enforcement agencies and other agencies of the

[29] ibid ss 5–7.
[30] ibid s 7.
[31] The Promotion and Regulation of Online Gaming Rules, 2025 (Draft), r 5.

Central or State Government, authorities or regulators for effective enforcement of the Act." This provision creates the legal basis for formal coordination between the OGAI and the RBI, something this paper had advocated in the Recommendations section. However, the provision remains aspirational in tone; the Act does not mandate a formal memorandum of understanding or a joint enforcement protocol between the two bodies. Given that the AML and KYC obligations under the Prevention of Money Laundering Act, 2002, and the RBI's Master Directions on KYC will continue to apply concurrently with the 2025 Act's prohibitions, the absence of a structured inter-regulatory coordination framework is a notable gap that requires attention through subsidiary legislation or regulatory guidance.

5. User Fund Protection and the RBI's Role in Transition

Rule 24 of the Draft Rules addresses a practically significant transitional concern: the fate of user funds held by online money gaming platforms at the time of the Act's enforcement. The Rule provides that funds due to be returned to users, and held in the custody of banks, financial institutions, or payment facilitators prior to enforcement of the Act, may be remitted to users. Such remittance is explicitly exempted from constituting a violation of Section 7's prohibition. This rule is operative only for 180 days from the date of enforcement of the Act, after which it ceases to have effect.

The RBI has a critical supervisory role to play during this 180-day window. Banks and non-bank payment service providers holding such funds must ensure that refund processes are conducted in compliance with existing KYC and AML frameworks. The RBI will need to issue operational guidance to regulated entities specifying the documentation and verification requirements for such refunds, so as to prevent the transitional provision from being misused as a conduit for laundering gaming-related proceeds. This underscores the continuing relevance of the RBI's oversight function even in the context of a prohibitory statute: the mechanics of winding down financial flows from a now-prohibited sector require as much regulatory attention as the oversight of an active sector.

6. Penal Framework, Cognizability and Enforcement Architecture

Chapter V of the Act establishes a robust penal regime. Section 9 provides for imprisonment of up to three years and fines up to one crore rupees for offering online money gaming services (Section 9(1)) and for facilitating financial transactions in violation of Section 7 (Section 9(3)). Repeat offenders face mandatory minimum imprisonment of three to five years and fines between one crore and two crore rupees. Offences under Sections 5 and 7 are classified as cognizable and non-bailable under Section 10, read with the Bharatiya Nagarik Suraksha Sanhita, 2023, which significantly enhances the enforcement teeth of the legislation.[32]

Section 11 extends criminal liability to company directors, managers, and officers, with an exception for non-executive or independent directors not involved in actual decision-making. This corporate liability framework is particularly relevant to fintech companies and payment intermediaries that may inadvertently or knowingly route payments to prohibited gaming services. The RBI, as regulator of these entities, will need to incorporate the Act's prohibitions into its supervisory frameworks, including through updates to the Master Directions on Payment Aggregators and Payment Gateways, to ensure that regulated entities understand and manage their legal exposure under the 2025 Act.

7. Critical Assessment: Strengths, Gaps, and the Evolving Role of the RBI

The 2025 Act achieves several of the reform objectives identified in this paper. It creates a uniform national framework (addressing the recommendation to harmonize state and central laws), establishes a dedicated regulatory authority (echoing the recommendation modelled on the UK Gambling Commission), resolves definitional ambiguities around the skill-chance dichotomy, imposes direct

[32] The Promotion and Regulation of Online Gaming Act, 2025 (32 of 2025) ss 9–10.

obligations on financial intermediaries (reinforcing RBI oversight), and provides for extra-territorial application to offshore gaming services. The Act's preamble explicitly recognises the links between online money gaming and money laundering, tax evasion, and terrorism financing, underscoring the AML concerns that this paper had highlighted as central to RBI's regulatory mandate.

