



MARC

Industry - Online/Offline, Gambling & Gaming

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1. The Gambling Industry in India

Offline Gambling Industry In India (1/2)

Gambling has always been a popular leisure activity in India historically. The offline gambling space in India consists of:

Casinos

Sports Betting (Horse race)

Lottery

In India, the Public Gambling Act of 1867 is the general law which governs gambling Industry. Certain states in India have enacted their own legislation to regulate gambling as gambling is considered a state subject. However, some states do not have their own regulations and hence follow the Public Gambling Act. Casinos are very popular in the gambling space. Goa was the first state to legalise gambling with the first casino being opened up in the year 1999. As of today, Goa, Sikkim, and Daman are well-known casino hubs where five-star hotels and offshore vessels are allowed to set up a casino with prior permission of the state authorities. However, these states have curbed the entry of local residents in their casinos, especially the younger population.



Offline Gambling Industry In India (2/2)

- Sports betting is also a popular form of gambling in India. Most forms of sports betting are considered illegal in the country. However, later in the year 1996, the Supreme Court of India, which is the apex court in the country, was of the opinion that winning in a horse race bet is not purely based on chance.
- The person betting here is required to have substantial knowledge and understanding with regards to the breed of the horse, training, location where the race is conducted and the skill of the jockey.
- Hence betting on horse racing is not a game of chance, but has to be considered a game of skill. Thereafter, horse racing was exempted from the present betting laws of India and is completely legal in the country.
- In India, Turf Authority of India is responsible for organising the horse races which also earns revenue in form of taxes for the states which allow this activity. Lotteries are also popular in India as a form of offline gambling.



Online Gambling Industry In India (1/2)

The Online gambling space in India consists of:

Casinos

Sports Betting

Lottery

Owing to the rapid advancements in technology and growing tech savvy population, online gambling has gained massive popularity in India. Indians enjoy playing card games and placing bets on sports online, which is not a surprise as gambling existed and thrived in India through various forms since ancient times.

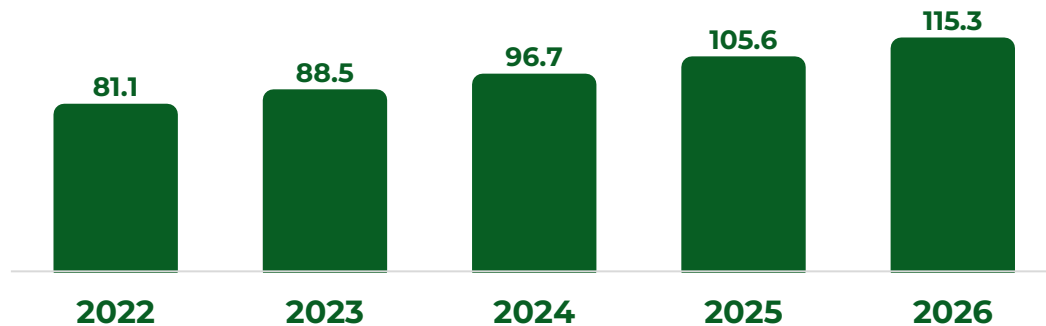
The online gambling market in India has also grown exponentially, irrespective of the several efforts from the states towards regulating the market to reduce the gambling activities in the country. According to recent data, 40% of Indian adults have played at least one online gambling game. The growing tech savvy population, increasing urbanisation, lower regulatory hurdles and a massive population close to 4 billion, of which 65% is below the age of 35, proves to be important drivers for India's online gambling market.



Online Gambling Industry In India (2/2)

Games such as poker, blackjack, slots, and sports betting are said to be the major segments of the online gambling market for the foreseeable future. Online gambling is found to be more convenient by the players. As a result, online casinos are gaining popularity in India. With every passing day, more and more online casino websites are coming up to cater to the Indian players. Online casinos are not considered illegal in most of the states in India. However, it is worth noting that online casino that decides to accept Indian players must have the required licensing - The Indian Gaming License - to do so. All casino operators can apply for this. Casinos usually put up their licensing information on their homepage.

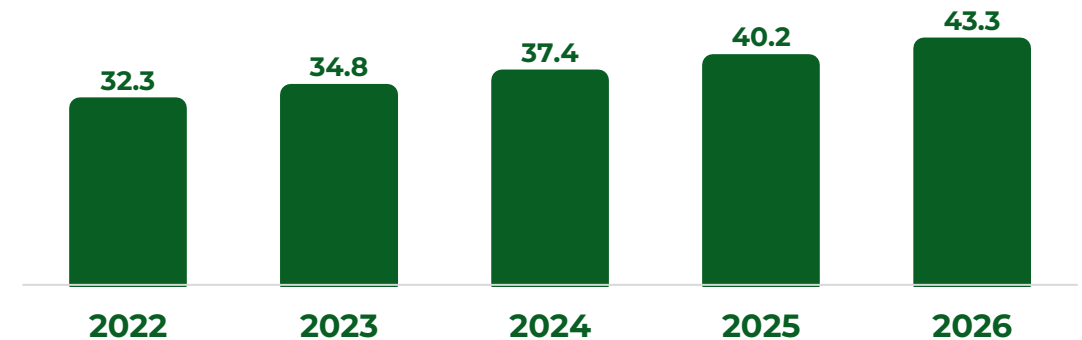
Market size of global online gambling market (USD Million)



Source: researchandmarkets.com

The global online gambling market reached **USD 81.1 Billion** in **2022** growing from **USD 73.4 Billion** in **2021**. It is further expected to grow at a **CAGR** of **9.2%** to reach **USD 115.3 Billion** by **2026**.

