



## ONLINE GAMING AND THE LAW: IS REGULATION NEEDED?

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### ABSTRACT

*This study provides an overview of online gaming laws and regulations. Drawing from legal literature, government reports, and case studies, it distinguishes between games of skill and games of chance, analyses the challenges and benefits of regulating online gaming, and finally provides policy recommendations. Different countries often adopt legal frameworks to regulate online gaming to protect consumers, prevent addiction, and curb illegal gambling. Since the online gaming industry is rapidly growing and influences social, economic, and technological spheres, unregulated growth may lead to serious consequences, which is why governments view it as a matter of law and public policy. The central question of this paper is how legal regulation of online gaming affects players, businesses, and society. While regulation ensures consumer protection and enhances transparency, it also presents challenges such as high compliance costs and concerns about over-regulation. This research highlights the importance of creating flexible and balanced legal frameworks that safeguard players while encouraging innovation and responsible growth of the online gaming industry. In other words, along with protective regulations, the promotion of responsible and fair online gaming practices must also be considered.*

**Keywords:** Online Gaming, Law, Regulation, Consumer Protection, Responsible Gaming.

### INTRODUCTION

The online gaming industry is becoming a vital part of the digital economy, much like traditional entertainment, sports, and technology sectors. It drives innovation, creates employment opportunities, and shapes modern leisure activities, especially among the youth. Because of its rapid growth and social impact, the way online games are regulated needs

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clear policies to guarantee consumer protection, fair play, and responsible growth.<sup>1</sup>

The online gaming industry generates vast amounts of sensitive data, including financial transactions, player identities, and behavioural patterns. Since gaming is closely tied to public interest and national regulation, governments have introduced laws to monitor, restrict, or control online games—particularly those involving money. These laws are intended to protect vulnerable groups, reduce risks of addiction, and prevent illegal activities such as gambling or money laundering. However, given the global and borderless nature of online gaming, it is important to understand the legal frameworks that shape this industry and the challenges they bring.<sup>2</sup>

Research on online gaming law must be separated from general digital or IT regulations. Gaming is deeply embedded in everyday life, and unregulated practices can cause serious harm to individuals, families, and society. Online gaming involves a variety of formats, including casual games, competitive e-sports, and real-money games, each carrying distinct legal and ethical concerns. Some forms require strict oversight to safeguard players, while others may need only limited guidelines to encourage innovation. With rising cases of gaming addiction, financial fraud, and legal disputes, it is essential to examine how regulation can make the sector safer and more transparent.

This study explores a key question: How do laws and policies regulating online gaming affect society, businesses, and players? To address this, it reviews academic literature, industry reports, and government policies. It distinguishes between games of skill and games of chance, examines the challenges and benefits of regulation, and considers the broader impact on the online gaming industry. Finally, it offers policy recommendations for a balanced legal framework that protects players while supporting the responsible development of the sector.

## **UNDERSTANDING ONLINE GAMING: GAMES OF SKILL VS. GAMES OF CHANCE**

Online gaming can be understood in two main ways. The first is games of skill, where success depends primarily on a player's knowledge, strategy, and practice. These games include chess,

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<sup>1</sup> Nishith Desai Associates, *The Indian Gaming Laws* (2023) <https://www.nishithdesai.com> accessed 28 September 2025

<sup>2</sup> Ministry of Electronics and Information Technology (MeitY), *Draft Amendments to the IT Rules on Online Gaming* (2023)

rummy, and fantasy sports, where outcomes are determined by player decisions rather than luck. Courts in India and other jurisdictions have often recognised skill-based games as legitimate activities rather than gambling, emphasising the importance of player expertise in determining outcomes.<sup>3</sup> The second is games of chance, which rely mostly on luck or random events, such as lotteries, slot machines, or roulette. This category is often regulated more strictly due to its gambling nature and potential for financial risk.<sup>4</sup>

Online gaming law broadly distinguishes between these two categories to determine which activities are considered legal and which are subject to gambling restrictions. Some jurisdictions treat games of skill as legitimate entertainment or business, while games of chance are often prohibited or require licenses. In contrast, hybrid games—those combining skill and chance—present legal ambiguity, creating challenges for regulators, gaming companies, and players alike.<sup>5</sup>

