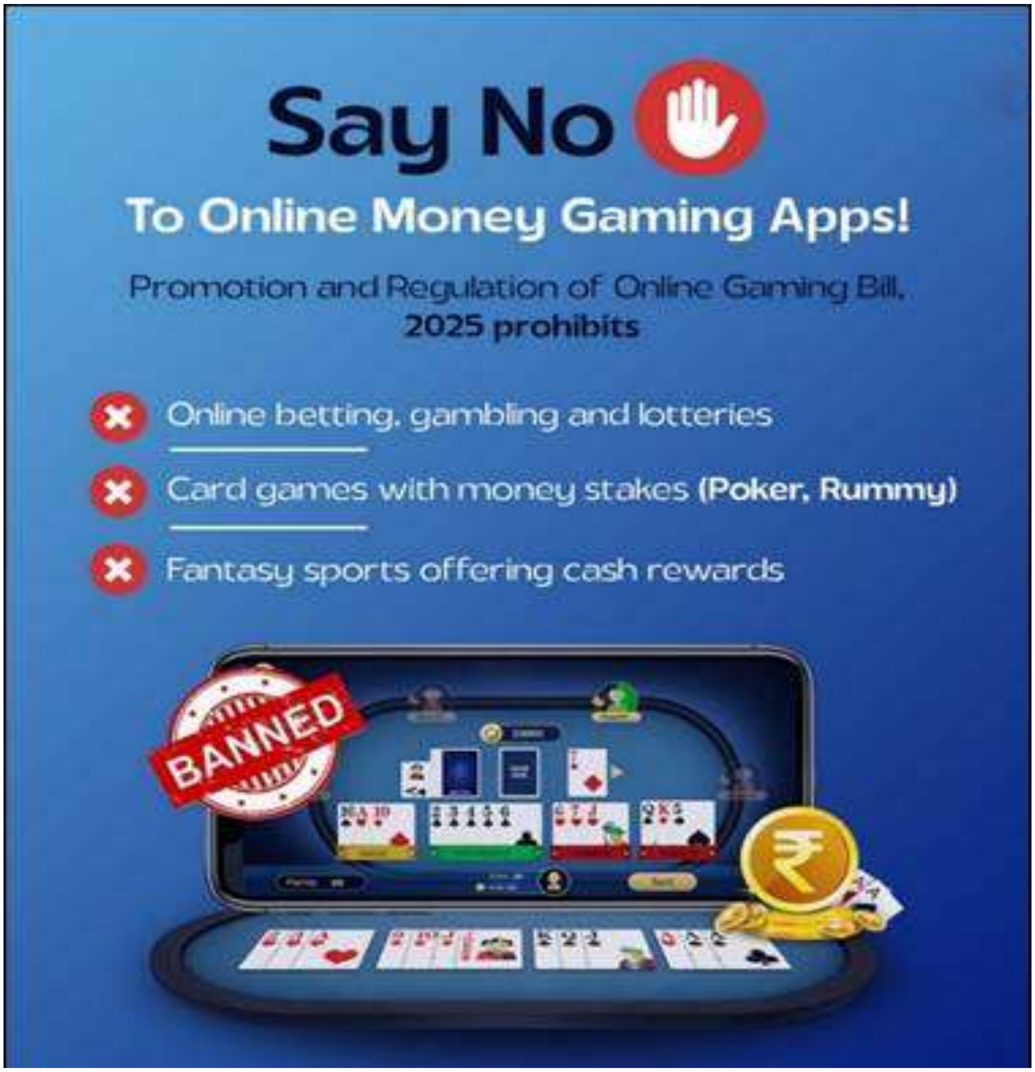
India's Crypto Currency and Online Gaming Regulations

Context:

- The **Promotion and Regulation of Online Gaming Act, 2025,** marks a landmark move to shield citizens from the menace of **online money games** while **promoting and regulating** other kinds of online games.

- This **legislation is designed to curb addiction, financial ruin and social distress** caused by **predatory gaming platforms** that thrive on misleading promises of **quick wealth.**



1. What is online gaming?

- **Online gaming** refers to any game that offers online interactions with other players.
- Online games offer a **huge amount of fun, enjoyment, and opportunities** for teamwork, and collaboration.
- Each game is different in terms of the information that you are **able to share**, and type of interaction that is possible, with other gamers.

2. Enlist different types of Online gaming?

3. What is the difference between Games of skill and Games of chance?

The classification of a game as either **'skill-based' or 'chance-based' has significant legal implications:**

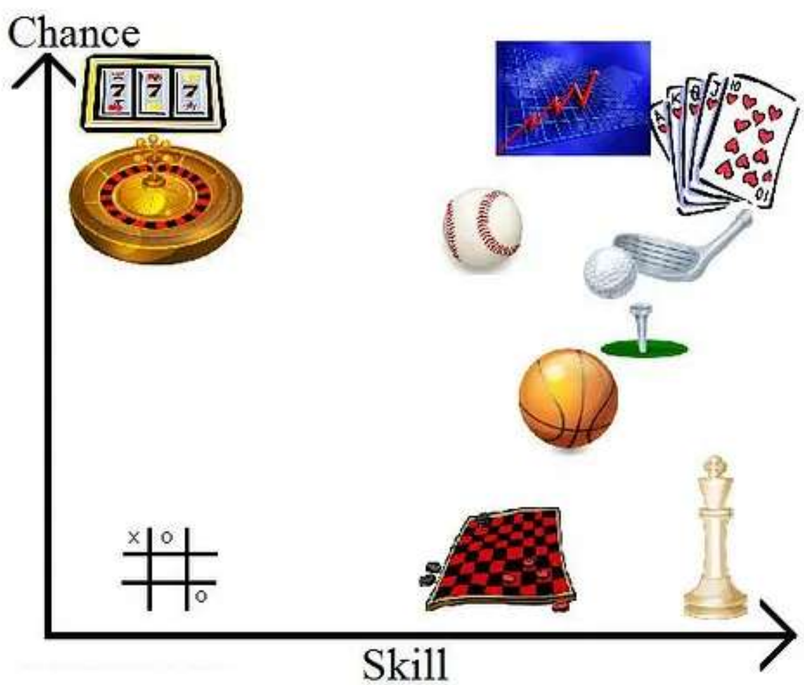
- **Skill-Based Games** (e.g., e-sports titles like Dota 2, FIFA, Valorant): Usually allowed and protected under **Article 19(1)(g)** of the Indian Constitution (Right to practice any profession).
- **Chance-Based Games** (e.g., roulette, slot games): Often considered gambling and prohibited in most states.

Difference between Skill-Based & Chance-Based Games

Skill-Based Games	Chance-Based Games
Result depends on player's skill, strategy & decision-making ability	Result depends on luck, dice, or circumstances
Examples: Fantasy Sports (like Dream-11), Chess, Poker, Rummy, E-Sports	Examples: Lottery, Roulette, Slot Machine, Dice Games, Cricket Betting
Results can improve with practice & experience	Results cannot improve with practice or experience, outcomes are random
Through practice & experience, skills can improve & strategies can be applied	Even after repeated play, winning depends only on luck, not on skill

4. How does a game combine chance and skill?

- There are **numerous games played worldwide**, and the outcomes of these **games depend on skill and chance.**
- The **Game of Life** is a game is a perfect example that **combines skill and chance.**

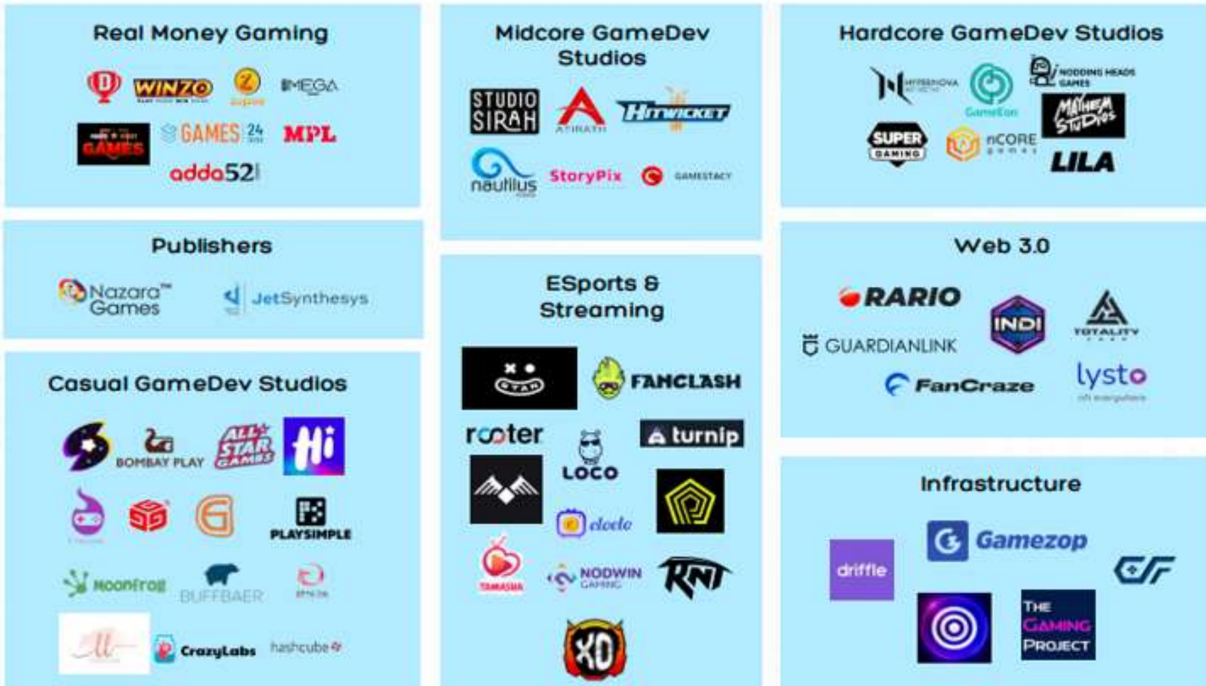


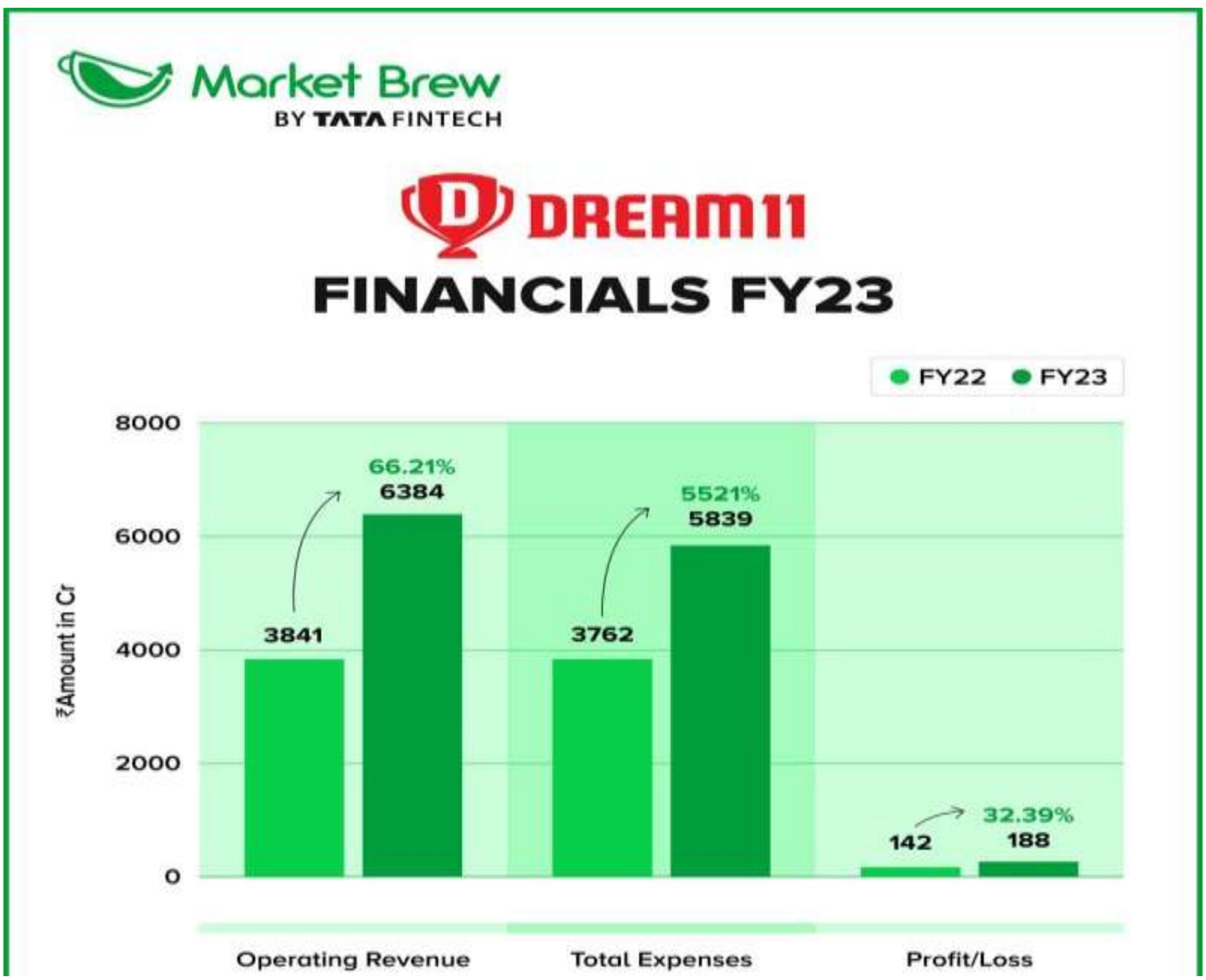
5. Mention a few Online gaming apps?