Total Revenue For Casino Games Segment (USD Billion)



Source: Statista

The total revenue earned in the online Casino games segment in India was estimated at **USD 32.3 Million** in **2022**. Total revenue is further projected to grow annually from **2022-2026** at a **CAGR** of **7.57%**, and the estimated market volume is expected to reach **USD 43.3 Million** by **2026**.



2. The Gaming Industry in India

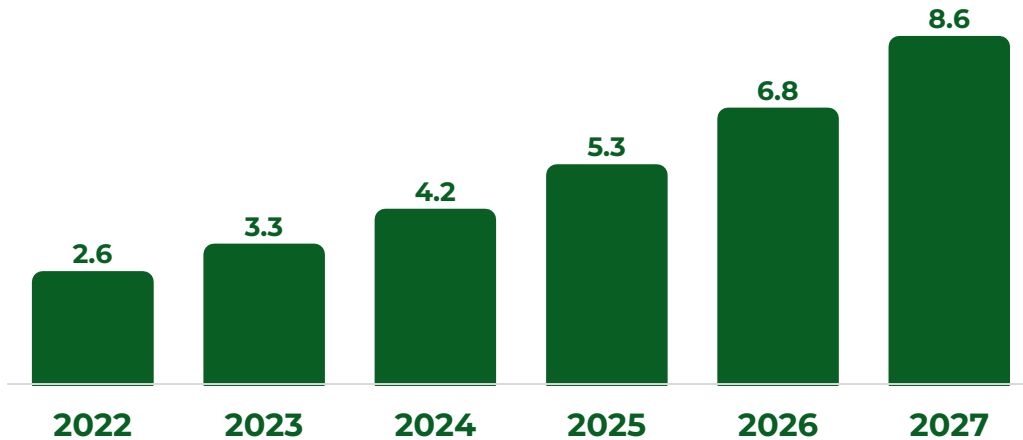
Gaming industry In India

- The budding gaming industry in India has grown phenomenally in recent years and is on the path to become the biggest global markets in the gaming industry in the coming years. The availability of low-cost smartphones, increased internet penetration, popular influencers prove to be a key driver for the growth of the industry in the country. However, the restrictions and lockdown during the Covid 19 pandemic, online schooling, and work-from-home along with the growing popularity of digital payment solutions led to the rapid increase in demand for online gaming in the country.
- India is home to more than 900 gaming companies. For the gaming companies, most of the current gaming revenue an estimated 57% is earned via the real money gaming (RMG) segment. The in-app purchases are expected to be a major factor for the future growth and expected to grow at a CAGR of 34% from FY22 and FY27.
- The revenues earned are increasing, owing to the supply of games and further augmented by the increased propensity to pay. Average revenue per paying user also witnessed an increase of 11% and stood at USD 20 per year in FY22 adding 2 million new paying users every month. As per the stats, almost 65% of paying gamers have made an in-app purchases at least once.



Gaming Industry In India- Market Overview

Market size of Gaming Industry In India (USD Billion)



Source – business-standard.com

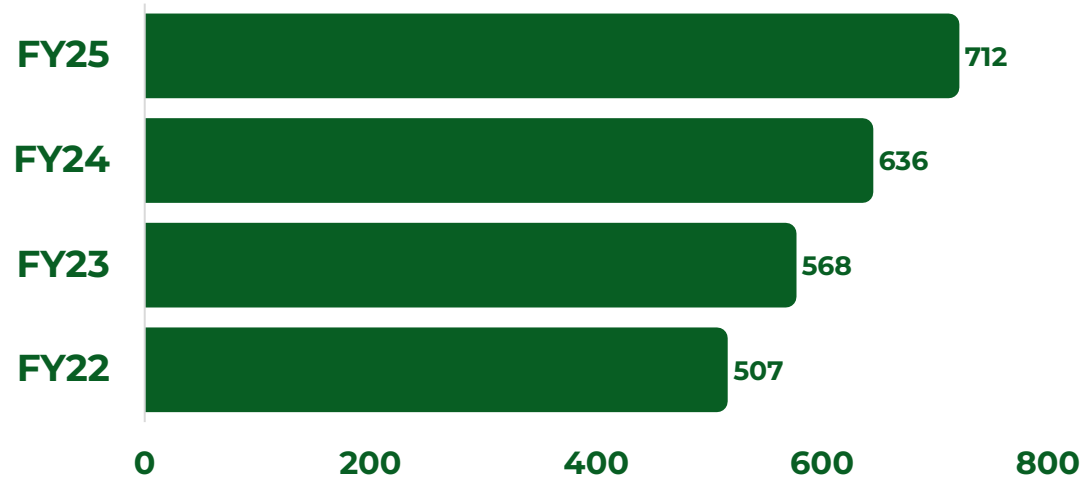
The gaming industry in India stood at **USD 2.6 Billion** in **FY 2022** and expected to be worth **USD 8.6 Billion** by **FY 2027**, witnessing growth by a **CAGR** of **27%**.

