

Online gaming

The new frontier

Solutions capability

October 2023



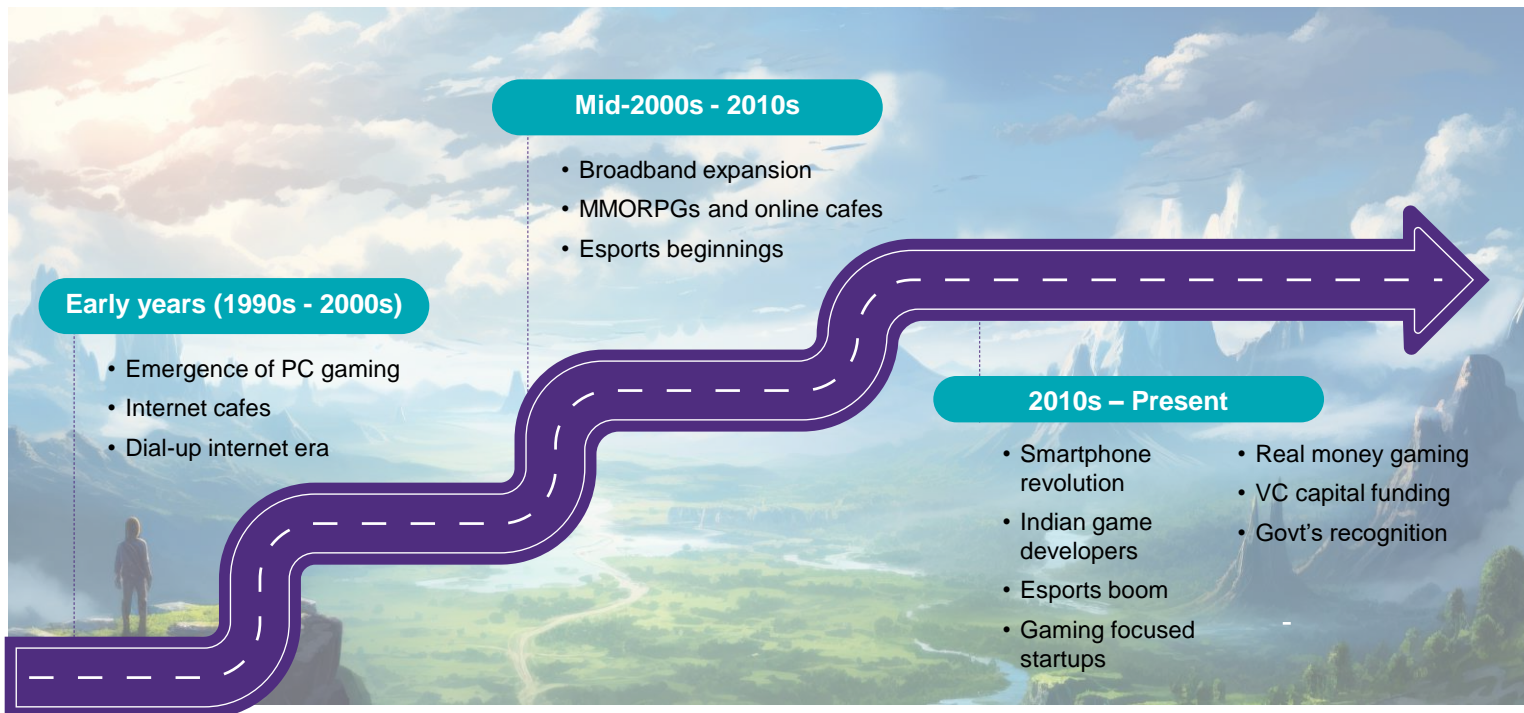
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Gaming industry – past, present & future





Gaming industry - understanding the present scenario



2010s - Present



01

Smartphone revolution:

The proliferation of **smartphones and affordable mobile data plans** revolutionised online gaming. Games like Angry Birds, PUBG Mobile, and Free Fire became immensely popular, attracting a massive user base.



02

Esports boom:

Esports in India saw exponential growth. Tournaments like the Indian Premier League (IPL) for games like Dota 2 and Counter-Strike gained widespread attention, and **professional esports teams and players** emerged.



03

Indian game developers:

Indian game developers began creating **unique games for global and local audiences**. Titles like "Asura" and "Raji: An Ancient Epic" gained recognition in the international gaming community.



04

Gaming focused startups:

Hundreds of startups offering a multitude of gaming products on smartphones platforms (iOS and Android). India started to be recognised as a **gaming innovation hub**.



05

Real money gaming:

Millions of users now showing interest in investing **real money across various skill games to win** cash gratifications. Key RMGs include card-based games and online Fantasy Sports.





