

04-01-2023

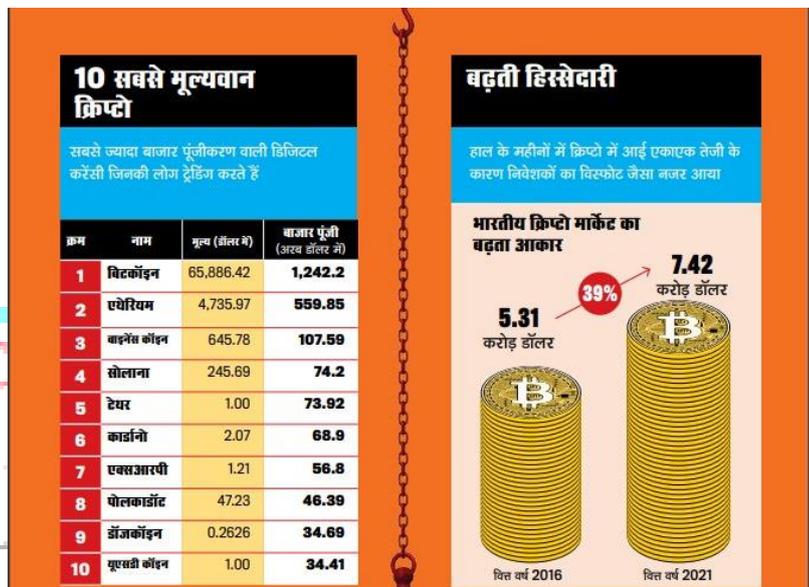
Crypto Awareness Campaign

Why in Newspapers?

Recently, the **Investor Education and Protection Fund (IEPF)** announced that it will soon launch an **outreach program** to create awareness on the risks associated with **cryptocurrencies and online gaming**.

Quick Issue?

- The future of cryptocurrencies is quite uncertain, so it is important to be cautious.
- It is a **digital asset that exists in virtual form**, designed for online exchange.
- It is generally **not issued by the central authority of any country**.



Historical Background?

- Crypto is an **unregulated currency with destabilizing effects** that can bring a risk to the **monetary and fiscal stability of a country**.
- Crypto exchanges in India have alleged **involvement in illegal practices** such as **drug trafficking, money laundering, violation of foreign exchange laws and evasion of GST**.
- RBI has prohibited banks and other regulated entities from supporting crypto transactions.
- The government has confirmed that the expenditure incurred in mining cryptocurrencies is considered **capital expenditure** and **not the cost of acquisition**, hence in order to regulate **30% tax imposed by the government**.
- The **Cryptocurrency and Regulation of Official Digital Currency Bill, 2021** introduced by the Centre.
- This program will try to **create awareness among investors to invest in cryptocurrency** as it is a **complex and risky process**.
- Crypto mining is done through **online gaming**, hence online gaming has also been included in the outreach program.
- An online game is a video game that is played either partially or primarily via the Internet or any other available computer network.
- **Types of Online Gaming**
 - **E-sports** - organized electronic sports involving professional players

- Like-Chess
- Fantasy game - Candy Crush
- Casual games: These can be either skill-based (mental skill) or chance-based (based on a random movement like the roll of a dice) online game.
- **Online gaming market in India**
 - Revenue: Estimated to reach **\$5 billion** in revenue in 2025.
 - Growth rate: 38% CAGR between 2017-2020 as opposed to 8% in China and 10% in the US.
- **Laws on Online Gaming in India:**
 - State subject: Online gaming has been a state subject till now, but state governments are finding it **extremely difficult to enforce certain rules** such as **geo-blocking certain apps or websites** within their state territory.
 - Nodal Ministry- Ministry of Electronics and Information Technology (MeitY)
 - For e-sports, the nodal agency is the Department of Sports under the Ministry of Youth Affairs and Sports.
- **Supreme Court guidelines**
 - Under several judgments of the **Supreme Court and High Courts**, a 'game of skill' is protected under **Article 19(1)(g)** of the Indian Constitution.
 - These judgments have also emphasized a **clear distinction between 'games of skill' and 'games of chance'**.

Other Key Facts?

Investor Education and Protection Fund (IEPF)

- It is managed by the **IEPF authority**,
- It was **established in 2016** under the provisions of **section 125** of the **Companies Act, 2013**.
- The Authority is entrusted with the **responsibility of administering the IEPF**, which, apart from promoting awareness among investors, refunds shares, unclaimed dividends, matured deposits and debentures etc. to the rightful claimants.
- Its **focus areas include primary and secondary capital markets**, various savings instruments, investment instruments (such as mutual funds, equities, among others), making investors aware of **Dubious Ponzi** and **chit fund schemes** and existing grievance redressal mechanisms, among other things to do is included.