Game	Revenue (USD million)
Free Fire	17.7
COD mobile	6.5
BGMI(now banned)	5.9
Coin Master	5.2
Lords Mobile: Tower defense	4.2
Teen Patti Octro 3	4.1
Candy crush saga	4
Clash of clans	3.3
Genshin Impact	2.7
Top war: Battle game	2.5

Source – businessofapps.com (2021)

Gaming Industry In India - Demographics

Total Gamers In India



Source –business-standard.com

India became the world's top consumer of mobile games in **FY 2022** with **15 Billion** downloads and **507 Million** gamers in **FY22**, which included 120 million paying customers. The number of gamers is further expected to grow at a **CAGR** of **12%** to reach around **700 Million** by **FY 2025**.

Distribution Of Gamers In India By Occupation

Full Time Employees **45 %**

Students **20 %**

Homemaker **15 %**

Self Employed **11 %**

Other **9 %**

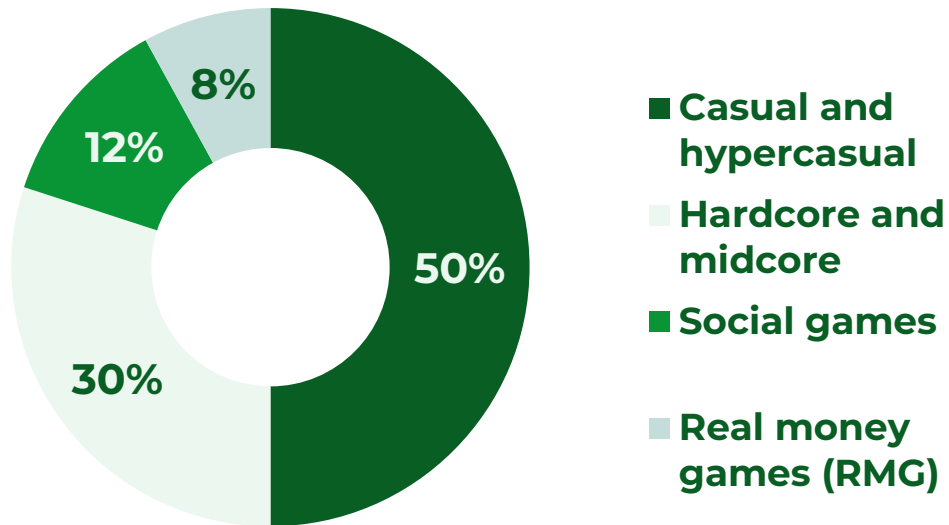
Source –business-standard.com

The gaming industry in India stood at **USD 2.6 Billion** in **FY 2022** and expected to be worth **USD 8.6 Billion** by **FY 2027**, witnessing growth by a **CAGR** of **27%**.

As per a Think with Google report, around **18%** of **Indian gamers** are **female**. The growth of **female gamers**, especially mobile gaming, is mainly due to the fact that **43%** of **smartphone users** in **India** are **female**.

Segmentation in Gaming Industry

Segments of Gaming industry as per preference



The gaming space can be divided into segments such as: **Casual and Hyper Casual, Hardcore And Midcore, Social Games** and **Real Money Games**.

Casual and hyper casual games are games that require very less effort and minimal mechanics and are played opportunistically. Some examples of games in this segment include games such as Royal match, Candy crush Saga, Coin master, Ludo king, Carrom pool.

The hardcore games segment consists of games that require lot of input and time to be invested. One of the popular hardcore games in India is Counter strike. As far as the midcore games section is concerned, these basically combine the features of both casual and hardcore games. The popular mobile games Battlegrounds Mobile India and Free Fire are the fastest growing in the midcore category.

With regards to social games, these are multiplayer games played with other users on the internet. Games such as Farmville fall under this segment.

While, Real money games are games that accept money and offer cash prizes on winning. This segment includes games such as Dream 11, MPL, Junglee Rummy and other similar games. In FY22 the mid-core games grew the fastest.

3. Location Analysis

*I SEE MY PATH,
BUT I DON'T KNOW
WHERE IT LEADS.
NOT KNOWING
WHERE I'M GOING
IS WHAT INSPIRES ME
TO TRAVEL IT*

ROSALIA DE CASTRO



Location Analysis

Gaming

Top 5 Gaming states in India

1. Uttar Pradesh

2. Maharashtra

3. Rajasthan

4. Bihar

5. West Bengal

- Uttar Pradesh, Maharashtra, Rajasthan, Bihar and West Bengal were ranked as the top 5 gaming states in the country as per the MPL report. (Indian mobile gaming report 2022-by MPL)
- All Online gaming platforms both domestic as well as foreign entities which offer real money online games in India should be a legal entity incorporated under Indian law.
- The Prevention of Money Laundering Act of 2002 treats such entities as "reporting entities."
- These platforms are required to bring to notice of the Financial Intelligence Unit India, any suspicious transactions observed on their platforms.