INDIA'S BIG FANTASY GAMES APPS

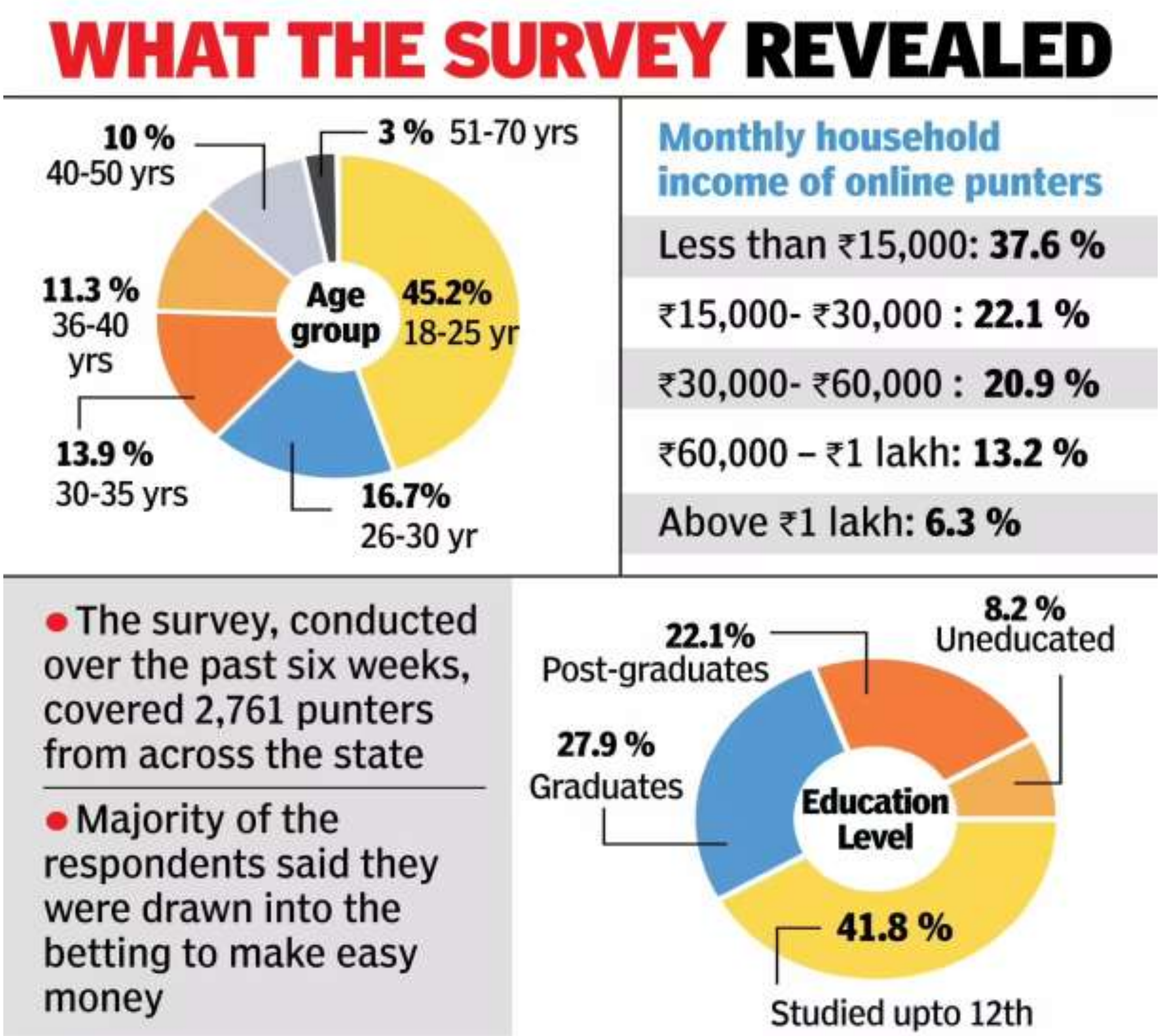
These Cos To Shut Down Real Money Games Businesses

Fantasy Gaming App	Parent Company	Launch Year
Dream11	Dream Sports	2008
My11Circle	Games24x7	2019
Mobile Premier League (MPL)	Galactus Funware Technology Pvt. Ltd	2018
MyTeam11	MyTeam11 Fantasy Sports Pvt. Ltd.	2016
FanFight	FanFight Fantasy Sports Pvt. Ltd.	2017
11Wickets	Ability Games Pvt. Ltd.	2018
BalleBaazi	Baazi Games	2018
PlayerzPot	PlayerzPot Media Pvt. Ltd.	2016
Howzat	Junglee Games	2019
Fantasy Akhada	Fantasy Akhada Pvt. Ltd.	2020
Vision11	Vision11 Fantasy Sports Pvt. Ltd.	2020
Paytm First Games	Paytm First Games Pvt. Ltd.	2018
Fan2Play	Fan2Play Games Pvt. Ltd.	2020
Fantasy Power 11	Paytm First Games Pvt. Ltd.	2019
A23 (Ace2Three)	Head Digital Works Pvt. Ltd.	2012


Real Money Gaming
WINZO
MEGA
GAMES 24
MPL
adda52
Midcore GameDev Studios
STUDIO SIRAH
Hitwicket
nautilus
StoryPix
Hardcore GameDev Studios
SUPER GAMING
nCORE
LILA
Publishers
Nazara Games
JetSynthesys
ESports & Streaming
FANCLASH
rooter
turnip
LOCO
NODWIN GAMING
Web 3.0
RARIO
INDI
GUARDIANLINK
FanCraze
lysto
Casual GameDev Studios
BOMBAY PLAY
ALL STAR GAMES
Hi
PLAYSIMPLE
Moonfrog
BUFFBAER
CrazyLabs
hashcube
Infrastructure
Gamezop
driffle
THE GAMING PROJECT


Market Brew
BY TATA FINTECH
DREAM11
FINANCIALS FY23
FY22
FY23
8000
6000
4000
2000
0
₹Amount in Cr
66.21%
6384
3841
5521%
5839
3762
142
32.39%
188
Operating Revenue
Total Expenses
Profit/Loss

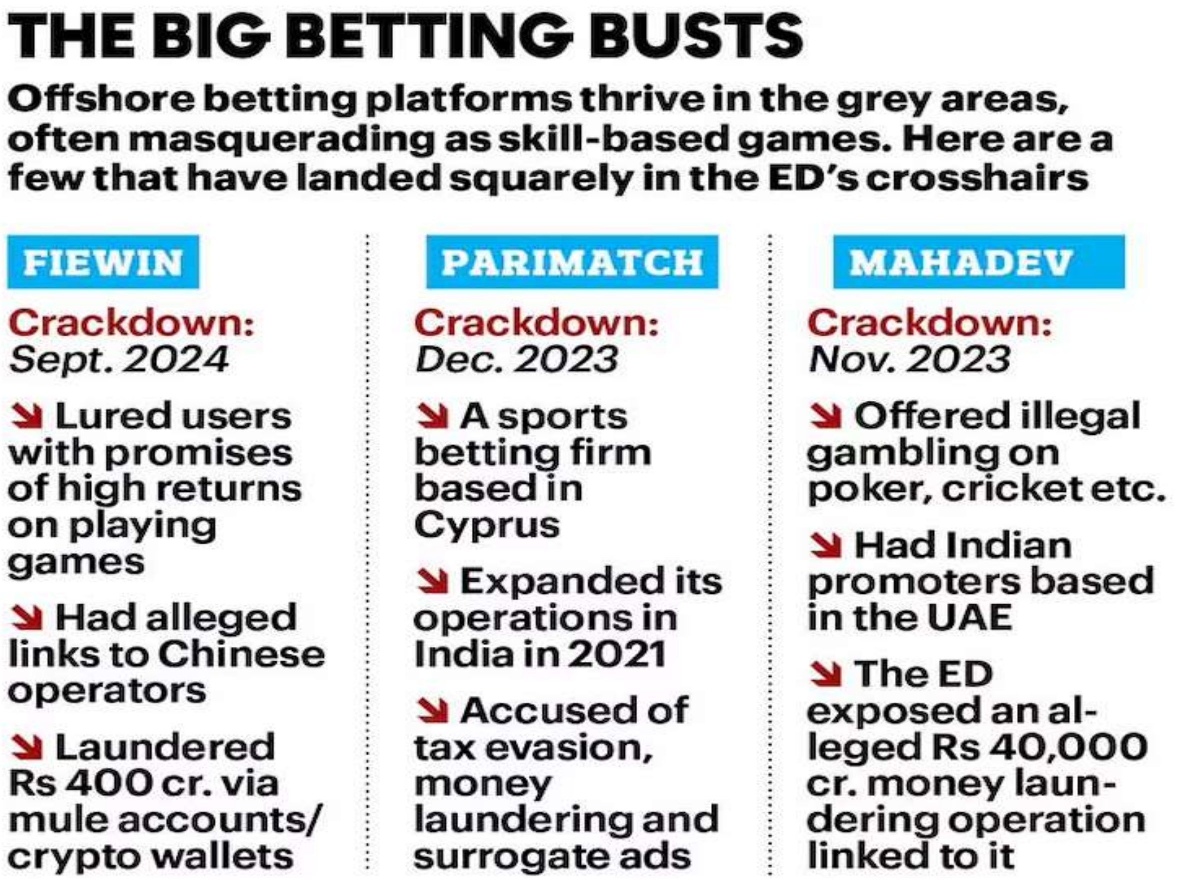
6. What is the status of online gaming in India?



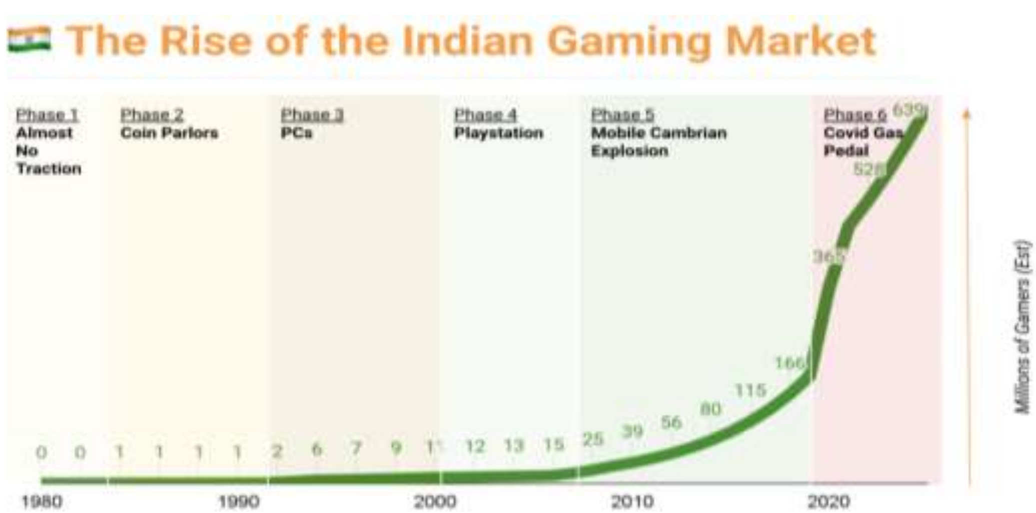
7. Mention key busts of betting games?

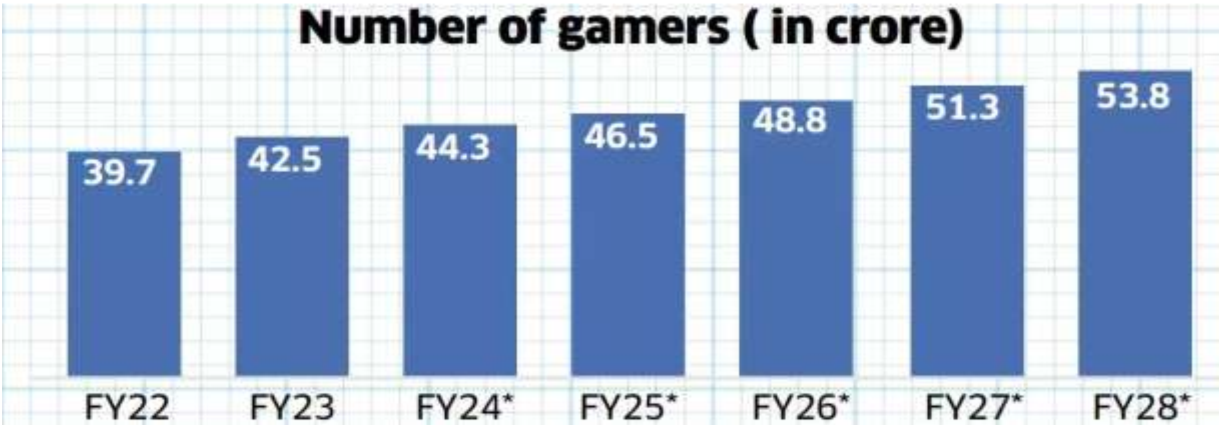
- A report by **India's Financial Intelligence Unit (FIU)** in 2022 pegged money flow through **gaming platforms at Rs 2,000 crore**, much of it **untaxed and untraceable**.
- Many illegal betting platforms also allow users to place bets using cash, **bypassing the digital record entirely,** according to a 2024 report by the **Security and Scientific Technical Research Association (SASTRA)** of **Rashtriya Raksha University, Gandhinagar.**

- In one high-profile case in 2022, the **Enforcement Directorate (ED) seized Rs 17.82 crore in cash** and over **Rs 22 crore in Bitcoin** from a platform called E-nuggets, allegedly operated by Chinese nationals.