Gaming industry – current industry snapshot



Current industry snapshot

The current valuation of the Indian gaming industry stands at **USD 2.9 billion**, and it is projected to **surpass USD 5 billion by 2025**, exhibiting a remarkable compound annual growth rate (CAGR) of 28 - 30%. The industry's significant potential is underscored by the fact that the Indian online gaming sector experienced a CAGR of 38% during the period from 2017 to 2020, in stark contrast to China's 8% and the US's 10%.

Source : Economic times.

<https://economictimes.indiatimes.com/tech/technology/study-shows-potential-of-online-gaming-sector-despite-high-tax-rate/articleshow/103437088.cms?from=mdr>

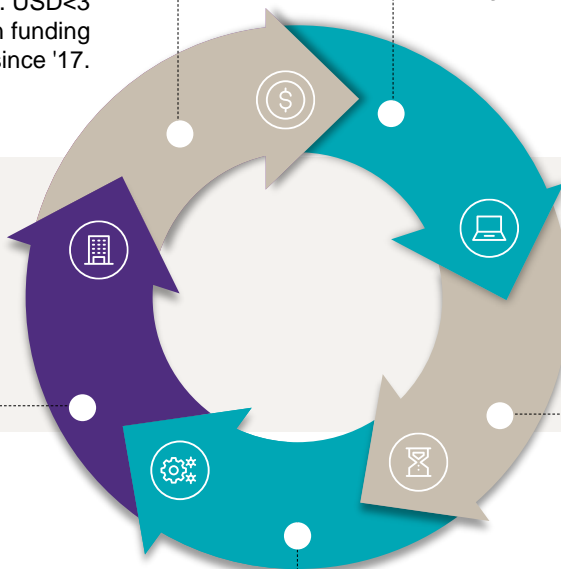
USD2.9 billion total market size. **USD<3** billion raised in funding since '17.

Total number of online gamers **520 million**

700+ gaming companies in India

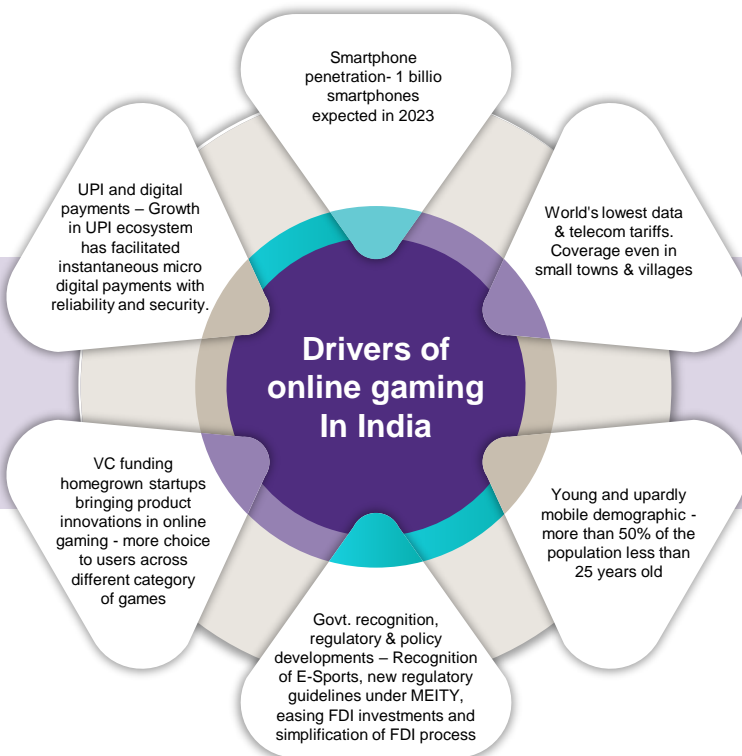
3.1 hours average game time per week

More than **18,000 game** developers in India





Drivers of online gaming in India



The gaming sector has undergone significant cultural and technological transformations over the years, and this pace of progress continues to accelerate to this day. As games became more complex and lifelike, they transitioned from arcades to households, computers, and mobile devices. The emergence of the internet and widespread adoption of mobile devices played a crucial role in reshaping the gaming industry into the thriving powerhouse it is today. Factors such as a progressively younger population, the ubiquitous use of smartphones, affordable internet access, higher incomes, and the influence of social media have all contributed to the industry's continual growth in terms of scale and revenue.