Location Analysis

Gambling

Biggest Online Gambling states

States	% of users
Maharashtra	17.4
Telangana	9.9
West Bengal	9.3
Karnataka	9.3
Uttar Pradesh	8.2
Tamil Nadu	8.1
Delhi	8.1
Gujarat	6.0
Madhya Pradesh	4.5
Rajasthan	4.4
Bihar	4.1
Haryana	3.1
Punjab	2.8
Kerala	2.7
Andhra Pradesh	2.2

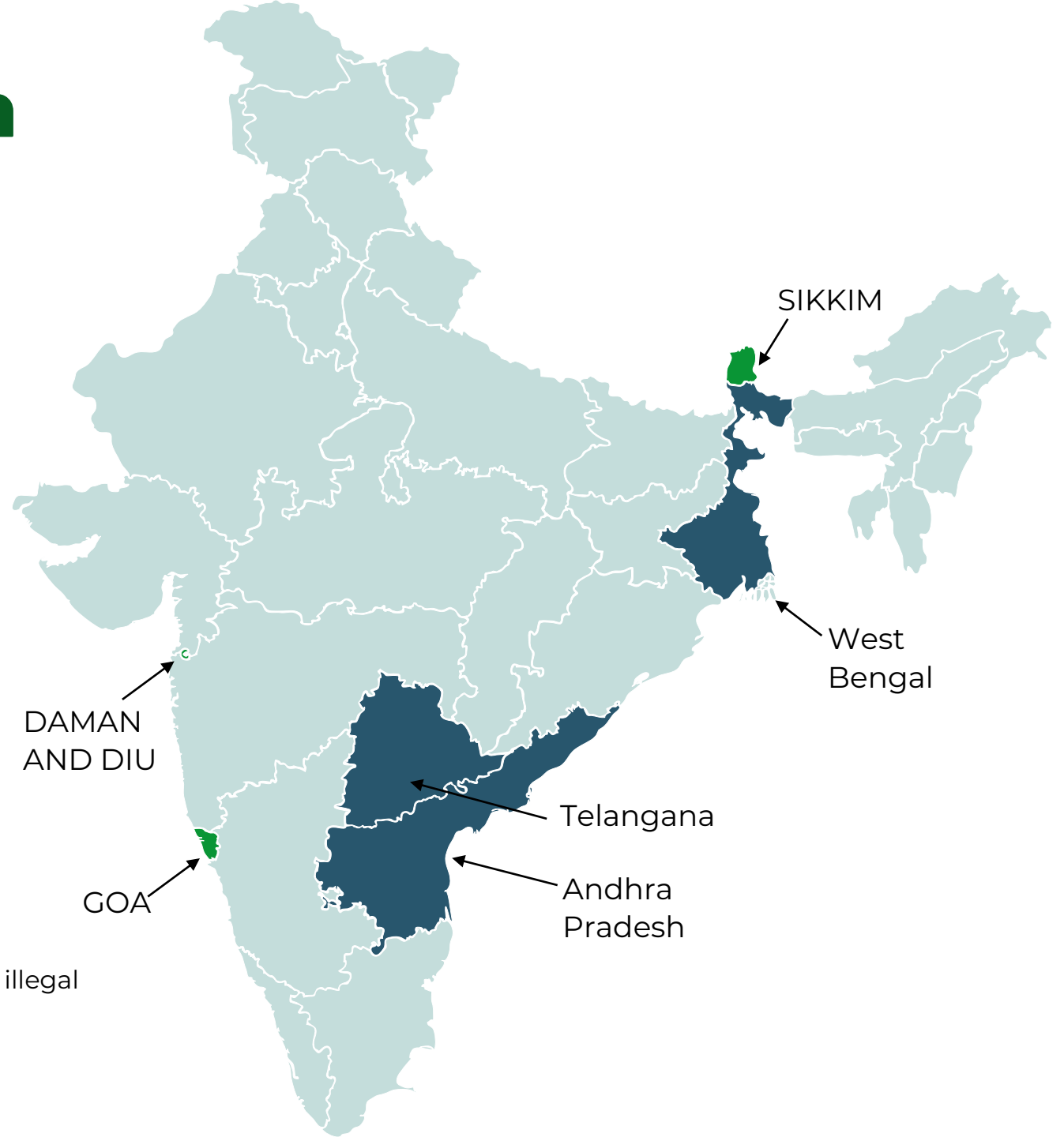
Source – sevenjackpots.com


Biggest Online Sports betting states

States	% of users
Telangana	22
Karnataka	17
Maharashtra	9.7
Uttar Pradesh	7.4
Delhi	6.7
Tamil Nadu	6.4
Andhra Pradesh	5.6
West Bengal	5.2
Madhya Pradesh	4.7
Bihar	4.5
Rajasthan	3.2
Gujarat	3.1
Haryana	2.7
Punjab	1.7

Source – sevenjackpots.com

Status of Gambling in India



 Both Offline Gambling and Online Gambling are legal

 Only Online Gambling are legal and Offline Gambling is illegal

 Both Offline and Online Gambling are illegal

Top 5 States as per demand for gambling

1 Maharashtra

Demand

A Study by Sevenjackpots.com reveals that Maharashtra stands at the top position in terms of number of online casino players in India.

