

Game over for online money games?

An analysis of the Online Gaming Act 2025

22 August 2025

Introduction

On 22 August 2025, the government notified the Promotion and Regulation of Online Gaming Act 2025 (Online Gaming Act). The act imposes a complete ban on 'online money games', regardless of involvement of skill or chance and is a significant departure from well-established jurisprudence on 'gambling' and the distinction between 'games of skill' and 'games of chance'.

The Online Gaming Act is a shift from the self-regulatory regime under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 (IT Rules) and overrides the framework introduced under the IT Rules.

The Online Gaming Act has been passed by the Parliament in the background of concerns over addiction, financial distress, money laundering, and unlawful data transfers facilitated through online gaming platforms. The government has also highlighted that online gaming platforms have been linked to financing of terrorism and means of communication by terrorists in certain cases, affecting the security and sovereignty of the state. However, the choice of a blanket ban over measured regulation has drawn criticism from industry bodies such as the All India Gaming Federation and the E-Gaming Federation, which warn of job losses, loss of investor confidence, and increased migration of users to unregulated platforms.

A summary of the salient aspects of the Online Gaming Act is set out below:

Salient Aspects of the Online Gaming Act

Classification of online games:

- **Online Money Game:** Online games that: (a) may be based on skill or chance, (b) involve payment of fees, deposit of money or other stakes (i.e. anything equivalent or convertible to money), in expectation of winning monetary enrichment or other stakes, and (c) are not E-sports.
- **E-sports:** Games played as part of multi-sport events involving multiplayer competitive formats governed by defined rules. Registration of e-sports under the National Sports Governance Act 2025 is mandatory. These games are skill-based and may include participation fees and / or performance-based prizes, but do not involve betting or staking.
- **Online Social Game:** Games offered solely for entertainment, recreation, or skill development purposes, which do not involve bets, wagers, or monetary stakes, although they may include participation fees that are not in the nature of a stake or wager.

Prohibition on Online Money Games:

- The Online Gaming Act imposes a complete prohibition on: (a) the offering or aiding of any online money gaming service in India, (b) direct or indirect advertisement or promotion or any involvement in the making of any advertisement of online money games, and (c) processing, facilitating or authorising payments for online money games (including by banks and financial institutions).
- Notably, the Online Gaming Act does not penalise players who participate in online money games, and penalties are only imposed on online money gaming services, advertisers, and financial institutions providing services to online money gaming service providers.

Extra-territorial Application:

The Online Gaming Act is applicable to online gaming services offered to users in India, even if such services are hosted or operated from outside India. This seeks to prevent offshore operators from bypassing Indian laws by locating infrastructure overseas.

Takedown:

The Central Government is empowered to block or take down online money gaming services under Section 69A of the Information Technology Act 2000, thereby strengthening its enforcement mechanism against illegal operators.

Gaming and E-sports Authority:

- The Online Gaming Act provides for the designation of an authority (Authority) to regulate online gaming and e-sports. The Authority has the following functions:
 - *For online social games:*
 - (a) Registration, classification, and regulation of online social games;
 - (b) determination whether an online game is an online money game or otherwise;
 - (c) facilitation of innovation in online social games; and co-ordination with other governmental agencies / institutions for promotion of online social games; and
 - (d) redressal of complaints relating to online games.
 - *For E-sports:*
 - (a) formulation of guidelines and standards for organisation of e-sports events;
 - (b) establishment of academies, research centres and institutions for e-sports;
 - (c) formulation or incentive schemes and awareness programs; and
 - (d) co-ordination with national and international stakeholders to promote the sector.

Penalties:

- For offering online money gaming services: Imprisonment up to 3 years and/or fine up to INR 1 crore. For subsequent offences, imprisonment up to 5 years and fine up to INR 2 crores.
- For advertising any online money game or gaming service: Imprisonment up to 2 years and/or fine up to INR 50 lakhs. For subsequent offences, imprisonment up to 3 years and fine up to INR 1 crore.
- For financial institutions facilitating transactions for an online money game: Imprisonment up to 3 years and/or fine up to INR 1 crore. For subsequent offences, imprisonment up to 5 years and fine up to INR 2 crores.

- For failure to comply with the direction or order issued by the Union Government or any other authorised agency: Fine up to INR 10 lakhs, and/or suspension / cancellation of registration, prohibition from offering or facilitating online games.
- In case of offences by companies: The Online Gaming Act also imposes penalties on every person who, at the time the offence was committed was in charge of, and was responsible to the company for the conduct of that part of the business of the company along with the company.

Conclusion

The online gaming industry, growing at a CAGR of 28%, is largely driven by online money games. The essence of online money gaming is that users participate in skill-based games for financial reward. The Online Gaming Act directly affects this business model for both users and gaming companies. The Online Gaming Act marks a decisive shift from the self-regulatory approach under the IT Rules and the long-standing 'skill vs. chance' distinction developed by Indian courts. It is a matter of time before the Online Gaming Act is challenged on grounds of constitutional validity, legislative competence, and subject to the test of reasonable restrictions under law. Such developments will be closely observed by all stakeholders.

The government has emphasised on the protection of the mental health, privacy, and financial well-being of users. However, while these are legitimate concerns, this could have been achieved by implementing proportionate guardrails, such as licensing, know-your-customer and affordability checks, loss limits and circuit breakers, gameplay time restrictions, algorithmic audits, age-gating and robust grievance redressal mechanisms. A complete prohibition of online money games appears excessive relative to the risks and may prove counterproductive in practice, and may seriously damage investor confidence in the Indian technology sector at large. A ban will also encourage users to access offshore gaming platforms through virtual private networks in an unregulated manner.

The reset will be challenging for online money game platforms on multiple fronts and will require a pivot to determine product-market fit without cash stakes and monetisation models such as ad-placements and subscriptions, as well as potential cash-based models that do not offer monetary or other enrichment to users (such as by providing users with only in-game items as opposed to real-world rewards). Existing contracts, promotional inventories, and capital deployed towards what were previously considered permissible online money games will require revisiting.

With the government having notified the Online Gaming Act, the adverse impact for online money game operators is almost immediate, whereas e-sports and social games now have a clearer runway to scale up their business operations with formal recognition and institutional support.

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