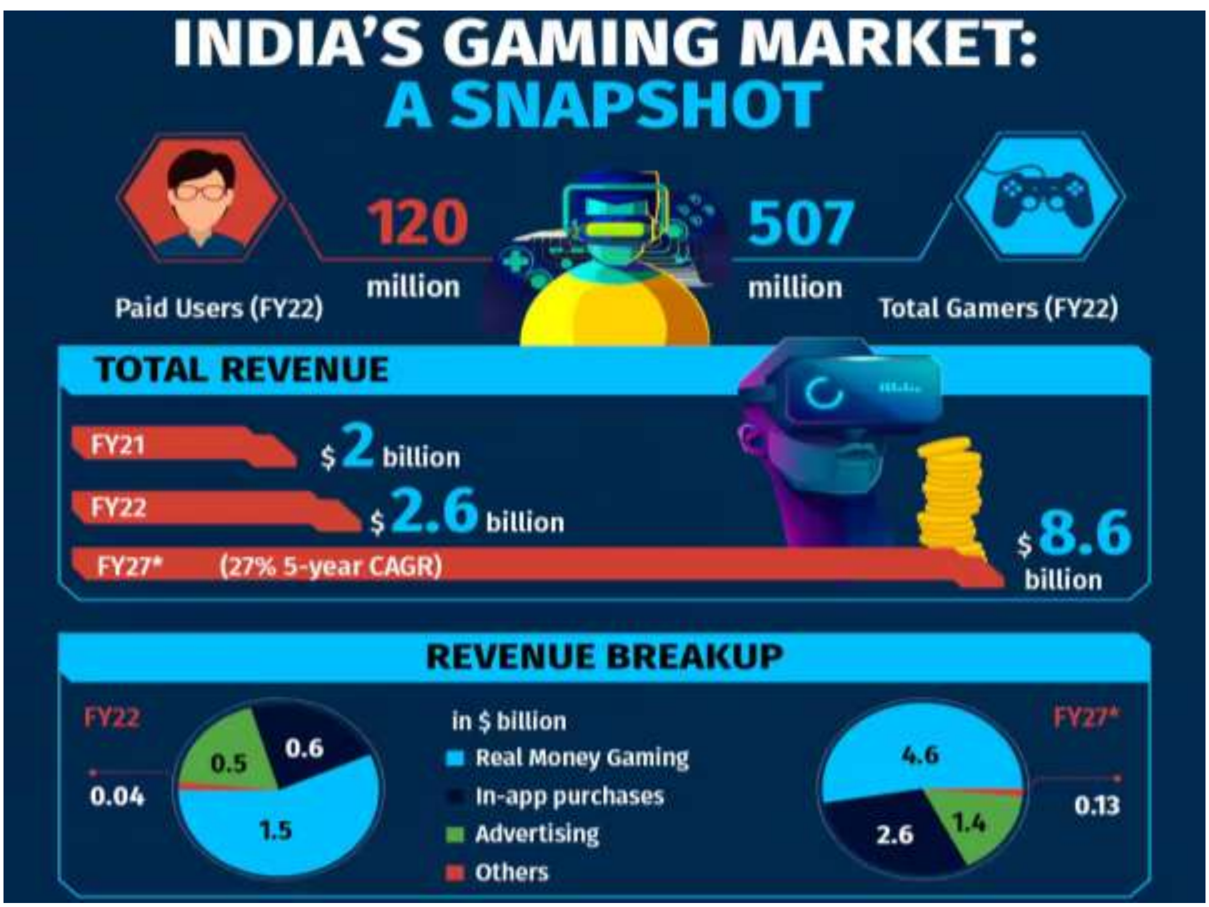
8. What is the economy of Online Gaming industry in India?

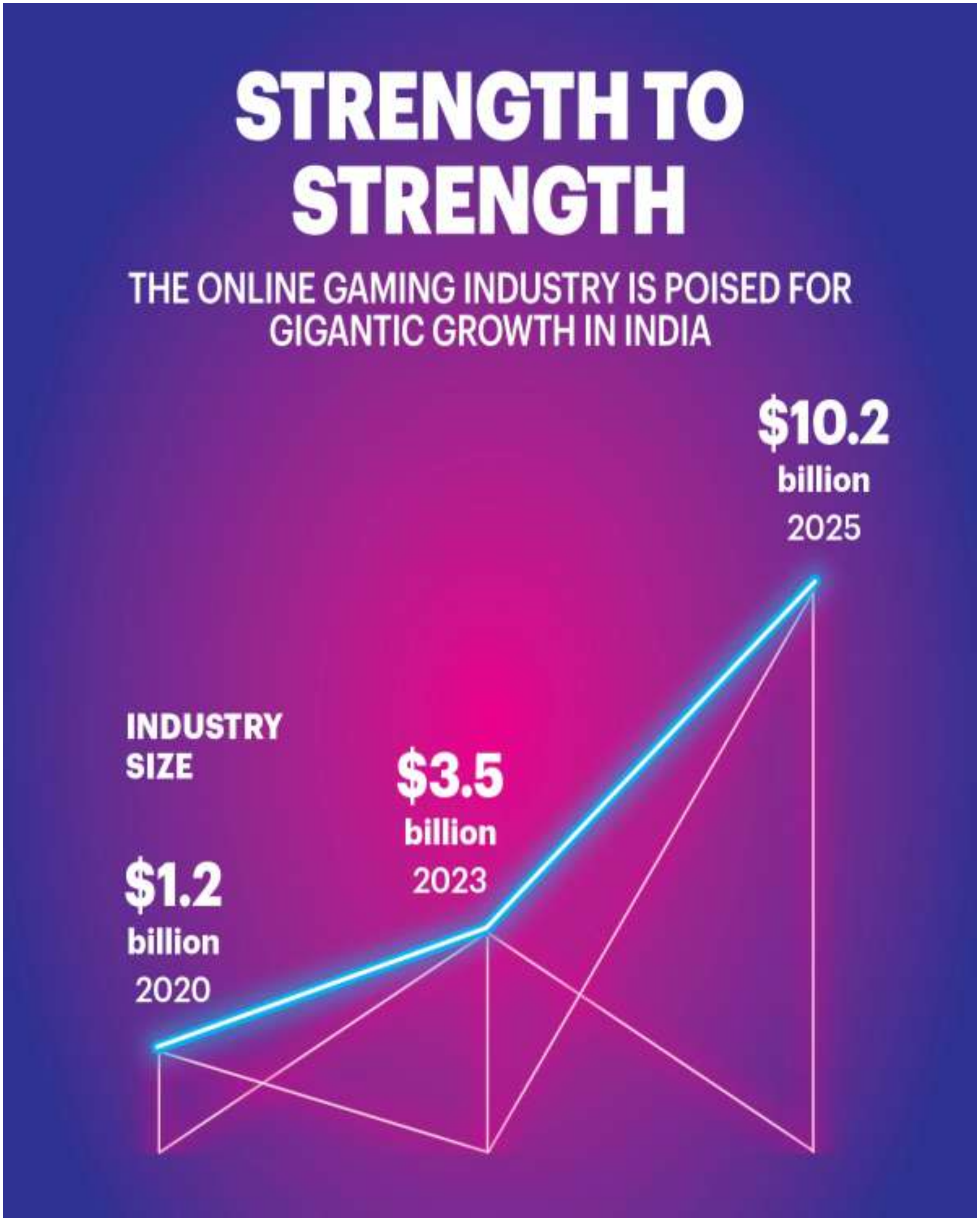




Year	FY22	FY23	FY24*	FY25*	FY26*	FY27*	FY28*
% Share of paying gamers	22%	25%	28%	30%	32%	33%	34%

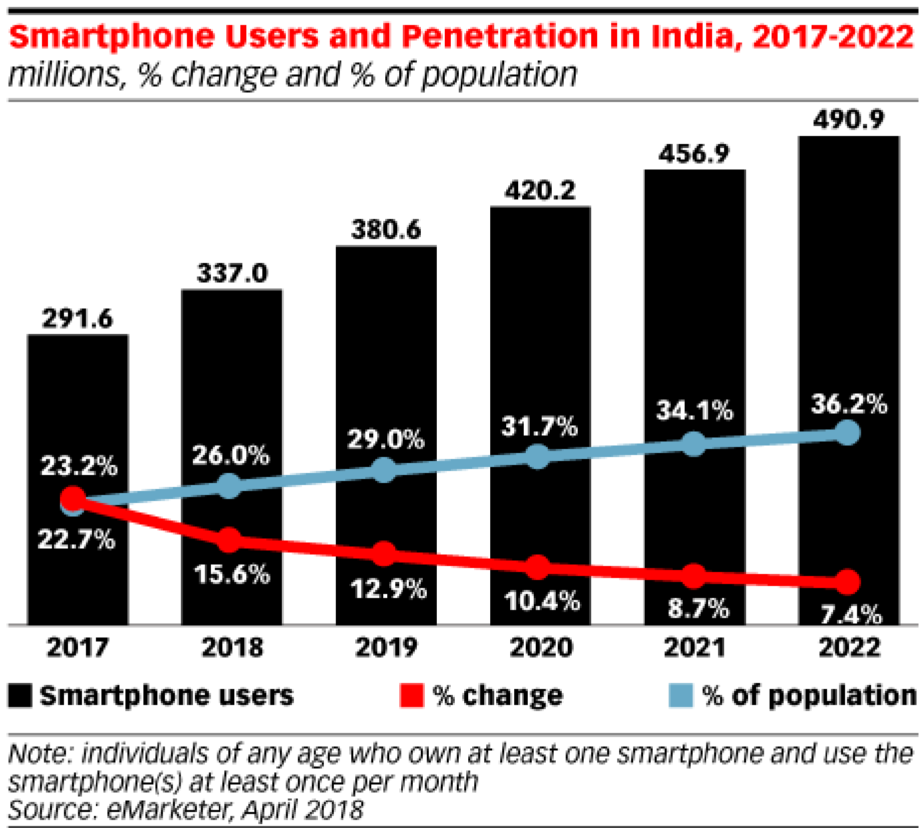
US$ 2.9 billion Total Market Size → **520 million** No. of Gamers → **3.1 hours** Average Time Spent on Gaming (per week) → **18K+** No. of Game Developers → **700+** No. of Gaming Companies → **US$ 3 billion** Funds Raised by Gaming Companies (Since '17)

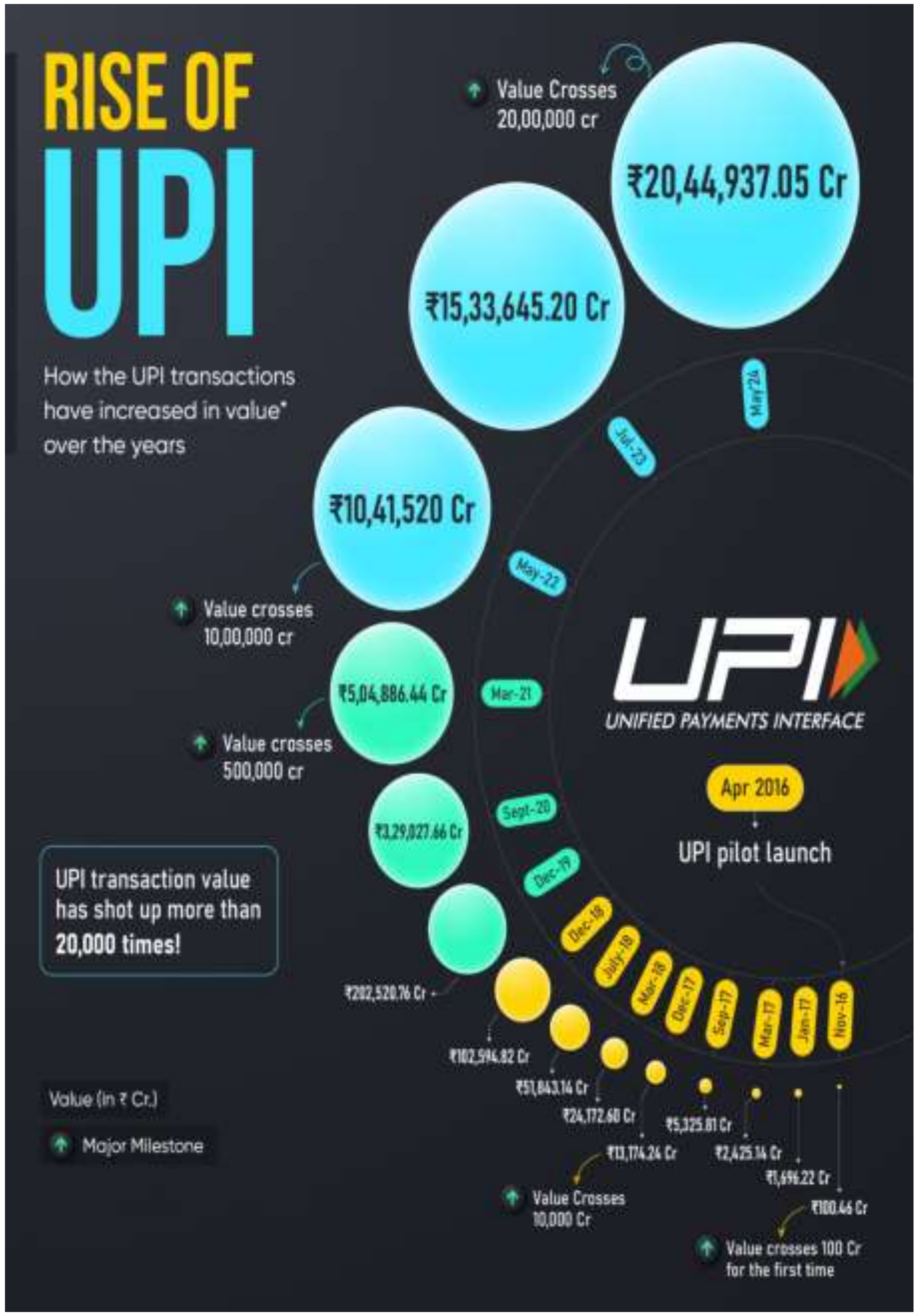



STRENGTH TO STRENGTH
THE ONLINE GAMING INDUSTRY IS POISED FOR GIGANTIC GROWTH IN INDIA
INDUSTRY SIZE
$1.2 billion 2020
$3.5 billion 2023
$10.2 billion 2025

Market Brew
BY TATA FINTECH
INDIA'S FANTASY SPORTS MARKET
FSP Revenue (INR Crore)
CAGR: 30%
YOY Growth Rate: 31%
5,200
6,800
15,170
25,300
FY21
FY22
FY25P
FY27P
User Base (Crore)
YOY Growth Rate: 31%
23%
13
18
50
FY21
FY23YTD
FY27P
P - Projected

9. Enlist key drivers of the online gaming market in India?

Drivers	Impact
Demographics & User Base	• Over **65% of Indians are under 35**, a demographic highly inclined toward gaming. • India has **~488 million online gamers (2024)** and is expected to cross **500+ million by 2025.** • **Cheaper smartphones and data penetration** have pushed gaming beyond metros. 
Rise of Digital Payment Systems	• The widespread **adoption of digital payment platforms** has facilitated in-game purchases, subscriptions, and microtransactions, enhancing the monetization potential for game developers.