Maharashtra recorded the highest number of visits and registration on the online casino websites as per a recent study. Maharashtra is said to generate around 17.4% of the registered organic net traffic, the highest in the country on the online casino websites.

Maharashtra also records 9.7% users of online sports betting. Demographically, Maharashtra is a low poverty and high income state.

Residents of Mumbai and Pune give more importance to online gambling to use their free time and for spending their disposable income

Regulations for Gambling industry

The legal gambling market in Maharashtra basically includes Offshore Online Casino, Horse race and dog race betting, Lotteries and Offshore online betting.

The Maharashtra Prevention of Gambling Act, 1887 states that only wagering and betting on horse races and dog races is legal provided these are conducted in enclosures licensed under sec 4 of the Bombay Race-Courses Licensing Act, 1912 or under Maharashtra Dog Race-Courses Licensing Act, 1976.

There is no provision against online gaming in the act hence, it is deemed to be legal.

Online betting sites and online casinos also don't find a mention in the law against gambling hence people from Maharashtra can participate in offshore online casinos.

The act does not allow to organize, run a gaming house. Failure of which, punishments include 1 month imprisonment with a fine of INR 200, second offence invites 3 months of imprisonment with a fine of INR 200 and third-time offender invites 6 months imprisonment.

2

Karnataka

Demand

As per the Telecom Regulatory authority of India (TRAI) report, and estimated 74 out of 100 people use internet service proving the potential for the online gaming and gambling industry in the state.

Karnataka is considered to be a major player in the areas of digital media technologies, computer graphics and AVGC capabilities. The state also has focus on start-ups for the creation of IPs.

The state is also expected to witness progress in the game engine technologies which will impact many other fields. E-Sports is said to be a major area while Karnataka already has some presence of strong startups and investments in this area.

Regulations for Gambling industry

The legal gambling market in Karnataka basically includes Offshore Online Casino, Horse racing, Lotteries and Offshore online betting.

Karnataka Police Act, 1963 states the following about gambling in the state:

Opening any form of gaming or gambling house is prohibited. All forms of wagering and betting are also deemed illegal, including betting on horse races.

However, as per an amendment to the Act, the Government of Karnataka has permitted the Bangalore Turf Club Limited to introduce Off-course Betting through arrangements with the Royal Western India Turf Club Limited, Bombay.

3

Uttar Pradesh

Demand

As per a report by the online gaming platform Mobile Premier League (MPL), by the name India Mobile Gaming Report 2022 has revealed Uttar Pradesh (UP) as the top gaming destination in the country.

Lucknow, Kanpur, Varanasi, Ghaziabad and Allahabad contributed the most users in the state.

The UP government is planning a formal policy on AVGC (animation, visual effects, gaming, and comics). Such initiatives can fuel growth even further. Such initiatives will prove to be major boost to a gaming industry in India.

Referring to the study by sevenjackpots.com, UP is said to stand at 4th position in the country in terms of the users of sports betting websites comprising of 7.4% of the total traffic on sports betting websites in the country.

It is also estimated to hold the 5th position considering the overall online gambling market in India, recording 8% of the total users.

Regulations for Gambling industry

The legal gambling market in Uttar Pradesh basically includes Offshore Online Casino, Horse racing, off shore online lottery, Offshore online betting

As far the regulations governing the gambling industry in UP is concerned, the state solely follows the nation-wide Public Gambling Act, 1867.

UP does not have any state specific laws regulating the gambling industry at present.

4

Delhi

Demand

Delhi, being the capital of India and a major metro city, is said to hold the top position in terms of internet penetration with the estimated penetration level at 70%.

Delhi is also said to hold the 7th position in terms of online gambling website users.

The UT also holds the 5th position in terms of users of online sports betting

Regulations for Gambling industry

The legal gambling market in Delhi basically includes Offshore Online Casino, Offshore online betting. Lotteries in Delhi are banned.

The gambling activities in Delhi are solely regulated under the Delhi Public Gambling Act 1955. The nationwide gambling act in India or the “Public Gambling Act, 1867” is not applicable to the UT of Delhi.

As per the act a person if found in any of the gaming houses playing or gaming with cards, dice, counters, money or other instruments of gaming or for the purpose of gaming, whether playing for money, wager, stake or otherwise, will be held liable to imprisonment which may extend to 3 months and will also be liable for a fine extending to INR 500.