Regulations around online gaming do more than just classify games. Some countries completely ban chance-based online games, while others allow them under strict licensing, compliance, and consumer protection measures. Certain jurisdictions require companies to implement age verification, spending limits, responsible gaming warnings, and anti-fraud mechanisms to ensure player safety. These steps aim to balance innovation in the digital gaming industry with protection for consumers.<sup>6</sup>

Online gaming can also be categorised based on the type of regulation applied:

- **Broad Regulation:** Covers all types of online games and requires compliance with general gaming and consumer protection laws.
- **Specific Regulation:** Targets particular categories, such as real-money games, e-sports, or fantasy leagues, with stricter compliance obligations.
- **Hybrid Regulation:** Applies rules selectively based on both game type and risk level, without requiring all games to follow identical standards.<sup>7</sup>

Different countries have adopted varied policies for regulating online gaming. Some apply

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<sup>3</sup> *State of Andhra Pradesh v. K. Satyanarayana* AIR 1968 SC 825

<sup>4</sup> *Dr. K.R. Lakshmanan v. State of Tamil Nadu* (1996) 2 SCC 226

<sup>5</sup> Nishith Desai Associates, *The Indian Gaming Laws* (2023) <https://www.nishithdesai.com> accessed 28 September 2025

<sup>6</sup> Ministry of Electronics and Information Technology (MeitY), *Draft Amendments to the IT Rules on Online Gaming* (2023)

<sup>7</sup> *Ibid*

uniform regulations across all games, while others focus on specific sectors, like real-money gaming or games involving minors. These approaches reflect the balance each jurisdiction seeks between promoting economic activity in the gaming industry and protecting public interest.

## LEGAL LANDSCAPE OF ONLINE GAMING

In general, countries have rules that govern online gaming platforms and the types of games that can be offered. These include regulations regarding real-money games, fantasy sports, e-sports, and games targeted at minors. The main reason is to protect players, ensure fair play, and prevent illegal activities such as gambling and money laundering. Governments also want gaming companies to comply with local laws and consumer protection standards. Regulating online gaming has many benefits, but it also comes with challenges that may affect the industry. Even though this can be difficult, many governments consider these rules necessary to maintain public trust and support responsible business operations.<sup>8</sup>

Because online gaming affects both entertainment and economic activity, countries have introduced laws about which games are allowed and how gaming platforms operate. This includes ensuring financial transparency, implementing age restrictions, and mandating responsible gaming features. Some jurisdictions have uniform regulations for all online games, while others focus only on real-money or high-risk games. The primary reason for these laws is consumer protection and public safety. Some argue that regulation ensures fairness and reduces social harm, while others believe it may increase compliance costs and limit industry growth.<sup>9</sup>

Below are some key aspects of the legal landscape of online gaming:

- Licensing requirements for operators
- Restrictions on real-money and gambling-type games
- Age verification and parental control measures
- Consumer protection and grievance redressal mechanisms

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<sup>8</sup> Nishith Desai Associates, *The Indian Gaming Laws (2023)*

<sup>9</sup> Ministry of Electronics and Information Technology (MeitY), *Draft Amendments to the IT Rules on Online Gaming (2023)*

## CHALLENGES AND CONCERNS OF ONLINE GAMING

Governments set online gaming regulations for different reasons, which mainly affect three groups: players, platforms, and data. These policies are commonly implemented to protect users, ensure compliance with local laws, and maintain public safety, especially in the context of real-money or gambling-type games.<sup>10</sup>

Regulations protect players by reducing risks of financial loss, preventing underage gaming, and promoting responsible gaming. For gaming platforms, these rules support fair competition, ensure legal compliance, and help maintain credibility with users. From a data perspective, regulating online gaming ensures that personal and financial information is stored securely, reducing the risk of cyberattacks and data breaches.<sup>11</sup> This means that when gaming data is monitored and managed domestically, governments and platforms can better analyse patterns, detect fraud, and implement safer gaming practices.