	• **UPI (Unified Payments Interface) has revolutionized seamless transactions,** further supporting the growth of real-money gaming. 
Cultural Acceptance and Social	• **Gaming** has evolved into a social activity, allowing players to connect with **friends and communities online.**

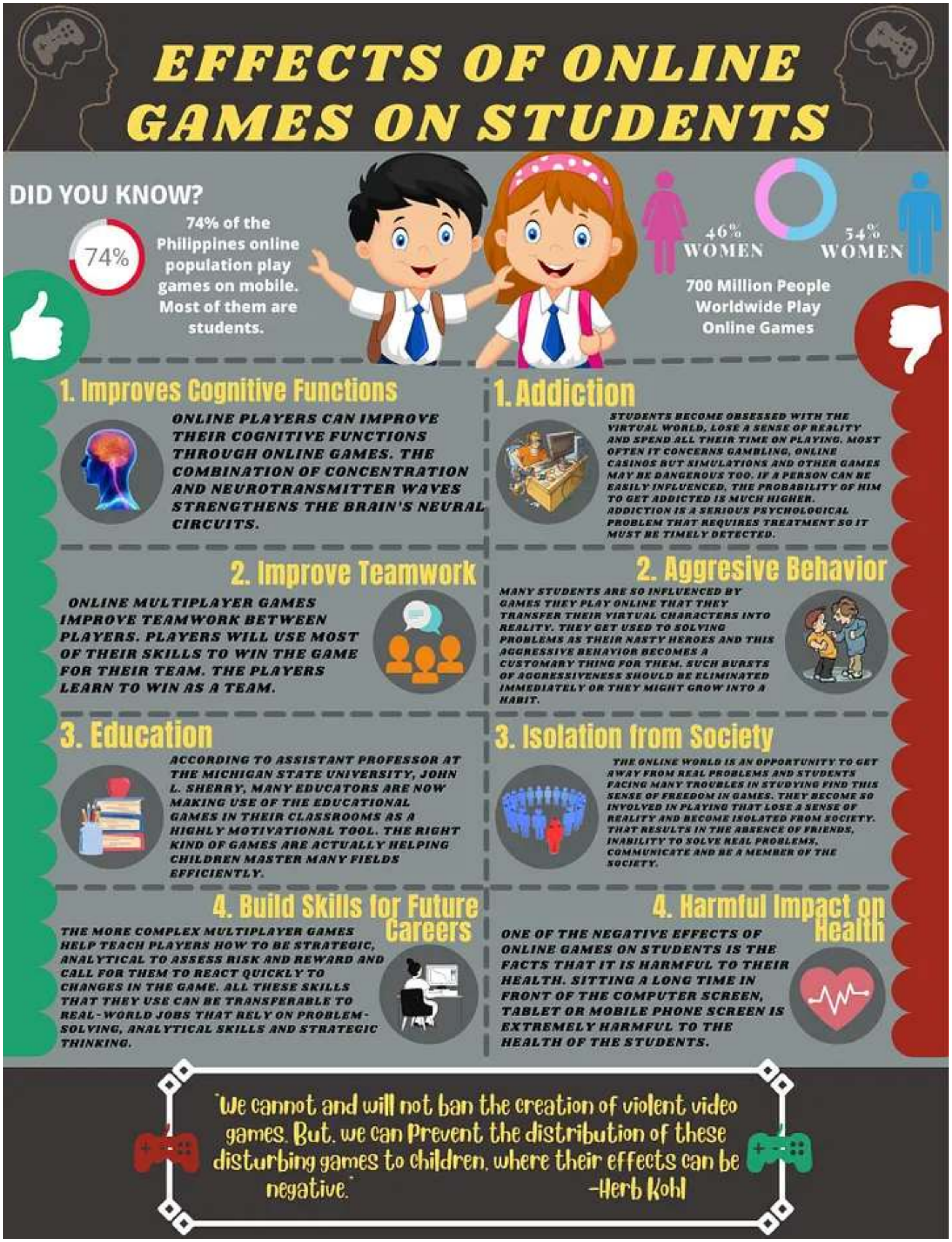
Connectivity	• This **social aspect** has reduced the stigma previously associated with gaming, leading to broader acceptance. • The **rise of gaming influencers** and streamers on platforms like **YouTube and Twitch** has popularized gaming culture in India.
Shift in Entertainment Preferences	• **Short-form content** + casual gaming fits well into India's on-the-go lifestyle. • **During COVID-19**, gaming saw a **boom as a safe social activity,** and that habit has persisted. • **Streaming & esports culture** is driving gaming as a mainstream entertainment option.
Increasing Integration of Cutting-Edge Technologies	• The integration of technologies such as **Augmented Reality (AR), Virtual Reality (VR), cloud gaming,** and blockchain has significantly enhanced the gaming experience and **unlocked new possibilities** for innovation. 

Rise of E-sports and Recognition	• The **inclusion of e-sports** as a medal event at competitions like the **Commonwealth Games 2022** and the **Asian Games** has significantly elevated its status, establishing it as a **legitimate sporting activity.** 

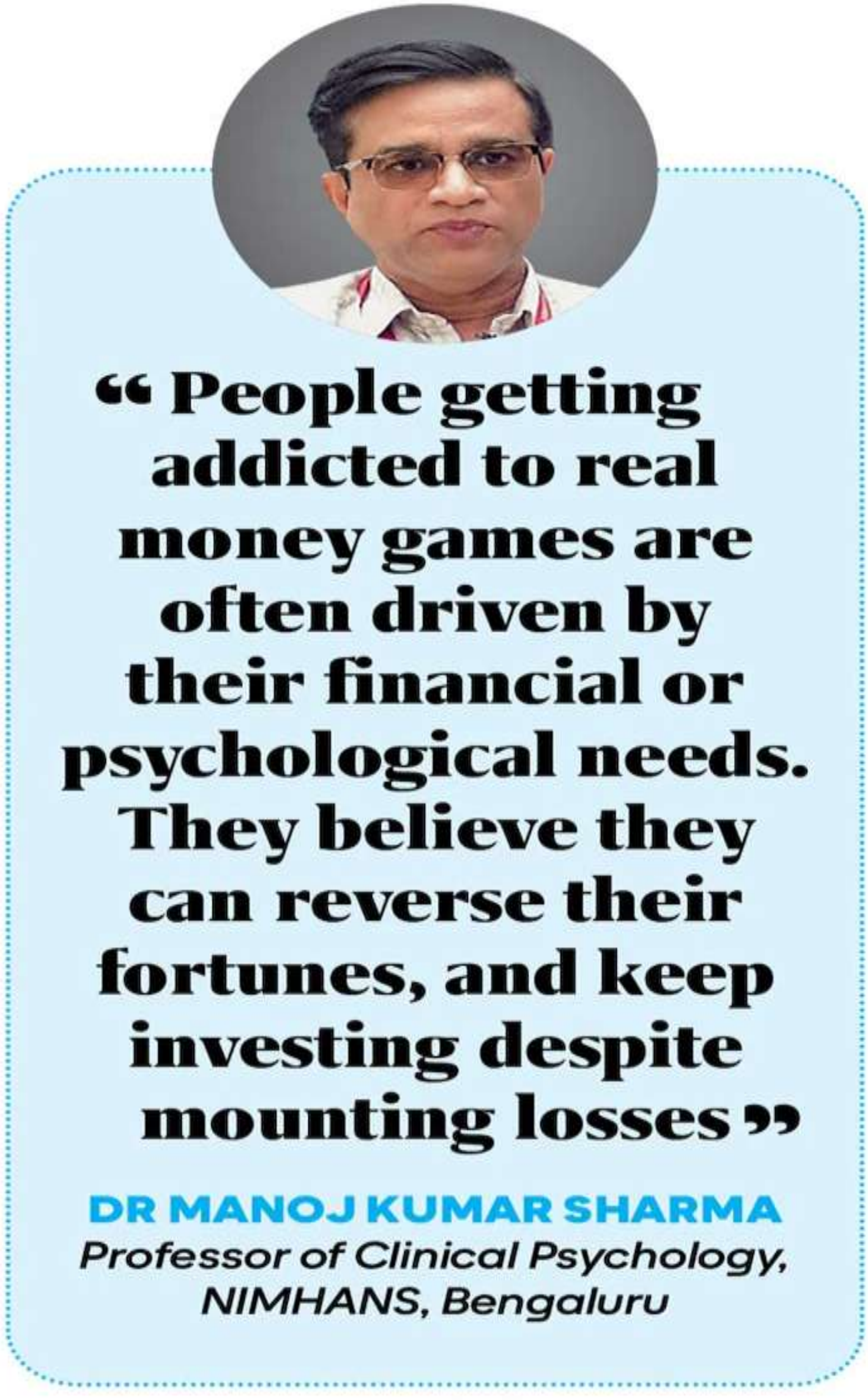
10. How does playing affects online gamers?

- Gaming is not just about socializing as **90% of the gamers in the U.S.** claim that they **get joy out of gamin**g, with **87% of them saying that video games provide mental stimulation** as well.
- More than **30% of teen gamers report that playing video games has actually helped their mental health**, while only 8% report negative mental health impacts from gaming.
- In addition, **56% of teen gamers report that video games have helped improve their problem-solving skills,** highlighting the cognitive benefits that gaming can provide beyond entertainment.

11. What is the effect of Online games on students?



12. How online gaming affects child's mental, physical and social well-being?



Effect	Description
Dependency and Unnecessary Screen Time	• The **potential for addiction and excessive screen time** is one of the main issues with new-age gaming. • Gamers may **lose focus on their obligations**, such as academic work, social contacts, and physical activity, as a result of being immersed in their games. • As a result, they could **have trouble managing their time, be less productive**, and lack balance in their lives. • In addition, **too much screen time might interfere with sleep cycles,** leaving **one exhausted** and with worse cognitive abilities.
Deteriorating Physical and Mental Health	• **Gaming over extended periods** of time might have a **negative impact on kids' physical** and mental health. • **Gaming-related inactivity** can contribute to problems **including obesity, musculoskeletal** disorders, and a **lack of general fitness.** Furthermore, playing video games too much might affect **one's mental health**. • New-age gaming's immersive nature can amplify stress, anxiety, and **sadness, negatively affecting students' general well-being**. • To lessen these harmful consequences, **it is crucial for students to participate in regular physical activity** and practice self-care.

Violence and skewed ideas about reality	• **Realistic visuals and challenging gameplay** in new-age video games have the **potential to skew players' perceptions of reality and violence.** • Students' perceptions of reality may get **clouded and desensitized** if they **play video games that feature hostility, violence, and explicit content.** • This could result in more violence, **less empathy, and a lessened capacity** to distinguish between virtual and actual consequences. • Students need coaching and **critical thinking skills development** to comprehend the difference between gaming fantasy and real-world behavior.
Social Repercussions and Reduced Interpersonal Competence	• **Excessive gaming** can have **detrimental social impacts** and hinder the **development of vital interpersonal skills**. • Regular gaming sessions may lessen face-to-face interaction, **making it more challenging to build and maintain relationships.** • **This can result in a lack of social integration,** inadequate communication abilities, and a **reduction in empathy all** of which are necessary for personal growth and **success in a number of different areas** of life. • By encouraging youngsters to engage in social activities and make offline connections, these social consequences can be reduced.

Student Achievement and Behavioural Impacts	• **Overindulgence in gaming** can **severely negatively influence cognitive functioning and academic achievement**. • Gaming too much might make it **difficult for children to focus, figure out difficulties**, and remember the material. • This may lead to **subpar academic performance, decreased motivation,** and challenges in achieving educational objectives. • For **cognitive talents to be maintained and academic achievement** to be attained, a **good balance between gaming and academic activities** must be encouraged.

13. Enlist key provisions of the Promotion and Regulation of Online Gaming Act, 2025?

- The enactment of the **Promotion and Regulation of Online Gaming Act, 2025** marks the **first central legislation** seeking to bring clarity to an industry projected to cross **USD 8.6 billion by 2027.**

Provisions	**Description**
Definition of "Online Gaming"	• The Act **defines "online gaming"** broadly to include **any game offered on the internet** where users deposit money or money's worth in expectation of winnings. • The **definition includes fantasy sports, casual real-money games**, and esports involving monetary stakes. • Games played **solely for recreation without monetary involvement** are **excluded.**
Central Licensing Authority	• A **National Online Gaming Commission** is established **to regulate and license operator**s. **No entity may offer** online games involving real money without obtaining a licence. • Conditions include: ▪ **Incorporation in India** or compliance for foreign operators targeting Indian users. ▪ **Adherence to know-your-customer (KYC)** and age-verification requirements. ▪ **Maintenance of secure payment** and grievance redressal systems.
Consumer Protection	• The **Act introduces mandatory safeguards:** ▪ **Advertising Restrictions: Operators must avoid misleading claims** about guaranteed returns.