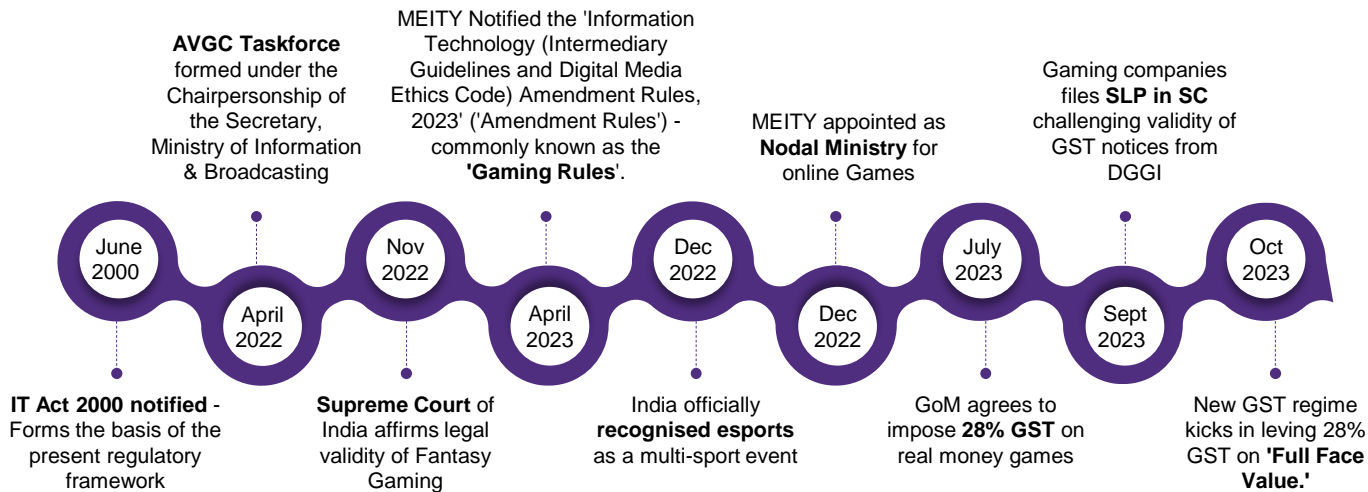
Advancements in technology, including cloud-based technologies, Artificial Intelligence-Machine Learning, virtual reality, Web3, and blockchain have further enriched the gaming experience, making it more immersive, realistic, and entertaining. In India, the Animation, Visual Effects, Gaming, and Comic (AVGC) sector holds the potential to lead the "Create in India" and "Brand India" initiatives, becoming a shining example of the country's creative prowess and innovation.



Policy and regulatory regime



key regulatory and legal inflection points:



On 6 April 2023, MEITY notified a comprehensive and completely updated regulatory framework for online skill gaming intermediaries/platforms vide the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Amendment Rules, 2023 (hereinafter referred to as 2023 Rules)

Subsequent to the notification of the 2023 Rules, all Gaming Intermediaries are now legally liable to comply with the provisions in true letter and spirit. Any lapse or failure to comply with the provisions of the rules may lead to coercive action and disruption of business.

The amended rules seeks to implement an entirely refreshed and significantly stricter compliance framework which brings new areas of enforcement under its ambit such as stricter KYC, appointment of a resident officer & grievance officer, requirement of having all games certified by the Self Regulatory Bodies (SRB), etc. These completely new areas of compliance now need a complete relook and reassignment of the compliance matrix of Gaming Intermediaries.

The amended rules adds additional compliance requirements for Gaming Intermediaries as they now have to comply with conditions imposed by the SRBs as well as comply with rules / directives passed by the MEITY.



Pivotal compliances under Gaming Rules 2023



01

Certification of games - All games offered by the Gaming Intermediary needs to obtain certification from SRB following due process – Clause 4 (A) (1)



02

KYC mandate - KYC process for Gaming Intermediaries to be at-par with KYC requirements mandated by the RBI before allowing deposits to user wallets – Clause 4 (12)



03

Publishing T&Cs- user agreement and privacy policy informing users of changes to user agreement, terms, and privacy policy in English as well as any scheduled language chosen by the user – Clause 3 (1) (a), (b)



04

Govt. agency investigations - Provide information within 24 hours to the government agency which is lawfully authorised for investigative or protective or cyber security activities – Clause 3 (1) (j)



05

Grievance redressal - Defined timelines for redressal of user grievances – mandate to acknowledge complaints within 24 hours and resolve all grievances within fifteen days from date of receipt – Clause 2 (a) (i)



06

Appoint a **Resident Grievance Officer**, Chief Compliance Officer and a **nodal contact person** to ensure 24x7 coordination with law enforcement – Clause 4 (1) (a), (b), (c)



07

Report cyber security incidents - with the Indian Computer Emergency Response Team in accordance with CERT Rules under IT Act 2000 - Clause 3 (1) (l)



08

Implement orders of GACs- Intermediary mandated to implement all orders passed by the Grievance Appellate Committee / Self Regulatory Body (SRB) and publish report on its website – Clause 3 (A) (7).