The growth of the domestic gaming industry is another factor. With increasing demand for secure platforms and responsible gaming mechanisms, new opportunities arise in areas such as game development, cybersecurity, data analytics, and customer support.<sup>12</sup> These developments strengthen national technological capacity and enhance the competitiveness of local companies against international operators.

Many countries regulate online gaming to prevent addiction, financial fraud, cybercrime, and illegal gambling. Supporters believe that these rules protect vulnerable players, enhance trust in the gaming ecosystem, and ensure transparency. Beyond safety, regulation also allows governments to enforce local laws, maintain oversight over critical financial transactions, and promote fair competition.<sup>13</sup>

Regulation is crucial for domestic law enforcement. Since jurisdiction is primarily territorial, controlling where gaming platforms operate and how data is stored ensures that authorities can enforce local laws effectively.<sup>14</sup>

Keeping gaming operations and data under regulatory oversight allows for quicker responses

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<sup>10</sup> Nishith Desai Associates, *The Indian Gaming Laws (2023)*

<sup>11</sup> Ministry of Electronics and Information Technology (MeitY), *Draft Amendments to the IT Rules on Online Gaming (2023)*

<sup>12</sup> *International Gaming Regulatory Reports, 2022*

<sup>13</sup> *ibid*

<sup>14</sup> *ibid*

to fraud, disputes, and cyber threats. In emergencies, such as security breaches, financial fraud, or system outages, rapid access to platform data enables authorities and companies to act promptly, reducing negative impacts on players and the industry.<sup>15</sup>

### **THE CASE FOR REGULATION – BALANCING PROTECTION AND GROWTH**

Regulating online gaming creates several challenges and considerations for governments, operators, and players. Different countries have implemented varied rules based on their priorities. In democratic nations, policymakers attempt to balance industry growth and consumer protection, taking into account privacy, player safety, and responsible gaming. Other countries emphasise stricter rules to prevent gambling, underage gaming, fraud, and cybercrime. However, these regulations can sometimes lead to increased oversight and operational challenges for gaming platforms.<sup>16</sup>

Although regulation helps protect players and ensures fair operations, it also brings challenges for companies. Strict licensing requirements, compliance obligations, and data storage rules may increase operational costs, particularly for smaller platforms that lack extensive resources. Large operators may manage these costs effectively, but smaller companies could struggle to meet all regulatory demands, limiting their growth, innovation, and ability to compete with international operators.<sup>17</sup>

Differing regulations across countries can create barriers to cross-border operations and data sharing. Platforms operating in multiple jurisdictions may face challenges in implementing consistent standards for age verification, responsible gaming, and consumer protection. Disparities in rules may prevent companies from analysing global player trends, optimising game design, or sharing insights across markets.<sup>18</sup> This can reduce operational efficiency, slow technological adoption, and limit competition, particularly in emerging markets where infrastructure, technology, and financial resources are limited.

Changing regulations also pose a significant challenge. Frequent updates to gaming laws require platforms to continually adapt, which increases administrative burdens, training requirements, and compliance costs. Companies may need to upgrade IT systems, implement

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<sup>15</sup> *ibid*

<sup>16</sup> *Nishith Desai Associates, The Indian Gaming Laws (2023)*

<sup>17</sup> *Ministry of Electronics and Information Technology (MeitY), Draft Amendments to the IT Rules on Online Gaming (2023)*

<sup>18</sup> *International Gaming Regulatory Reports, 2022*

new reporting mechanisms, or adjust marketing and user engagement strategies to align with evolving legal frameworks. This can hinder innovation, slow expansion, and create uncertainty for investors and entrepreneurs in the sector.<sup>19</sup>

Effective regulation should consider infrastructure, technology, and operational capacity. Licensing, compliance frameworks, and data protection rules should be implemented in a way that ensures player safety without stifling industry innovation. Governments must also encourage transparent dispute resolution mechanisms, industry self-regulation, and collaboration with stakeholders to address emerging risks, such as digital fraud, cyberattacks, or exploitative practices.<sup>20</sup>

In conclusion, a balanced and adaptive regulatory approach is essential for the sustainable growth of the online gaming industry. It should protect players and the public interest while allowing businesses to innovate, expand, and compete internationally. By aligning legal oversight with technological advancements and global best practices, governments can foster a safe, fair, and vibrant online gaming ecosystem that benefits all stakeholders.