	▪ **Self-Exclusion Mechanisms:** Players may voluntarily exclude themselves. ▪ **Limits on Play and Spending: Operators must** provide tools to **limit gameplay duration** and financial exposure. ▪ **Dispute Resolution: Internal grievance officers** and recourse to an Online Gaming Dispute Resolution Board.
Regulation of Content and Fairness	• The **Commission** is empowered to mandate use of certified **random number generators (RNGs)** and independent **audits to ensure fair play.** • Content deemed obscene or **promoting addiction is prohibited.**
Rule-Making Powers	• The **Central Government** to have the authority to frame rules for the promotion of e-sports and **social games, the recognition and registration of online games, and the functioning of the Online Gaming Authorit**y. • It may also make rules on any other matter required under this law.
Interaction with Other Laws	• **PMLA, 2002:** ▪ **Online gaming intermediaries** are categorised as reporting entities, requiring compliance with **anti-money laundering obligations**, including reporting **suspicious transactions to FIU-IND.** • **IT Act, 2000:** ▪ **Online gaming platforms** qualify as intermediaries, **necessitating compliance** with due diligence and **safe harbour obligations.**

	• **GST:** ▪ The **Act does not alter taxation**; online games remain subject to the **28% GST on full face value of bets,** following the Supreme Court's interpretation in **Skill Lotto Solutions Pvt. Ltd. v. Union of India.**

14. What is the penalty for violating the law?

Stakeholders	Penalties
Penalties for Offering/Facilitating Prohibited Online Money Games	• **First Offense: Offering an online money gaming service** can lead to **Imprisonment** for a term up to **three years**, a **fine up to ₹1 crore**, or both. • **Repeat Offense: Imprisonment for up to five years** and/or a fine of **up to ₹2 crore.**

Penalties for Advertising Prohibited Games	• **Advertising or promoting** such games, including by social media influencers and celebrities, can result in a **two-year jail term and a fine of Rs 50 lakh.** • **Repeat offenders** could face **up to three years in prison** and a fine of **up to Rs 1 crore.**
Penalties for Facilitating Financial Transactions	• **Banks and other financial entities** are prohibited from **facilitating any transactions** for **online money gaming services.** • Contravention can lead to a three-year jail term and a **fine of up to Rs 1 crore.**
Cognisable and non-bailable offences	• **Offences** under **Sections 5 and 7** are classified as **cognisable and non-bailable** under the **Bharatiya Nagarik Suraksha Sanhita, 2023.** • This empowers the police to register cases, **seize assets, and arrest without prior approval.** • **Bail**, in such cases, will also **not be easily available.**
Liability of companies and Directors	• If a **company is found guilty**, the law holds both the company and those in **charge of operations accountable.** • **Directors, managers, or officers** who knowingly allowed violations will **face full punishment.** • **Independent or non-executive directors, are protected** if they were not involved in day-to-day decisions.

Penalty for non-compliance with Government orders	• **Failure to comply** with government or regulatory orders will invite a **penalty of up to Rs 10 lakh.** • Additional punishments may **include suspension or cancellation of registration** and a **temporary ban** on offering or promoting online games
Power to conduct searches	• **Authorised officers** can **conduct searches of physical and digital premises** and make **arrests without a warrant if** they have a reasonable suspicion that an **offence is being committed under the law.**

15. Mention about the Judicial and Constitutional Implications?

Implications	**Description**
Centre vs State Powers	• **One constitutional** question is whether **Parliament may legislate comprehensively** in a field traditionally reserved for states. • While **gambling** falls under the **State List**, the Union has justified the **Act under Entry 31 (communications)** and **Entry 97 (residuary powers)**, given the **online and cross-border character of gaming**. • **Potential federal challenges cannot be ruled out.**
Freedom of Trade and Expression	• Operators may challenge restrictions on grounds of **Article 19(1)(g) (right to trade)** and **Article 19(1)(a) (commercial speech).**

	• Courts will likely apply the test of reasonableness under **Article 19(6),** balancing regulation with **legitimate state interests.**
Enforcement Challenges	• **Practical enforcem**ent particularly against **offshore platforms** targeting Indian players remains uncertain. • Lessons may be drawn from **cases involving foreign betting sites,** where Indian regulators resorted to blocking orders under **Section 69A of the IT Act.**

16. Do the provisions of the new law reflect a consistent position of the government?

- The **ban on online gaming** marks a **significant departure** from the **Centre's previous stance.**
- Just two years ago, in **April 2023, the Union Ministry of Electronics and Information Technology** had introduced amendments to the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021, **creating a regulatory framework** for **"permissible online real-money games".**
- That was largely seen as a **pro-industry measure to provide policy certainty** with regard to the real-money gaming sector.
- The new law, which cites **risks to public health, financial integrity, and national security,** has reversed that earlier approach.
- The most significant departure from established precedent is the **removal of the distinction between games of skill and games of chance.**
- The **outcome of a game of chance is based entirely on luck** – for example, the roll of a dice or the toss of a coin.

- The **outcome of a game of skill**, on the other hand, largely **depends on the skills of the player** – their memory, knowledge, judgment, or expertise that determine their moves in the game.

17. Is this distinction between games of skill and chance established legally?

- Courts have emphasised the **difference between the two kinds of games on a number of occasions.**
- They have held that **games of skill are a legitimate form of trade and business,** which are **protected by Article 19(1)(g)** of the Constitution. This provision **guarantees the right to practise any profession**, or to carry on any occupation, trade, or business.

Year	Ruling
1967	• In **1967**, the **Supreme Court** held that **playing rummy was not barred by the anti-gambling law of Andhra Pradesh** because rummy is **"mainly and preponderantly a game of skill".**
1996	• In **1996**, the top court excluded from the **anti-gambling law of Tamil Nadu** the placing of **bets on horse-racing.** • The court reasoned that **horse-racing itself was a game of skill**, dependent on several factors such as the breed, form, and fitness of the horse, the **capability of the jockey**, and the **length and nature of the racecourse.** • Predicting the winner of a race, therefore, is a **result of knowledge, study, and observation**
2021	• In **2021,** the **Supreme Court upheld** the dismissal of a public interest litigation demanding a **ban on the fantasy cricket app Dream11** by the Rajasthan High Court.

	• The top court **referred to judgments by the Bombay and Punjab and Haryana High Courts** that held **fantasy sports to be games of skill.** • According to both these High Courts, **success in fantasy sports was not contingent** on a particular team winning or losing any one match rather, it was **based on the participants' knowledge, attention, and judgment of the performance of all athletes playing the sport.** • **Dream11**, which was **endorsed by some of India's biggest sports stars**, was the lead sponsor of the national men's and **women's cricket teams from 2023** before it pulled out of the **Rs 358 crore deal this month.**

18. What sort of laws and regulations do states have on this subject?

- **"Betting and gambling"** is a **subject in the State list of the Seventh Schedule** of the Constitution, so several states have passed legislation to regulate online gaming in a number of ways.
- However, **these laws cover only games of skill, and not games of chance.**

States	Regulation
Sikkim	• In **2008**, **Sikkim became the first state to regulate and license all** forms of online gaming and betting. The **state permits 13 types of games**, as well as sports betting, upon obtaining a license. • However, online games, **under the law, could only be played at designated gaming parlours** in the state.

Nagaland	• **Nagaland** passed a law in **2015 to license betting on online games of skill.** • This law contains a **detailed list of 23 categories of online games** that are recognised as games of skill.
Chhattisgarh	• In **2023, Chhattisgarh** enacted a **law banning online gambling** and betting, but e**xcluded games of skill.**
Telangana	• **Telangana** was the **first state to ban all forms of online games** played for stakes by **amending its Gaming Act in 2017.** • Several other states followed with similar laws banning all online games played for stakes: ▪ **Andhra Pradesh in 2020, Karnataka in 2021 and Tamil Nadu in 2022.**
Karnataka	• The **Karnataka law was struck down in 2022** by the Karnataka High Court for being **unconstitutional for banning games of skill.**
Tamil Nadu	• The **Tamil Nadu law** was partially struck down by the **Madras High Court in 2023** too, to the extent that it **barred games of skill.**
Kerala	• In **2021,** the **Kerala High Court struck down a state government notification banning online rummy**. The court relied on the **Supreme Court's 1967 judgment** that held rummy to be a game of skill.

19. How regulation of Online games benefits the society?

- **The Promotion and Regulation of Online Gaming Bill, 2025** is expected to deliver **wide-ran ging benefits for society and the economy.**
- Its main positive impacts are:

Benefits	Description
Boost to the Creative Economy	• The Bill supports **India's position as a hub for digital creativity.** • By encouraging **e-sports and safe online games**, it will expand opportunities for **exports, create new jobs and promote innovation** in the gaming sector. • This will **strengthen India's role in the global digital economy.**
Empowering Youth	• **Young people** will gain new opportunities to participate in **safe and constructive activities. E-sports and skill-based digital games** will help them build confidence, discipline and teamwork. • These avenues will also **open career pathways** for talented players.
A Safer Digital Environment	• **Families** will be protected from **predatory money gaming practices**. • These platforms often **lure users** with **false promises of easy financial gains**, which lead to addiction and distress. • By removing such threats, the **Bill creates a healthier and safer digital space.**

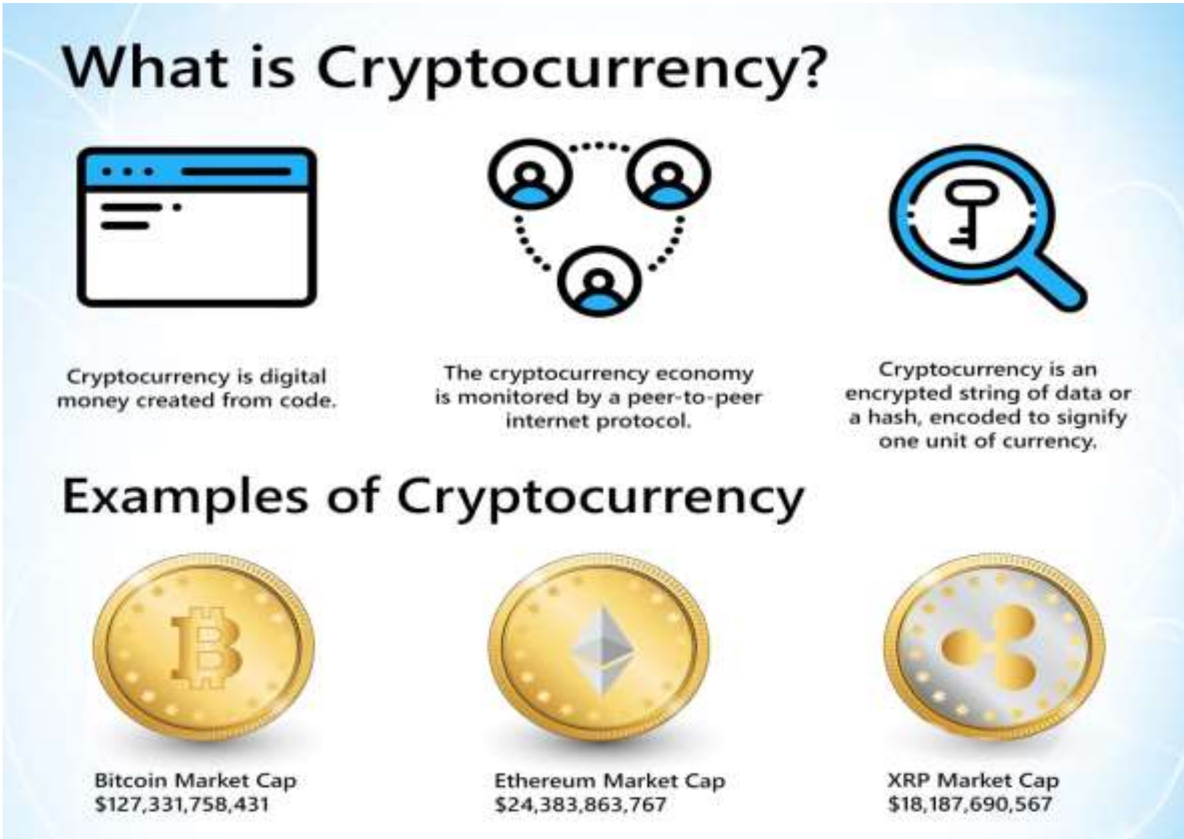
Strengthening Global Leadership	• India will emerge as a **global leader in responsible gaming and digital policy.** • The Bill demonstrates how a nation can **balance innovation with social protection**. • This positions **India as a model** for other countries that are **facing similar challenges from online money games.**

20. What will be the economic impact of ban on online games?

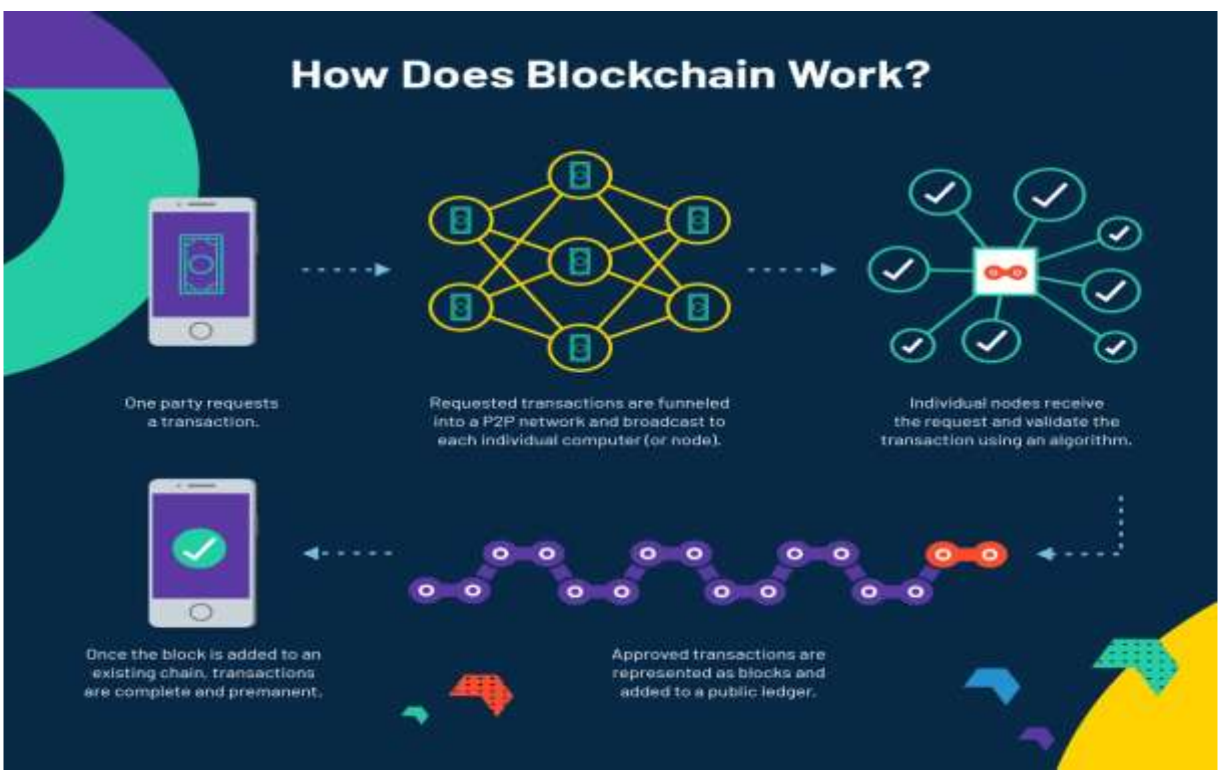
Impact	Description
Revenue Loss Concerns	• A report by **Moneycontrol noted that India's real-money gaming (RMG)** sector forms an important part of the wider gaming industry, which is projected to **cross $9.2 billion in revenues by FY29**, growing at a **20% CAGR over the next 5 years.**
Loss of jobs	• The sector **supports over 1 lakh jobs** and was on track to **employ 1.5 lakh people by 2025,** according to a report by the **Foundation for Economic Growth and Welfare and Primus Partners.**
GST Loss	• The government has **calculated a potential annual GST revenue loss of Rs 15,000 crore to Rs 20,000 crore** following **ban on online money games**. • As per the industry, it pays over **Rs 20,000 crore annually in direct and indirect taxes.**