The law also does not allow owning of such gaming houses and any person found doing so will be liable for a imprisonment for a term which may extend to 6 months and also liable for a fine which may go to INR 1000.

All forms of gambling that involves a game of chance are considered illegal in the UT of Delhi

5

Goa

Demand

Goa is the best location for casinos in India and also the first state to officially allow gambling in casinos. Since the 1976, gambling is legal in Goa and the state hosts several casinos floating offshore from Panaji on the Mandovi River. In addition to the floating casinos, players can also choose to play at an online casino in Goa. The casino industry, backed up by the state government is a major employer and a major tax contributor for the state.

Goa is the go-to-destination for gambling addicts since it has the maximum number of casinos in India. There are 14 casinos in total, 6 off-shore and 8 land-based.

The two major groups operating Casinos in Goa are Delta Corp Group and Pride Group. Out of the off-shore casinos Casino Pride caters to the masses, Big Daddy serves the millennials, and Casino Royale mostly caters to HNIs.

The demand for casinos in Goa comes mostly from tourists. Tourists in Goa have increased at a CAGR of 13.2% between FY09 and FY20 and reached 8.1 million. Locals used to visit the casinos in large numbers earlier. However, since 2020, the Government has banned the entry of locals in the Casinos.

The most frequently heard languages in the Casinos are Kannada and Telugu which indicates that majority of their customers could be residents from Karnataka and Telangana.

5

Goa

Regulations for Gambling industry

Goa has allowed gambling since the inception of the Goa, Daman, and Diu Public Gambling Act, 1976. After a few amendments by the government, gambling was made legal in Goa.

The Goa government brought an amendment allowing slot machines in Five star hotels and card-rooms in offshore vessels having prior approval and authorization of the state government on the payment of a specified fee to the government.

As per the law of gambling, there is a need for specific skills, knowledge of the field, and the game is a must.

The state government is very stringent as far as the laws are concerned and only the establishments that have proper licenses and permits are allowed to set up common gaming houses.

In Goa both Horse race betting is legal as well. However, there are no horse racing turfs in the state. Thus, Casinos is the only customer segment.

Top 3 States/UTs based on Cost, Regulations

1. Sikkim

Licensing Costs

Casino:

For starting casino, the applicant has to file a license application with the state government to operate a casino in a 5 star hotel. The state will grant a provisional license on payment of a fee of INR 1,00,000. The provisional license is granted to develop the infrastructure and equipment acquisition. This can be extended for additional 6 months on additional payment of INR 1,00,000. On compliance with the terms and conditions the state grants regular license for a fee of INR 5,00,00,000 with a 5 year validity.

Online gaming and sports gaming:

The applicant may apply for a license to the state authority to operate a online gaming server by paying an application fee of INR 500. On compliance with the terms the state grants a provisional license for 120 days for a fee of INR 1,00,000 for a period of 120 days. On the setup of required infrastructure the state grants a regular license for a fee of INR 1,00,00,000. 1% royalty on gross gaming yield annually.

Regulations

Casino

The state of Sikkim allows the set up of land based casinos in 5 star hotels with the permission of the state authorities under the Sikkim act.

Online games and sports gaming:

The state has legalized online and sports gaming under the Online Gaming (regulations) act 2008. The games include games of skill e.g. Poker. and games of chance such as roulette.

The state also allows placing bets on the game of sports such as cricket and football.

It is pertinent to note that the online gaming services can only be provided through the intranet terminals at gaming parlours within the state boundary.

Hence the fantasy sports games such as dream 11 are not allowed as these do not operate on the intranet or within the state boundaries.

2. Goa

Licensing Costs

In Goa, Daman and Diu, the license application fee is between INR 20 lakhs and INR 50 lakhs depending on the size of the casino.

Land-based casinos will be charged an annual fee between INR 10 crore to INR 40 crore, depending on the size of the casino.

Off-shore casinos will be charged annual fees between INR 27.5 crores to INR 44 crore, depending on the size of the offshore vessel.

A license renewal fee of INR 1 crore will be levied for renewal of both type of casino licenses.

Regulations

In Goa, Daman and Diu license is issued for casino conducting gambling activities at five star hotels and offshore vessels by the state authorities.

License is also issued to operate games of electronic amusements/slot machine in five star hotels in the territory of Goa, Daman and Diu.

Goa has no specific regulations for online gaming.

3. Nagaland

Licensing Costs

Online gaming

In Nagaland, an application fee of INR 50,000 must be paid. The license fee for 1 game for 3 years is INR 10,00,000 and for 3 and more games, the license fee is INR 25,00,000. For the following 2 years, the individual game license fee is INR 20,00,000 and for 3 and more games, the fee is INR 50,00,000. 0.5 % of the gross revenue generated after reducing items such as service tax, bonuses, cashbacks, payment, gateway charges.