09

Physical address in India - establish a physical contact address in India published on its website, mobile based application or both, as the case may be, for the purposes of receiving the communication addressed to it. – Clause 4 (5)

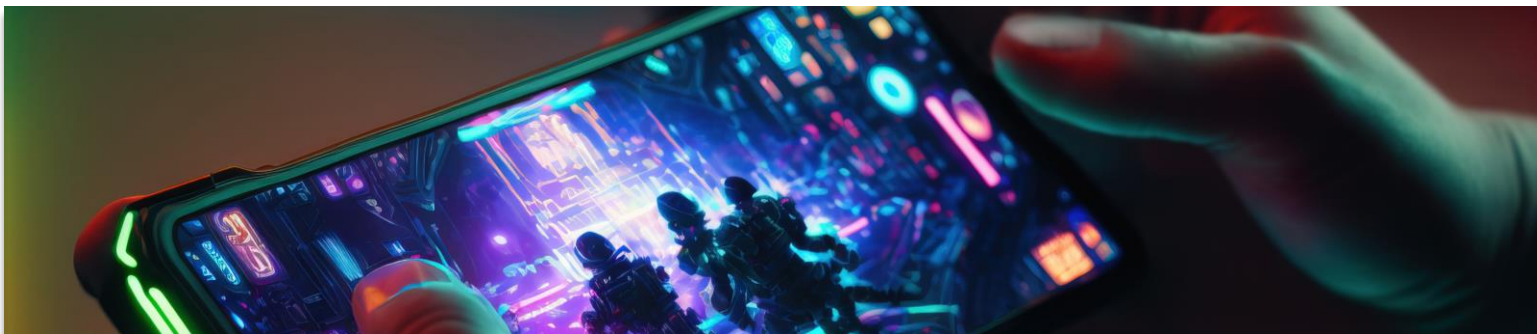
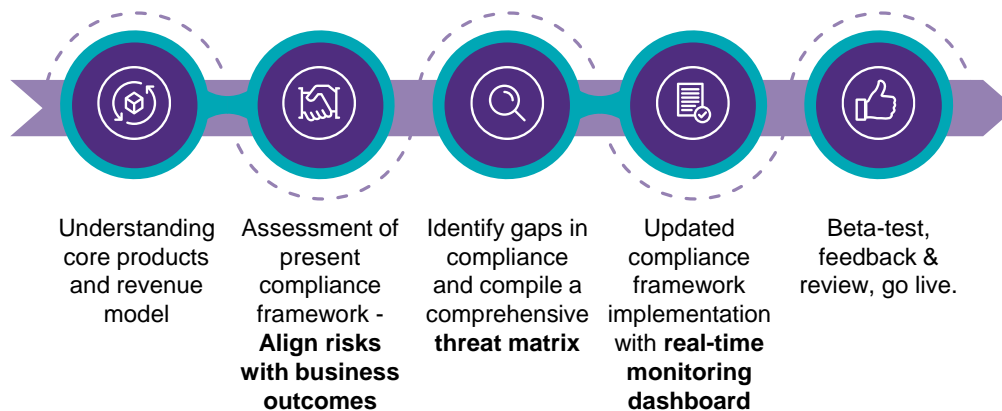




How Grant Thornton Bharat can help



The 2023 Rules have significantly altered the Regulatory Compliance Requirements for Online Gaming Platforms / Intermediaries. Grant Thornton Bharat's Gaming Vertical is well placed to **synthesise a comprehensive Regulatory Assessment and Compliance Framework** helping online Gaming Intermediaries to completely offload the compliance burden and focus their undivided attention on product innovation and growth.





A graded approach: Grant Thornton Bharat's compliance framework will help transition to a risk-addressing culture



Pre-assessment

- Preassessment of products, existing compliance framework and SOPs
- Identification of gaps and associated risks - Process, Tech & Governance.
- Compiling graded-risk matrix.



Recurring operations support & compliance

- Overhauled risk-aligned compliance framework
- SOPs for game certification, game pre-certification assessment & logic test
- Game algorithm assessment for transparency, biases, winner declaration logic
- Assessment of Random Number Generator (RNG) certification
- Sample checking of actual game data to check winner gratification logic



Grievance redressal

- Setting up Grievance Redressal Process and Automation as per 2023 Rules
- Setting up SOPs for interaction with Three Additional Channels of Grievances – MEITY, SRBs and LEAs
- Design of Report of Grievances to SRBs and MEITY and Standard Format of response to LEAs .

Addressing business-critical risks:



The two most critical compliance risks under the updated regulatory framework are **certification of games** by SRBs and ensuring **water-tight KYC** as per the new regulations.

01

Product compliance, statistical evaluation, SRB certification

- Statistical pre-screening of all gaming products before submission for certification
- Prepare detailed game-dossier
- Addressing SRB queries leading to game certification

02

User KYC, verification & other risks

- Reengineering user KYC journey, ensuring compliance at-par with BFSI
- Addressing transactional risks, assessment of PA-PG, User bank account verification-penny testing
- Compliance under DPDP Act.



Our leaders in gaming



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Thank you!

Contact us



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