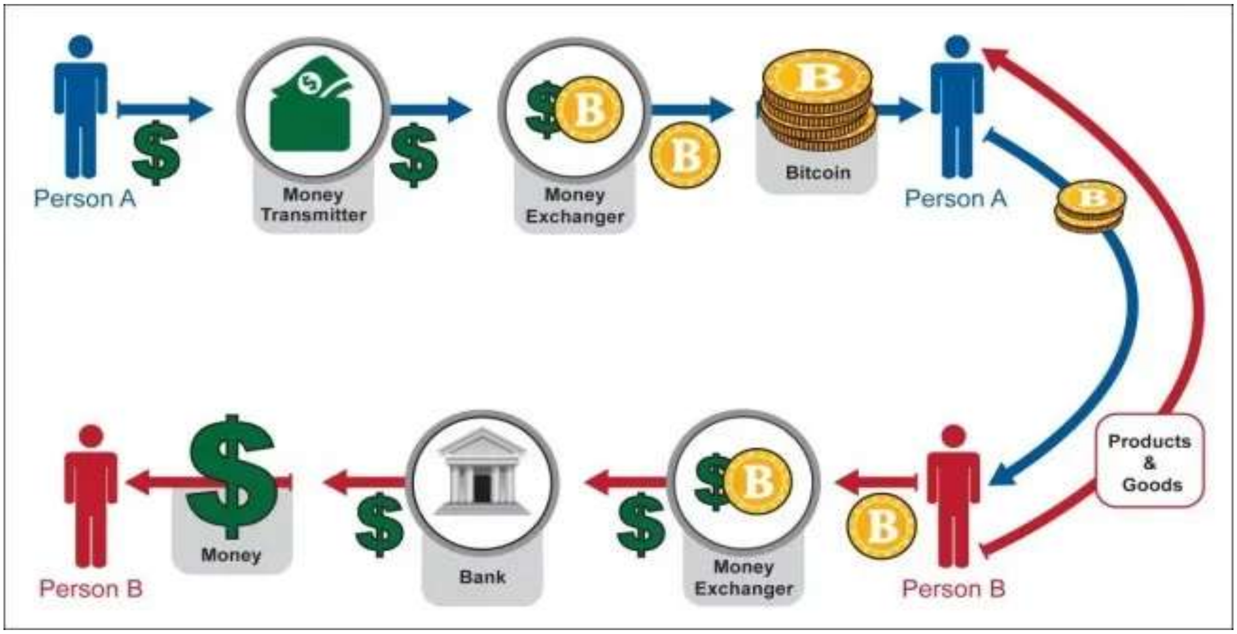
21. What is Crypto Currency?

- **Cryptocurrency,** or crypto, is a form of digital currency that can be used for internet-based electronic payments or as a store of value.
- Cryptocurrencies have **no intrinsic value, unlike a fiat currency** (whose value stems from the fact that it is **legal tender authorized** by a government) or earlier **commodity-based currencies** (such as those tied to gold or silver).

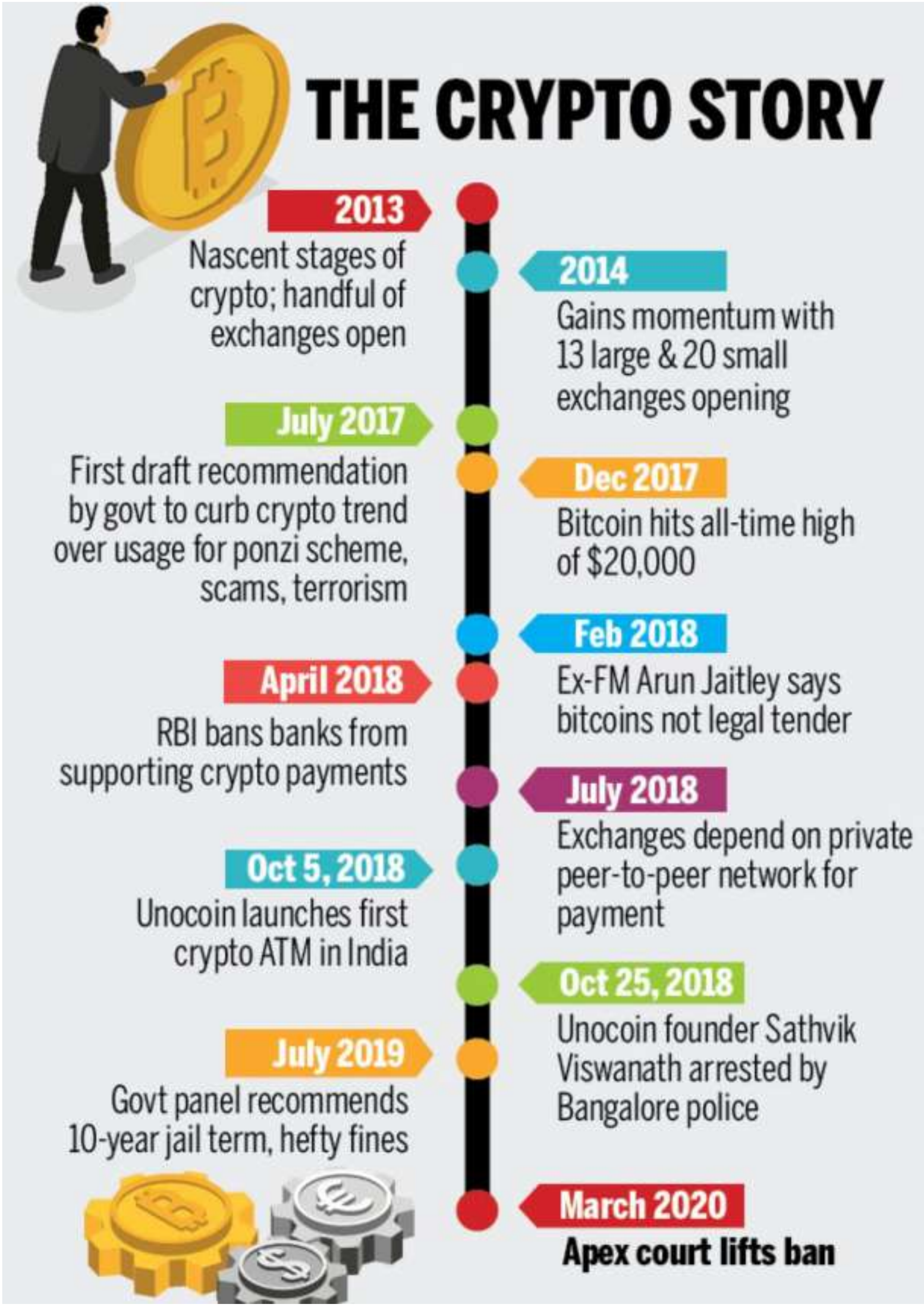


22. Mention how do the cryptocurrency works?

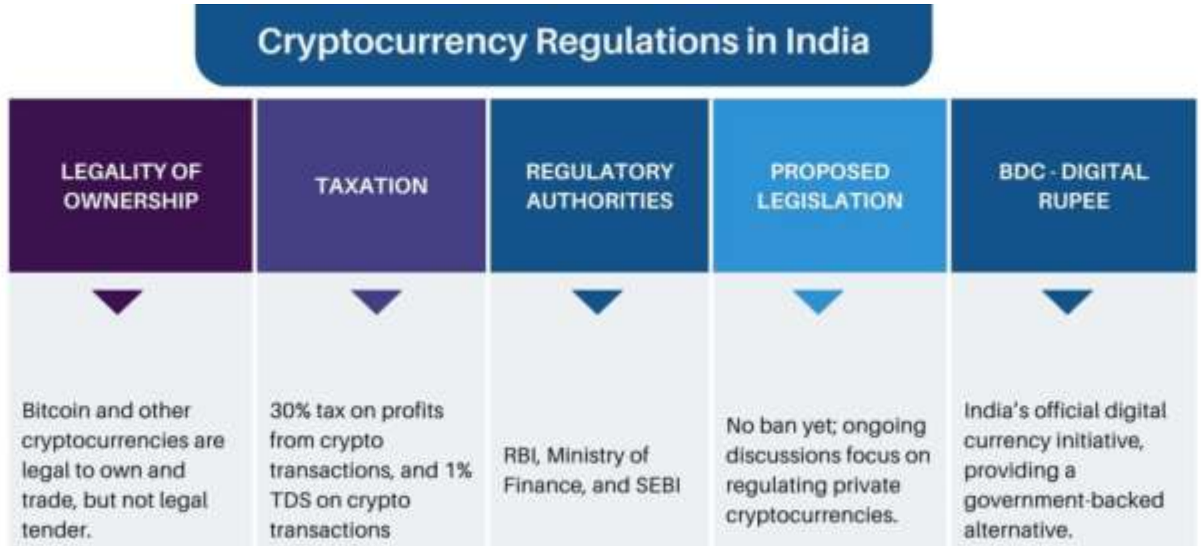




23. Mention about the journey of Cryptocurrency in India?


THE CRYPTO STORY
2013
Nascent stages of crypto; handful of exchanges open
2014
Gains momentum with 13 large & 20 small exchanges opening
July 2017
First draft recommendation by govt to curb crypto trend over usage for ponzi scheme, scams, terrorism
Dec 2017
Bitcoin hits all-time high of $20,000
Feb 2018
Ex-FM Arun Jaitley says bitcoins not legal tender
April 2018
RBI bans banks from supporting crypto payments
July 2018
Exchanges depend on private peer-to-peer network for payment
Oct 5, 2018
Unocoin launches first crypto ATM in India
Oct 25, 2018
Unocoin founder Sathvik Viswanath arrested by Bangalore police
July 2019
Govt panel recommends 10-year jail term, hefty fines
March 2020
Apex court lifts ban

24. How is Crypto regulated in India?



Legal Status of Cryptocurrency in India	• As of **2025**, **cryptocurrencies** are classified as **Virtual Digital Assets (VDAs)** under the **Income Tax Act, 1961.** • They are **not considered legal tender,** which means they **cannot be used for transactions like fiat currency,** but they are **not banned either.**
Activities permitted/prohibited.	• **Permissible Activities:** ▪ Buying, selling, and holding cryptocurrencies. ▪ Trading on domestic and FIU-IND registered international exchanges. ▪ Investing in cryptocurrencies as digital assets. • **Prohibited Activities:** ▪ Using cryptocurrencies as payment for goods or services.

	▪ Operating unregistered exchanges or wallets. ▪ Evading taxes or transacting anonymously beyond regulatory thresholds.
Regulatory Bodies Governing Cryptocurrency in India	• **Ministry of Finance** – **Policy-making** and taxation regulations • **Reserve Bank of India (RBI)** – **Monetary policy** and digital currency regulation • **Financial Intelligence Unit-India (FIU-IND)** – **Enforcement of AML/KYC** under the Prevention of Money Laundering Act (PMLA) • **Central Board of Direct Taxes (CBDT) – Oversight of taxation compliance** • **Securities and Exchange Board of India (SEBI)** – May regulate crypto-based securities in the future
FIU-IND Registration for Exchanges	• To **prevent misuse and ensure traceability,** the Government of India has brought **Virtual Digital Asset Service Providers (VDASPs)** under the **PMLA.** • This includes crypto exchanges, wallet providers, and even **DeFi protocols operating in India.**

INDIAN CRYPTO REGULATIONS

AML Policies of the PMLA

Prevention of Money Laundering Act

Identity Verification

1. Firms must verify identity under the Aadhaar Act (2016), under the Passports Act (1967), or use any other identification document as issued by the government.
2. If offline verification is used, neither core biometric information nor Aadhaar numbers are permitted to be stored.
3. Firms providing verification under the Aadhaar Act must also provide alternate verification methods to the client or beneficial owner.
4. The government reserves the right to implement additional beneficial owner and client verification safeguards.

Record Keeping & Data Reporting

1. Reporting entities must keep a record of: identification documents of clients and beneficial owners, account files, and all correspondence with clients.
2. Firms must be able to process and transfer transaction information, including the nature and value of transactions upon request.
3. Records of all transactions must be kept to ensure transaction reconstruction can be completed if required under AML obligations.
4. All data must be verified and kept strictly confidential, therefore adequate data systems must be installed.
5. Transaction data must be kept for a 5 year period from the date of transaction
6. Identity records must be stored for a period of 5 years after the business relationship has ended or the account has been closed.
7. The government may exempt any reporting entity from AML obligations on a circumstantial basis.