Regulations

Online gaming

Games under the category of games of skill are allowed to be operated in Nagaland. They will be considered as business ventures, provided they purchase the required licenses. They need to operate the venture within Indian boundaries with the management with complete executive powers within India. They need to restrict their website to only those states which allow games of skill to be operated. No games of chance can be operated in these ventures. It is observed that fantasy sport games are not included in the purview of skill games in Nagaland. Hence games such as Dream 11 are not allowed in Nagaland.



3. Payment systems accepted

Payment Systems accepted by the Gambling Industry (1/3)

Offline Gambling Industry

- The customers are given a choice of cash, card and UPI payments for their transactions in the offline gambling industry.
- It was found that about 60-70% of transactions from the customers' front take place through UPI methods, the second highest being card payments.
- Offline Casinos use Cash for paying their customers the money they win in thousands of rupees.



Payment Systems accepted by the Gambling Industry (2/3)

Online Gambling Industry

- **E-wallets**

One of the most widely used payment systems for the Online casinos are E-wallets. E-wallets are generally found to be very convenient for making online payments. E-wallets are fast, safe, and easy to use. Additionally, they offer a high level of security as they require two-factor authentication for all transactions. The E-wallets basically act as a bridge in the transfer of funds from one account to another account. There are several E-wallet options available to choose from.

- **Cryptocurrencies**

Cryptocurrency has been developing at a fast rate in India in recent years. Casino, known as bitcoin casinos, now accept cryptocurrency such as bitcoin as a mode of payment.

- **Card payment**

Debit and credit cards are also widely used payment methods used at online casinos in India. Debit and credit cards are found convenient to make deposits.



Payment Systems accepted by the Gambling Industry (3/3)

Here are some major type of card payment options available:

Visa debit or credit is used in the industry to deposit money into their casino accounts. Withdrawals might take around 2 to 5 working days for the amount to be credited to the bank account of the player. Withdrawals by Visa are free. No transaction fees are charged for the withdrawals.

Mastercard is also a popular method of card payment at the Indian casinos. The Deposits are in real time while the withdrawal time might take up to 5 working days. There is no transaction fee on withdrawals.

American exchange card or AMEX is an alternative to Visa and MasterCard. AMEX is a safe and secure payment option for the players. However, it found to be less popular to Mastercard. Hence only a few casinos facilitate a withdrawal via this method.

Rupay is also accepted by the websites. The best of the casino sites also allow Rupay as a payment method to make the deposits and withdrawals convenient for the people.



Payment Systems accepted by the Gaming Industry

The gaming industry in India accepts digital wallets and Debit and Credit Card payment facilities.

Card Payments



Digital Wallets





3. Regulatory Framework for Payment Gateways

Regulatory Framework for Payment Gateways

- **The Reserve Bank of India** has the authority to regulate all forms of electronic payment in the country. The Reserve Bank of India (RBI) is authorised to issue guidelines for the Regulation of Payment Gateways (PGs) and Payment Aggregators (Pas) for the protection of the interest of the consumer since the entities hold large chunk of consumer data. RBI has forbidden the PAs and PGs from storing the card credentials of their customers on their database or server for the purpose of financial security.
- The Payment and Settlement Systems Act 2007 is the major Act governing the functioning of payment gateways in India.

As per RBI guidelines on regulation of payment aggregators and payment gateways vide its Circular dated March 17, 2020, **payment gateways are allowed only to provide technology infrastructure and should not have any involvement in handling of funds.**



The Payments and Settlements Act, 2007 (1/3)

- The act provides the regulatory framework for functioning of payment systems in India. Except under authorisation issued by the Reserve Bank, entities are not allowed to operate a payment system other than the RBI.
- A non-bank payment system provider needs to be registered under the Companies Act, 1956 or the Companies Act, 2013 with a minimum of two members or directors. **To get the license to operate a payment system, the company must file the Form A under Regulation 3(2) under Payment & Settlement System Regulations, 2008 with prescribed enclosures & annexure to Department of Payment & Settlements Systems (DPSS), RBI, Mumbai.**

The authorisation received from RBI may be revoked if the system provider contravenes any provisions of this Act, fails to comply with the regulations or orders or directions issued by the Reserve Bank, or fails to provide its services within the conditions set by the Reserve Bank during authorisation.

Following documents must be provided along with the form:

1. Digital Signature Certificate and Director Identification Number of the directors
2. Address proof, PAN and Current Account of the company
3. Service Tax Registration Number along with a copy of Certificate of Incorporation of the company received from the Registrar of Companies
4. System Flow and Code Testing Report by Software certifying agency.
5. A Five-Year Business Plan

The Payments and Settlements Act, 2007 (2/3)