Nevertheless, certain gaps and concerns merit critical attention. First, the Act adopts a total prohibition model rather than a regulated licensing model. While this aligns with a strong consumer protection and public health rationale, it foregoes the substantial tax revenue and economic activity that a licensed RMG industry could generate — an approach that stands in contrast to the models of the UK, Malta, and the state of New Jersey (USA) which this paper examined in the Comparative Analysis section. The prohibition of all skill-based real money games may also face constitutional challenge on grounds of Article 19(1)(g) (right to practise any profession or carry on any trade or business), particularly given prior Supreme Court jurisprudence recognising skill-based gaming as a legitimate commercial activity.

Second, the Act does not specifically define the role of the RBI within its statutory framework, relying instead on the general obligation in Section 7 to implicitly bind RBI-regulated entities. Given the RBI's constitutionally and legislatively distinct mandate, a more express provision for RBI coordination — such as a provision requiring the RBI to issue directions to payment system participants to implement the Act's prohibitions — would have strengthened the enforcement architecture considerably. Third, the Act's extra-territorial application to services "offered within the territory of India or operated from outside the territory of India" (Section 1(2)) presents formidable jurisdictional enforcement challenges, particularly with respect to cryptocurrency-based gaming platforms and Virtual Private Network (VPN)-enabled access to foreign gaming sites. The RBI's existing framework regulating virtual digital assets and cross-border payments will need to evolve to address these technological circumvention risks.

In sum, the Promotion and Regulation of Online Gaming Act, 2025 is a landmark piece of legislation that represents a decisive policy choice to prohibit rather than regulate the RMG sector. For the RBI, this Act transforms its role from a watchdog over a regulated industry to an active enforcement participant in a prohibitory regime. The RBI must now recalibrate its supervisory tools, guidance, and inter-agency coordination mechanisms to operationalise the financial dimensions of the Act's prohibition framework. The hypothesis advanced in this paper — that the RBI's active involvement can significantly enhance governance of the RMG sector — is affirmed and amplified by the 2025 Act's reliance on financial system controls as a primary enforcement tool. However, the full realisation of the Act's objectives will depend substantially on the RBI's institutional response and its willingness to develop a proactive, technology-aware enforcement posture in the years ahead.

COMPARATIVE ANALYSIS

The regulatory framework for real money gaming (RMG) in India can be better understood by comparing it with international regulatory practices, particularly those in jurisdictions with well-established gaming industries such as the United Kingdom, the United States, and Australia. This comparative analysis highlights the strengths and weaknesses of India's current regulatory approach and provides insights into potential improvements.

In the United Kingdom, the Gambling Commission regulates all forms of gambling, including online gaming, under the Gambling Act, 2005.[33] The UK model is characterized by a comprehensive and unified regulatory framework that emphasizes consumer protection, fair play, and the prevention of

[33] Gambling Act 2005 (UK).

gambling-related harm. The Gambling Commission's robust licensing regime ensures that operators adhere to stringent standards, including anti-money laundering (AML) measures and responsible gaming practices. This centralized approach contrasts with India's fragmented regulatory landscape, where state-specific laws and varying interpretations of central statutes create legal ambiguities and enforcement challenges.

The United States presents a more complex regulatory environment due to its federal structure, similar to India. However, significant strides have been made in recent years, particularly with the repeal of the Professional and Amateur Sports Protection Act (PASPA) in 2018, which allowed states to legalize and regulate sports betting. States like New Jersey and Nevada have established comprehensive regulatory frameworks that include rigorous licensing requirements, consumer protection measures, and robust AML protocols.[34] The role of financial regulators, such as the Financial Crimes Enforcement Network (FinCEN), in overseeing financial transactions related to gaming activities is crucial in ensuring compliance with federal AML laws.[35] [36]This multi-layered regulatory approach provides valuable lessons for India, particularly in harmonizing state and central regulations and enhancing the role of financial regulators like the Reserve Bank of India (RBI).