25. What is Reserve Bank of India's Stance on Crypto in India?

- **The Reserve Bank of India (RBI)** has provided cryptos with warnings, restrictions, and recent discussions of the regulation frameworks.
- The perceived issues raised by the **RBI are major issues of financial risks, protection of investors, and misuse of cryptocurrencies** that disrupt the regulated structure of the financial market in India.

Stance	Description
Initial Warnings and the First Steps Toward Regulation	• **RBI first informed the public about cryptocurrencie**s in the year **2013** and informed them about the **risks associated with such mechanisms**, among other things, Bitcoin in particular. • This **initial statement** presented problems like **high volatility, losing money because of the absence of legal support**, and insecurity caused by hacking attacks. • As global awareness and trading volume increased, the **RBI began to express significant concerns in 2018.**
The 2018 Ban and Its Aftermath	• **RBI officially directed all Indian financial companies** in **2018** to cease operations with entities engaged in cryptocurrencies, spearheading the shutdown of **all the crypto exchanges in India.** • It was as a result of this action that a **number of exchanges were forced to close or move**.

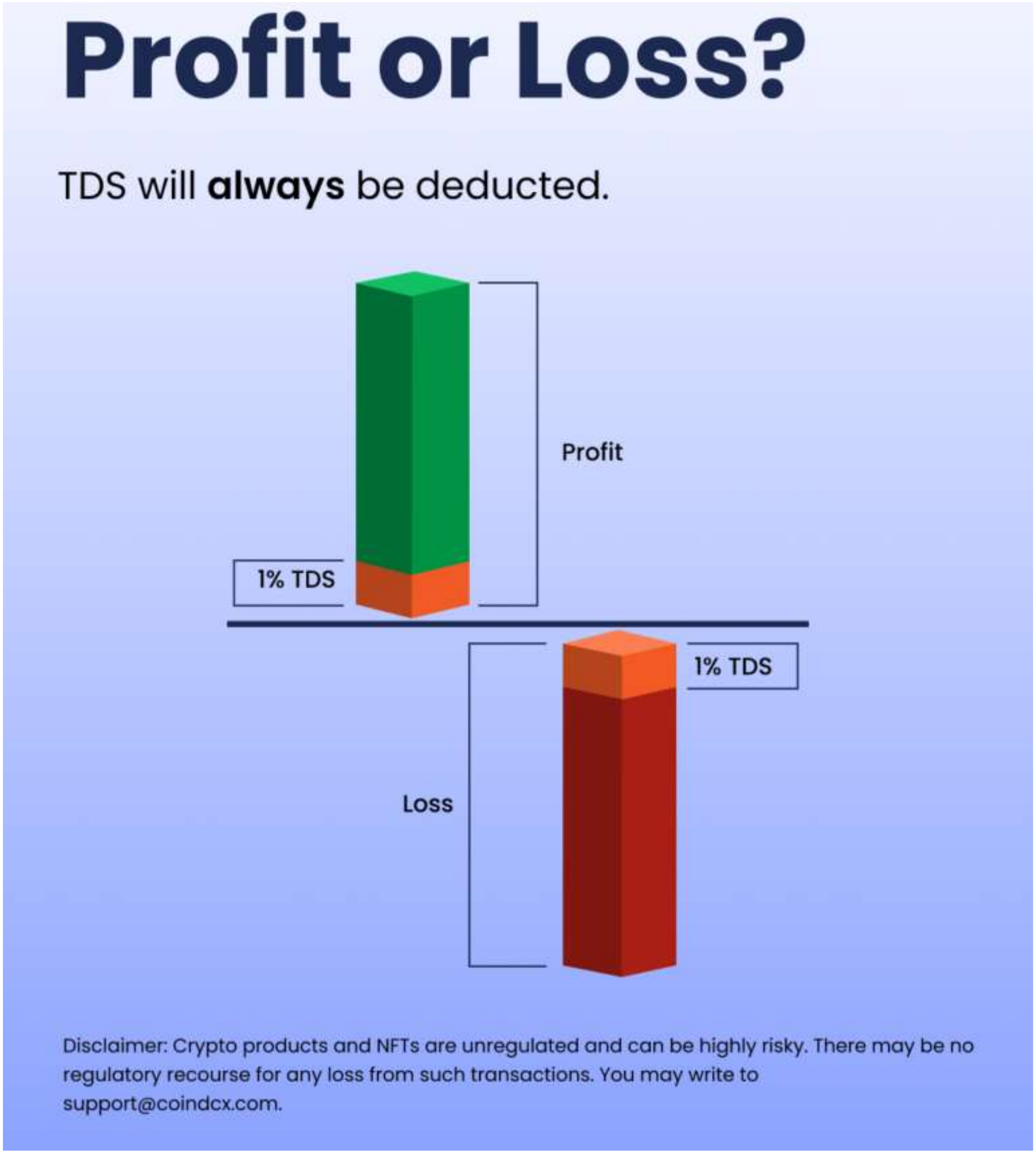
	• However, the **Supreme Court of India overturned this ban in March 2020,** holding that it was unconstitutional and was too stringent, making a legal difference.
Current Concerns: Stability and Sovereignty	• The concerns the **RBI has expressed about cryptocurrencies** persist and pertain to perceived dangers to India's growth and the integrity of the rupee. • **Former RBI governor Shaktikanta Das** stated that r**egulating and controlling digital currencies might disrupt the normal financial system,** alter exchange rates, and even lead to a drain of fiat money. • These reservations precisely capture the **RBI's view on regulation, rightly fearing that the laissez-faire** policy could disrupt the country's economy.

26. Enlist cryptocurrencies laws in India?

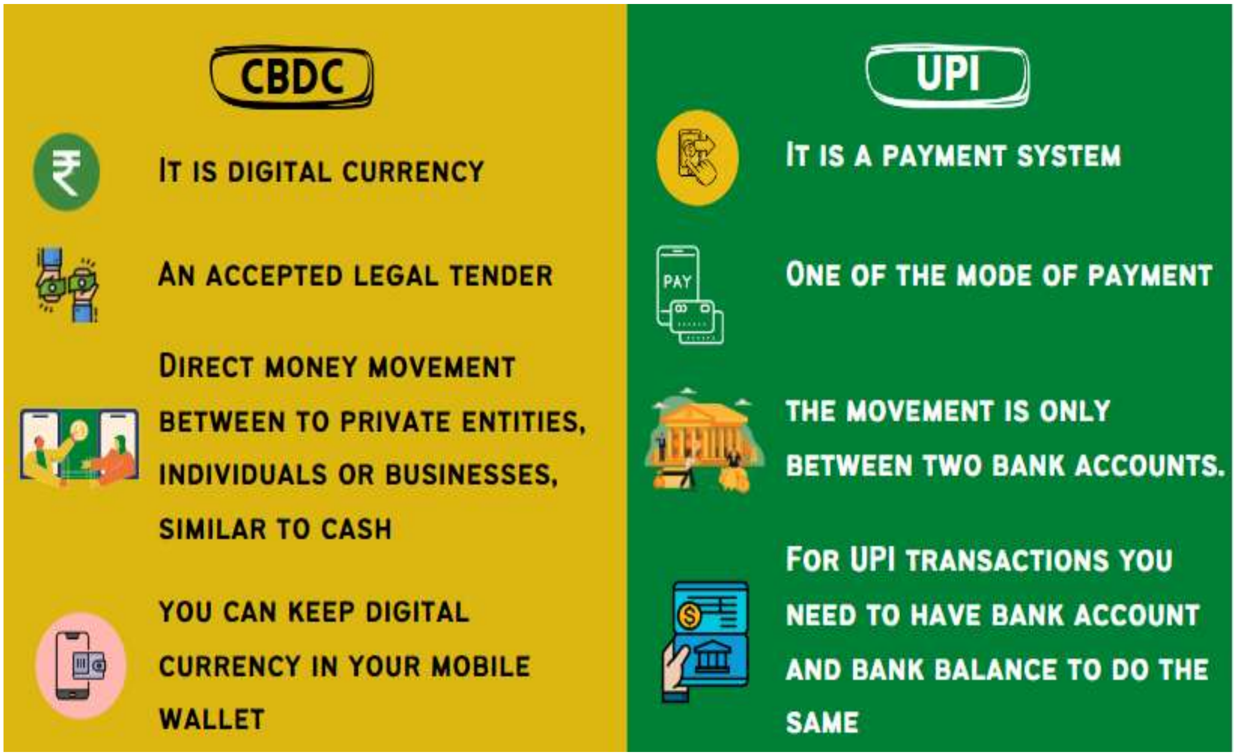
- With increasing interest in digital currencies, **India has developed specific Crypto Investment Rules**, reporting requirements, and pending legislation to provide a structured approach to cryptocurrency while managing associated risks.

Laws	Description
30% Tax on Crypto Income	• Currently, the **Indian government levies a flat rate of 30% on the income derived from virtual digital assets** such as cryptocurrency. • This tax targets realized or realized-and-reported **profits from selling or disposing of digital assets,** and **no other cost** is allowed in calculating them apart from the purchase price. • This **high taxation rate could be attributed** to the fact that the government, up to this time, considers it as a **speculative item and not a means of payment.**
1% Tax Deducted at Source (TDS) on Transactions	• To control the market even more and record different **transactions with cryptocurrencies** in the country, the government has implemented a **1% TDS on all Crypto transactions in India.** • This is done **every time the digital asset is sold or transferred** and is done by **either the exchange or the individual transferring**. The **TDS seeks to monitor the activities of transactions** and make sure that they are within the tax bracket.

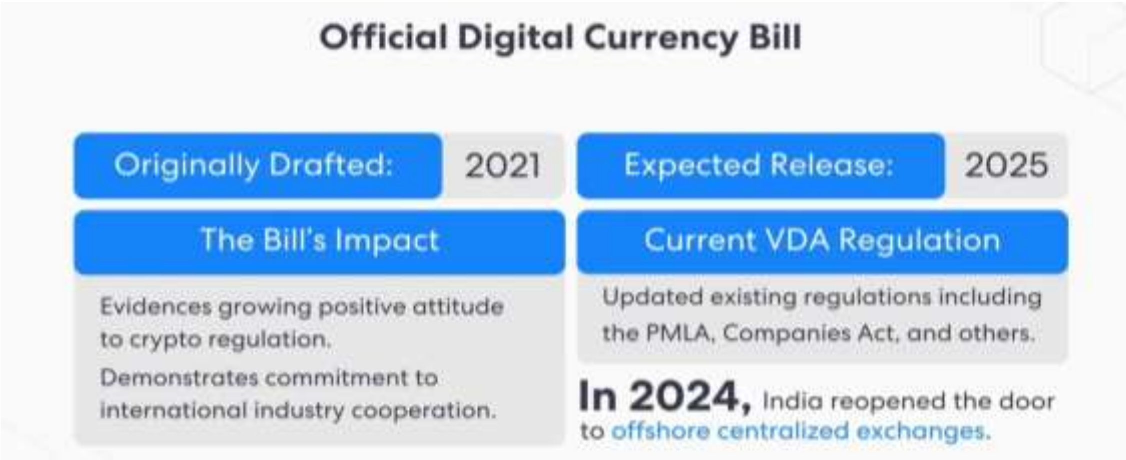

TDS in Crypto
According to the revised Income Tax regulations, the 1% TDS will be applicable with effect from July 01, 2022, onwards on all sell transactions of crypto assets.
1%
TDS
Disclaimer: Crypto products and NFTs are unregulated and can be highly risky. There may be no regulatory recourse for any loss from such transactions. You may write to support@coindcx.com.


Profit or Loss?
TDS will **always** be deducted.
Profit
1% TDS
1% TDS
Loss
Disclaimer: Crypto products and NFTs are unregulated and can be highly risky. There may be no regulatory recourse for any loss from such transactions. You may write to support@coindcx.com.

27. Enlist key difference between Cryptocurrency and CBDC?



28. Enlist key provisions of The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021?



- **The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021**, is a bill in the **Indian Parliament** to control the ever-growing cryptocurrency in India, formulated by the **Indian government**.
- It aims at banning the use of private coins while, at the same time, it prepares the ground for **centrally controlled coins.**

Provisions	Description
Prohibition of Private Cryptocurrencies	• In this case, it is important to understand that the bill is clear that it is **aimed at 'private cryptocurrencies**'or **private monies** largely because these are **considered opaque currencies** that may propel unlawful use such as **money laundering and fraudulent activities.** • Cryptocurrencies are considered by the Indian government to be a threat due to their **decentralized nature**, and thus India has taken a restrictive approach towards **private cryptocurrencies.**

Supporting Blockchain, Restricting Cryptocurrency	• It is important to note that while the **bill categorically dismisses cryptocurrencies in the private sector,** it places a **lot of belief in blockchain technology** in other areas. • This way, the government acknowledges the **opportunities provided by blockchain** in such fields as supply chain, healthcare, and finance without lumping the concept in with cryptocurrency.
Development of an Official Digital Currency	• A fresh provision of the bill under consideration is the allowance of the introduction of **official digital currency** that will be **created and managed by the RBI.** • This step is in line with the recent push by the **RBI for a Central Bank Digital Currency (CBDC)**, on the back of an immutable digital asset that is **backed by the state** and regulated like fiat money. • **CBDC** would thus help India get the best of a **digital currency** with a decentralized system and control by the central authority.