## **POLICY RECOMMENDATIONS**

Governments should consider the following measures to balance player protection, industry growth, and international cooperation in the online gaming sector.

**Harmonise Global Online Gaming Regulations:** Countries should cooperate to establish comprehensive international rules and standards for online gaming platforms. Currently, each nation has its own set of regulations, making cross-border operations difficult. Harmonised rules would protect players from fraud, financial loss, and unfair practices while allowing gaming companies to operate smoothly across countries. A unified approach would also help address cybersecurity threats, promote innovation, and facilitate global collaboration in the gaming industry.

**Increase Public-Private Sector Collaboration:** Governments should formulate gaming regulations in consultation with gaming companies, industry experts, and consumer protection organisations. Strong partnerships between the public and private sectors can create better compliance mechanisms, encourage responsible gaming practices, and promote innovations

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<sup>19</sup> *ibid*

<sup>20</sup> *ibid*

that make the industry safer and more efficient.

**Develop a Suitable and Secure Infrastructure for Player Data:** Governments should ensure that online gaming platforms have secure mechanisms for storing and managing player data. Implementing modern technologies like Artificial Intelligence (AI), blockchain, and cloud computing can enhance platform security and provide valuable insights for improving user experience. A secure data infrastructure will also help smaller gaming companies comply with regulations without facing disproportionate financial or technical challenges.

**Promote Awareness and Education on Online Gaming Regulations:** Educating players, platform operators, and industry stakeholders about gaming laws and responsible practices is essential. Training programs can help operators comply with evolving regulations, while awareness campaigns can inform players about safe gaming practices, financial risks, and data privacy. Understanding regulations will also encourage the responsible use of gaming platforms and support the long-term growth of the industry.

By adopting these recommendations, governments and stakeholders can effectively regulate online gaming, protect players, foster innovation, enhance cybersecurity, and ensure a safe and competitive global gaming ecosystem.

## CONCLUSION

Opinions about online gaming regulation vary, and these differing views have led to different rules and policies in various countries. Some countries enforce strict regulations for real-money games, gambling-type platforms, or games accessible to minors. Generally, governments believe these rules help protect players, ensure fair play, and maintain the integrity of the gaming industry. While these measures provide certain safeguards, they also create challenges for companies, which must comply with complex regulations, adapt to different jurisdictions, and manage restrictions on cross-border operations.<sup>21</sup>

The online gaming industry operates across multiple countries, so clear, simple, and flexible regulations are essential. It is important to protect users while allowing platforms to innovate, expand, and adopt new technologies such as blockchain, AI-driven analytics, and cloud gaming. Rules should support growth instead of creating barriers that slow progress or limit

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<sup>21</sup> Nishith Desai Associates, *The Indian Gaming Laws* (2023)

competition.<sup>22</sup>

Governments and international organisations should work together to develop policies that ensure player safety, data protection, and fair operations, while also enabling the industry to operate across borders efficiently. Collaboration, transparency, and technology-driven solutions can help gaming platforms comply with laws without stifling innovation.<sup>23</sup>

It should be noted that regulation alone cannot fully eliminate risks such as fraud, cyberattacks, or unregulated platforms. A comprehensive approach involving platform safeguards, consumer awareness, and cross-border cooperation is necessary alongside legal oversight.<sup>24</sup>

In conclusion, while regulation is crucial to protect players and maintain the integrity of online gaming, it should be balanced and adaptable. Laws must safeguard public interest without stifling industry growth. A flexible regulatory framework, combined with technological solutions and international cooperation, can ensure a thriving, safe, and innovative online gaming ecosystem.<sup>25</sup>

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<sup>22</sup> Ministry of Electronics and Information Technology (MeitY), *Draft Amendments to the IT Rules on Online Gaming (2023)*

<sup>23</sup> *International Gaming Regulatory Reports, 2022*

<sup>24</sup> *ibid*

<sup>25</sup> *ibid*