Australia's regulatory framework for online gaming is another pertinent example. The Interactive Gambling Act, 2001[37], regulates online gambling at the federal level, prohibiting certain types of online gaming while allowing others under strict regulatory oversight.[38] The Australian Communications and Media Authority (ACMA) enforces these regulations, ensuring that operators comply with national standards. Additionally, state and territory governments have their own regulatory bodies that oversee gambling activities within their jurisdictions. This dual regulatory approach, combining federal oversight with state-level enforcement, offers a balanced model that India could consider to address its regulatory fragmentation.

Comparing these international frameworks with India's current regulatory environment reveals several areas for improvement. Firstly, the need for a unified and coherent regulatory framework is evident. The establishment of a central regulatory authority, similar to the UK's Gambling Commission, could streamline regulatory processes and reduce legal ambiguities. Secondly, enhancing the role of the RBI in overseeing financial transactions related to RMG, akin to FinCEN's role in the US, could strengthen AML measures and ensure the integrity of payment systems. Lastly, adopting a dual regulatory approach, as seen in Australia, could help harmonize state and central regulations, providing a more consistent and effective regulatory environment.

In conclusion, while India's regulatory framework for RMG has made significant strides, there is considerable scope for improvement. By learning from international best practices and adapting them to the Indian context, policymakers can develop a more robust and coherent regulatory framework that addresses the unique challenges of the RMG sector and promotes its sustainable growth.

[34] Murphy v National Collegiate Athletic Association 584 US 453 (2018).

[35] Financial Crimes Enforcement Network, 'Guidance on Application of FinCEN's Regulations to Certain Business Models Involving Convertible Virtual Currencies' (9 May 2019) <https://www.fincen.gov> accessed 12 September 2024.

[36] Gambling Commission, 'About Us' <https://www.gamblingcommission.gov.uk> accessed 12 September 2024.

[37] Interactive Gambling Act 2001 (Cth) (Australia).

[38] Australian Communications and Media Authority, 'Interactive Gambling' <https://www.acma.gov.au> accessed 12 September 2024.

RECOMMENDATIONS FOR REFORM

The regulatory framework for real money gaming (RMG) in India requires comprehensive reforms to address existing ambiguities and enhance regulatory oversight. These reforms should aim to create a coherent, transparent, and effective regulatory environment that balances industry growth with consumer protection and financial integrity.

Proposals for Enhancing the Regulatory Framework:

To begin with, the establishment of a central regulatory authority dedicated to overseeing all aspects of RMG is imperative. This authority would be responsible for licensing, compliance monitoring, and enforcement, ensuring uniformity across states. Such centralization would mitigate the current legal ambiguities arising from the fragmented regulatory landscape and provide a consistent legal framework for operators and consumers alike.

Harmonizing state and central laws is another critical step. A model law that states can adopt would ensure uniform regulatory standards and enforcement practices, addressing the inconsistencies that currently plague the sector. This harmonization would facilitate a more predictable legal environment, fostering industry confidence and consumer trust.

Furthermore, there is an urgent need to clearly define and codify the distinction between games of skill and games of chance. This legal clarity would reduce the scope for judicial interpretation and provide a solid foundation for regulatory enforcement. Establishing empirical criteria for determining the skill component in games, based on international best practices, would further enhance this clarity.

Enhanced consumer protection measures are also essential. These should include mandatory self-exclusion options, deposit limits, and responsible gaming initiatives. Operators should be required to provide clear information about the risks associated with RMG and offer support for individuals experiencing gambling-related harm. Such measures would ensure that consumer interests are safeguarded while promoting responsible gaming practices.

Strengthening anti-money laundering (AML) protocols is crucial to prevent financial fraud and money laundering within the RMG sector. This includes mandatory reporting of suspicious transactions, enhanced due diligence for high-risk customers, and regular audits of operators' compliance with AML regulations. Robust AML measures would enhance the integrity of financial transactions and protect the sector from illicit activities.