- The Reserve Bank may issue necessary guidelines, relating to payment instructions, timings to be maintained, manner of funds transfer within the system or with the system participants or between the system participants, conditions for systems participants to participate in funds transfers, the criteria for participants to be a member of the payment system and continue, terminate or reject their memberships, rights and obligations of participants, and any other standards to be complied with.
- Once the Payment system has started operations, no structural changes are allowed such that the operation of the payment system get affected. To make any such changes, prior approval of the Reserve Bank is required. It is also required to give a minimum thirty days' notice to the participants of the payment systems prior to making the changes after the approval from the Reserve Bank is received.
- The Reserve Bank can lay down policies at any time regarding the regulation of payment systems, and in such a case the payment system providers as well as payment system participants need to comply with the same.
- The Reserve Bank may require returns, documents, or any other information regarding the operation of the payment system and this must be complied with whenever necessary. In such a case, the system provider must provide the necessary information about the payment system, the system provider as well as the system participants. Moreover, the Reserve Bank may deploy an authorised officer for inspection at any time and in such a case all required information must be provided to the representative. The Reserve Bank may also carry out an audit inspection, if necessary, and in such a case the system provider must assist the Reserve Bank
- In case of the Payment System Participants' inability to pay their dues is affecting the payment systems functioning and/or the monetary policy or credit policy of India, then the course of action which is causing the risk will need to be ceased as per directions issued by the Reserve bank to the payment system regarding such misconduct.
- Whenever any directions are issued by the Reserve bank to system providers or participants, they must comply with the same and provide a report of compliance to the Reserve bank.

The Payments and Settlements Act, 2007 (3/3)

- The system provider and system participants must operate the payment system in accordance with the rules and regulations provided in this act and the conditions subject to which the authorisation to operate the payment system was provided.
- The payment and settlement instructions and obligations, and the procedure for distribution of losses between system participants and system provider as determined at the time of authorisation must be followed by the system participants.
- In case of a system participant being declared insolvent or dissolved or wound up, the system participant is still liable to pay the settlements that were final and irrevocable in accordance with the rules, regulations and byelaws of the system provider.
- The terms and conditions, charges, and limitations of liability for using the payment system must all be provided to the system participants. They must be given copies of all the rules and regulations governing the operation of the payment system, the netting arrangements and all other relevant documents.
- The system provider must not disclose any documents, or any other information given by system participants. They can disclose, if necessary, but with consent of the system participant. In cases where disclosure is required in accordance with the provisions of this Act, or in obedience to orders passed by a court of jurisdiction or a statutory authority, system providers may do so.
- The payment systems should appoint a Nodal Officer to handle customers grievances whose details must be available on the website along with a board approved policy for customer grievance redressal and dispute management which should also be publicly disclosed on the website.
- Along with the provisions of money laundering act, the Master Directions prescribed by RBI regarding Know Your Customer (KYC), Anti-Money Laundering (AML), Combating Financing of Terrorism (CFT) shall be applicable.

Other Relevant Acts (1/2)

Prevention of Money Laundering Act, 2002

- All financial institutions are required to maintain month-wise records of all transactions carried out by each client for a period of ten years from the date of conclusion of the transaction. Failure to maintain such records will lead to a fine of minimum ten thousand INR, which may extend to one lakh INR, for each failure.
- Whenever required to, the institutions must provide such information to the Director within the time prescribed. However, failure of the same would not result in any civil proceedings against them.

Information Technology Act, 2000

- Any electronic records of clients' information need to be kept confidential. Disclosure of such information without the consent of the clients will lead to imprisonment up to two years or fine up to one lakh INR or both.

Data Protection Bill, 2019

- No personal data of clients may be processed other than what is necessary, with the consent of the client.
- The clients' personal data may be processed only for the purpose for which the clients have provided.
- It must be ensured that the personal data is complete, accurate, not misleading and updated. Once the purpose of the data processing is satisfied, the data must be deleted.
- The clients must be informed of the purpose of the collection and processing for the data, the names of entities with whom their data may be shared if required, and that the client has the right to withdraw his consent and how he can go about it.
- Any personal data, except sensitive personal data, may be processed to recruit or terminate employment, to verify attendance of employees, and to assess performance of employees.

Other Relevant Acts (2/2)

Section 271DB & 269SU of Income Tax Act, 1961

- Section 269 SU was introduced to promote cashless economy and digital mode of accepting payment.
- Section 269 SU is applicable to businesses whose total revenue exceeds 50 crores INR in the immediately preceding previous year. It says that all businesses having such a revenue, as mentioned in the previous statement, must provide prescribed electronic modes of payment to their customers. The modes of payment prescribed are Debit Card powered by RuPay, UPI (unified Payment Interface) / BHIM-UPI (Bharat Interface for Money UPI), and UPI QR Code / BHIM-UPI QR Code.
- In case of failure to employ the three prescribed modes of payment by the applicable businesses, they need to pay a fine to the extent of INR 5000 per day till the failure continues. However, if the business provides a good enough reason for such failure, they will not be fined.



Our Findings: Regulations

There are no specific regulations for operating a payment gateway in the Gaming and Gambling industry in India.

For instance, Razorpay, a leading payment gateway in India serves the real money games segment in India e.g. MPL.

To get the license to operate a Payment gateway the company must file the Form A under Regulation 3(2) under Payment & Settlement System Regulations, 2008 with prescribed enclosures & annexure to Department of Payment & Settlements Systems (DPSS), RBI, Mumbai.

The procedure for setting up a payment gateway is the same for all the states in India.



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