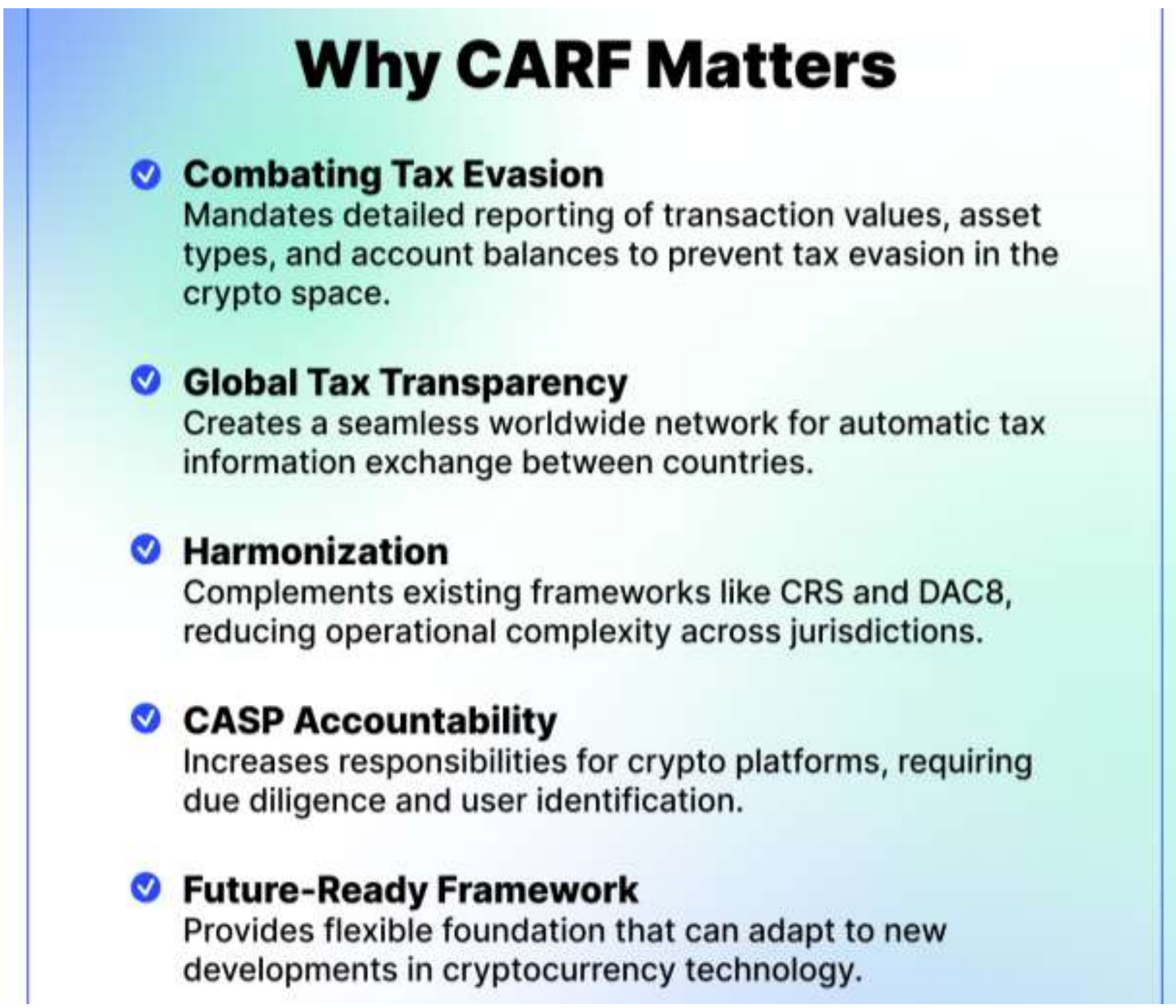
29. Why is Crypto Regulation Important in India?

- **India's position** is crucial in the **global crypto discussion**, considering its **economic power** and influence.
- Its evolving stance impacts **not only** its **domestic market** but also contributes to the ongoing debate on **international crypto regulation.**

Need for regulation	Description
Protection Against Financial Crime	• The benefits extend beyond **individual protection. Unregulated crypto** can be a haven for **money laundering and terrorism financ**ing. • Regulations equipped with **anti-money laundering (AML)** and measures to **combat the financing of terrorism (CFT)** can clamp down on such activities, **fostering collaboration between authorities and crypto exchanges.**
Financial Stability	• **Financial stability** is another key concern. **Unregulated crypto markets** can pose systemic risks, potentially impacting the **broader financial system**. • Regulations help mitigate these risks by enforcing **capital adequacy requirements** and **investor protection measures.**
Innovation and Growth	• **Clear regulations** act as a beacon for **innovation and growth.** • They **attract legitimate businesses** and entrepreneurs, fostering a healthy ecosystem within the crypto space. • This positions India as a **competitive player in the global crypto market**, attracting investments and talent in the blockchain space.

30. What is OECD-CARF which India have decided to adopt?

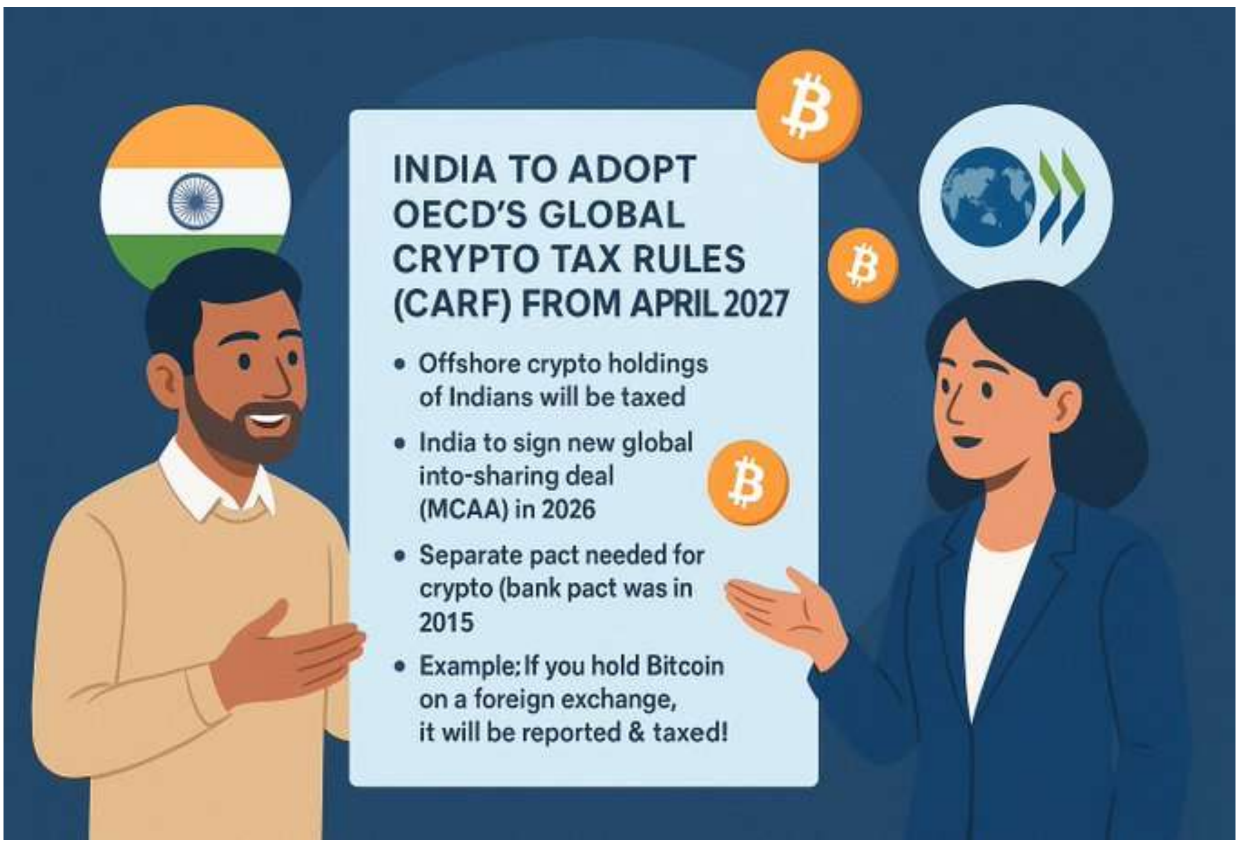
- **OECD CARF** refers to the **Crypto-Asset Reporting Framework**, a new global standard by the OECD to **promote tax transparency in the crypto asset market** by facilitating the **automatic exchange of tax information between countries**, particularly regarding emerging tax evasion risks.
- It mandates reporting obligations for service providers and intermediaries involved in crypto asset transactions, with the **first exchanges planned to begin in 2027**




OECD ANNOUNCES NEW CRYPTO ASSET REPORTING FRAMEWORK
• OECD framework provides for reporting & exchange of information on crypto assets
• OECD crypto rules will be presented to G20 FMs, Central Bank Governors on October 12-13
• Risk of tax evasion if assets & transactions not covered by G20 reporting standard
• Assets can be transferred, held without intervention of traditional fin intermediaries stored without administrator having full visibility on transactions/holdings
• Crypto market gave rise to crypto asset exchanges, wallet providers, with most being unregulated
• OECD rules will target digital representation relying on cryptographically secured distributed ledger
• Carve-outs foreseen for assets that can't be used for payment/investment & for assets covered by CRS


OECD ANNOUNCES NEW CRYPTO ASSET REPORTING FRAMEWORK
• Exchange transactions in crypto assets for or on behalf of customers to be reported under CARF
• CARF will automatically exchange information with jurisdictions of residence of taxpayers annually
• CARF contains model rules that can be transposed into domestic legislation
• OECD to work out legal, operational instruments to start international exchange of info for crypto assets
• Amendments to common reporting standard to comprehensively cover digital financial products
• Alert: OECD is organisation for economic co-operation and development

- According to a report published in Business Standard, **India will adopt the Crypto-Asset Reporting Standard (CARF),** a global standard for crypto tax reporting developed by the **OECD, in April 2027.**
- India will align with **OECD's CARF** to bring **greater transparency to crypto transactions.**
- As part of the new **global tax reporting guidelines**, the Indian government will sign the **Multilateral Competent Authority Agreement** (MCAA) next year.
- The MCAA is a global framework for the automatic sharing of tax data.



31. How crypto is regulated in other countries?

- India's **legal RBI cryptocurrency** guidelines have been substantially different from those of the **United States, the European Union, and Japan.**

Countries	Crypto regulation
United States	• **Regulatory Bodies:** The **U.S**. has a **decentralized approach** involving agencies like the **SEC, CFTC, and FinCEN**, each with distinct roles in oversight. • **Taxation: Cryptocurrencies** are treated as property and are subject to **capital gains tax based on holding periods.** • **Licensing Requirements:** Many states have **specific licensing regimes for exchanges**, such as **New York's BitLicense,** which imposes strict compliance measures.
European Union	• **Regulatory Framework:** The **EU** is developing the Markets in **Crypto-Assets Regulation (MiCAR)** to create a uniform regulatory landscape across member states. • **Taxation:** Tax treatment varies by country, with some **treating cryptocurrencies as currency** and others as property. • **Consumer Protection:** The **EU emphasizes transparency** and risk disclosure from **crypto platforms** to protect consumers.
Japan	• **Regulatory Framework: Japan recognizes cryptocurrencies as legal tender** and has a structured framework overseen by the **Financial Services Agency (FSA)**. Exchanges must register with the FSA. • **Taxation:** Cryptocurrency gains are classified as miscellaneous **income and taxed progressively,** ranging from **15% to 55%.**

	• **Investor Protection: Strict security measures** for exchanges are mandated to **protect customer funds and enhance trust.**

32. What is the relevance of the topic for UPSC CSE?

- **For Prelims:** Online gaming, BharatNet, National Broadband Mission, 5G, IT (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021, Animation, Visual Effects, Gaming, and Comics (AVGC) Promotion Task Force, E-sports, Software Technology Parks of India (STPI)
- **For Mains:** Gaming Industry in India: Related Challenges & Way Forward

Some previous years prelims questions.

Q. With reference to "Blockchain Technology", consider the following statements: (2020)

1. It is a public ledger that everyone can inspect, but which no single user controls.
2. The structure and design of blockchain is such that all the data in it are about cryptocurrency only.
3. Applications that depend on basic features of blockchain can be developed without anybody's permission.

Which of the statements given above is/are correct?

(a) 1 only
(b) 1 and 2 only
(c) 2 only
(d) 1 and 3 only

Ans: (d)

Q. Which of the following is/are the aim/aims of "Digital India" Plan of the Government of India? (2018)

1. Formation of India's own Internet companies like China did.
2. Establish a policy framework to encourage overseas multinational corporations that collect Big Data to build their large data centres within our national geographical boundaries.
3. Connect many of our villages to the Internet and bring Wi-Fi to many of our schools, public places and major tourist centres.

Select the correct answer using the code given below:

(a) 1 and 2 only
(b) 3 only
(c) 2 and 3 only
(d) 1, 2 and 3

Ans: (b)

Some previous years mains questions.

Q1. Discuss how emerging technologies and globalisation contribute to money laundering. Elaborate measures to tackle the problem of money laundering both at national and international levels. **(2021-15Marks)**

Q2. What is Crypto currency? How does it affect global society? Has it been affecting Indian society also? (**250 words, 15 Marks**)

Q3. Discuss how emerging technologies and globalisation contribute to money laundering. Elaborate measures to tackle the problem of money laundering both at national and international levels? **(2020-15Marks)**

Some questions from this year and previous years interview transcripts.

Board Suman Sharma mam:

- Tell me about cryptocurrency.
- What are there pros and cons?
- Tell me RBI's stand.
- What is blockchain technology?

Board Lt. Gen. Raj Shukla sir:

- What is Cryptocurrency?

Board Suman Sharma mam:

- What is the difference between e-sports and online gaming?

Board Suman Sharma mam:

- What's the difference between Online gaming and e sports?
- What's the taxation on online gaming?
- Tell me about Chinese law on mobile gaming?

Some questions for QUIZ.

Q1. Pranab Mohanty committee recently in news, is related to which of the following?

(a) Measures to prevent caste discrimination among students in educational institutions.

(b) To prepare a roadmap for tackling cybercrime in the country.

(c) To give recommendations on regulation of online gaming in the state.

(d) To oversee the implementation of the Uttarakhand Chardham road widening project.

Ans: (c)

Some questions for POLL.

Q1. Do you agree with the recent ban on Online games?

(a) YES

(b) NO

(c) Can't say.

Q2. Should celebrities be banned from promoting online betting platforms in India??

(a) YES

(b) NO

(c) Can't say.

■■■■