Specific Suggestions for the RBI's Role:

The Reserve Bank of India (RBI) should play a more proactive role in regulating the financial transactions associated with RMG. Enhanced oversight of payment systems used in the RMG sector is essential. The RBI should implement stricter monitoring of payment gateways and intermediaries to ensure compliance with Know Your Customer (KYC) and AML norms. Mandating the use of secure and transparent payment methods would protect consumers and prevent financial fraud.

The development of specialized guidelines for financial transactions related to RMG is another critical area. These guidelines should address the unique risks associated with the sector, such as the potential for money laundering and fraud, and provide clear directives for financial institutions on how to manage these risks. By tailoring its regulatory approach to the specific needs of the RMG sector, the RBI can enhance the effectiveness of its oversight.

Collaboration with other regulatory bodies is also essential. The RBI should work closely with the proposed central regulatory authority and state governments to ensure a coordinated approach to regulating RMG. This collaboration could include sharing information on suspicious activities, joint enforcement actions, and the development of unified regulatory standards. Such a coordinated approach would enhance regulatory efficiency and effectiveness.

Promoting financial literacy among consumers, particularly in relation to RMG, is another important role for the RBI. Educational initiatives should be

launched to inform consumers about the risks associated with RMG, the importance of responsible gaming, and the measures they can take to protect themselves from financial harm. By enhancing consumer awareness, the RBI can contribute to a safer and more responsible gaming environment.

Finally, the RBI should regularly review and adapt its regulations to keep pace with technological advancements and emerging trends in the RMG sector. This proactive approach would ensure that the regulatory framework remains relevant and effective in addressing new challenges and opportunities. By continuously updating its regulatory strategies, the RBI can foster a dynamic and resilient regulatory environment for the RMG sector.

In conclusion, these recommendations aim to create a robust and coherent regulatory framework for RMG in India, with the RBI playing a pivotal role in ensuring financial integrity and consumer protection. Implementing these reforms would promote the sustainable growth of the RMG sector while safeguarding the interests of all stakeholders.

CONCLUSION

The regulatory framework for real money gaming (RMG) in India is at a critical juncture, necessitating comprehensive reforms to address existing ambiguities and enhance regulatory oversight. The exponential growth of the RMG sector, driven by technological advancements and increasing internet penetration, underscores the need for a robust and coherent regulatory environment. This research has highlighted the fragmented nature of the current regulatory framework, characterized by a patchwork of central and state laws, and the significant role of the Reserve Bank of India (RBI) in overseeing financial transactions within the sector.

The establishment of a central regulatory authority, harmonization of state and central laws, and clear legal definitions distinguishing games of skill from games of chance are essential steps towards creating a more predictable and effective regulatory environment. Enhanced consumer protection measures and strengthened anti-money laundering (AML) protocols are crucial to safeguarding consumer interests and maintaining the integrity of financial transactions. The RBI's proactive role in regulating payment systems, developing specialized guidelines, and promoting financial literacy is pivotal in ensuring the sector's sustainable growth.

Comparative analysis with international regulatory practices reveals valuable lessons that can be adapted to the Indian context. The UK's centralized regulatory approach, the US's multi-layered regulatory framework, and Australia's dual regulatory model offer insights into creating a balanced and comprehensive regulatory environment for RMG in India. By learning from these international best practices, India can develop a regulatory framework that addresses the unique challenges of the RMG sector while promoting fair play and consumer protection.

In conclusion, the recommendations proposed in this research aim to create a robust and coherent regulatory framework for RMG in India, with the RBI playing a central role in ensuring financial integrity and consumer protection. Implementing these reforms will not only enhance the regulatory oversight of the RMG sector but also foster a secure and transparent gaming environment. As the RMG sector continues to evolve, ongoing regulatory updates and stakeholder engagement will be essential to address emerging challenges and ensure effective governance. This research contributes to the ongoing discourse on the regulation of digital economies and fintech innovations, offering valuable insights and practical recommendations for policymakers and regulators.

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