क्रिप्टोकॉर्सेसी की दुनिया



1983
में अमेरिकी नागरिक ने क्रिप्टोग्राफिक इलेक्ट्रॉनिक मनी बनाई थी

इस वक्त पूरी दुनिया में 4 हजार से ज्यादा क्रिप्टोकॉर्सेसी चलन में हैं भारत में भी 80 लाख से ज्यादा लोग क्रिप्टोकॉर्सेसी में निवेश करते हैं

2009
में बिटकॉइन के आने के बाद क्रिप्टोकॉर्सेसी को लोकप्रियता मिली



Expected Questions for Preliminary Exam

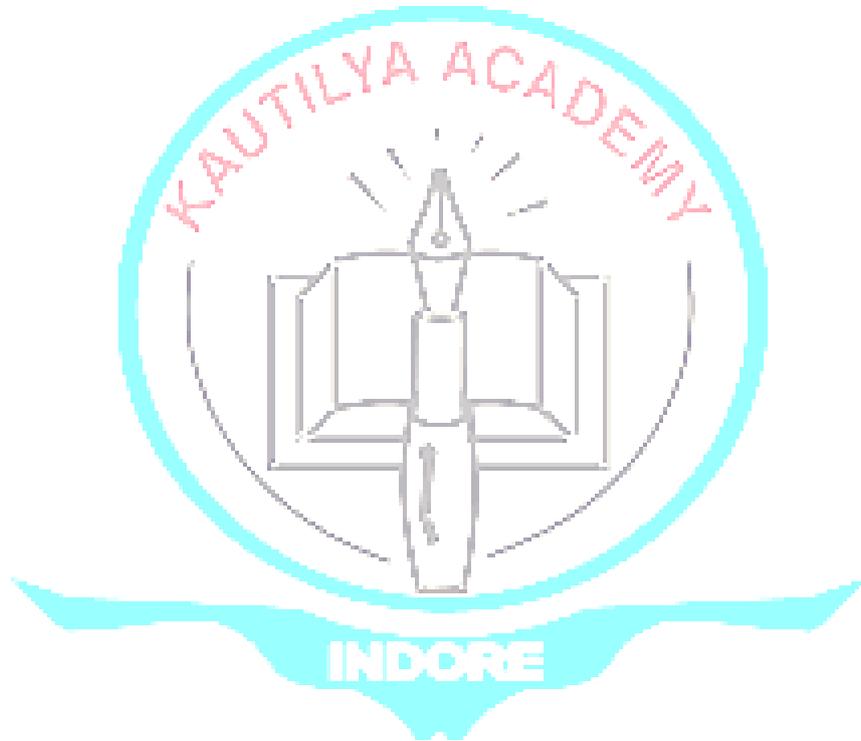
Que. With reference to "Blockchain Technology", consider the following statements:

1. It is a public ledger that can be inspected by everyone, but not controlled by any single user.
2. The structure and design of the blockchain is such that all the data contained in it is about cryptocurrencies only.
3. Applications that rely on the blockchain infrastructure can be developed without anyone'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

Answer: (D) 1 and 3 only



Draft Rules for Online Gaming

Why in Newspapers?

The Ministry of Electronics and Information Technology (Meity) has put up the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 relating to online gaming for public consultation on January 2 released the draft amendment.

Quick Issue?

- It has been drafted to ensure that **online gaming (skill based games) should be in line with Indian laws** and users of such games are protected from potential harm.

Historical Background?

- The government through a gazette notification recently notified **changes in the Allocation of Business Rules** designating Meity as the **nodal ministry to address concerns** related to online gaming.
- The **draft proposes a self-regulatory mechanism** to regulate the content of online gaming in future and ensure that **online games do not contain violent, addictive or sexual content.**
- Self-regulatory bodies will have to be registered with the **Ministry of Electronics and Information Technology** and will consist of other members including a **person nominated by the central government.**
- These bodies will be responsible for certifying who is **permitted as an online gaming intermediary** in the country, who is to **grant membership and register online games** with intermediaries who meet the

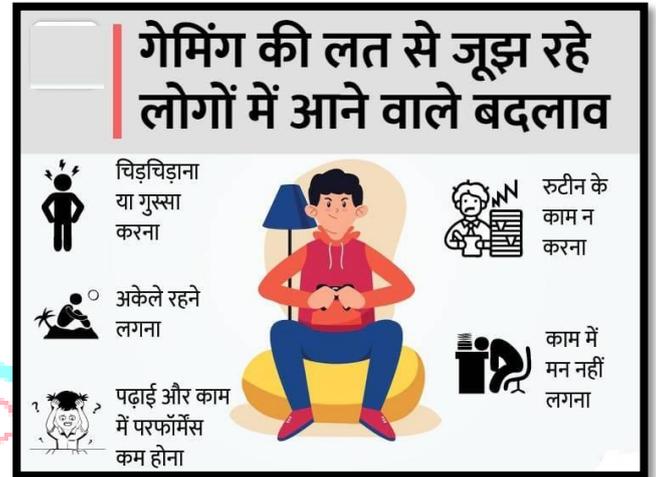
Other Key Facts?

Rule requirement

- About **40 to 45% of gamers in India are women** and hence protecting the gaming ecosystem was all the more important.
- This is considered to be the **first step towards comprehensive regulation for online gaming** and will reduce the state-wise regulatory gap which was a major challenge for the industry.
- The revenue of the Indian mobile gaming industry is expected to reach **US\$ 5 billion in the year 2025.**
- The industry grew at a **Compound Annual Growth Rate (CAGR) of 38% in India between 2017-2020, compared to 8% in China and 10% in the US.**
- It is expected to grow at a **CAGR of 15%** to reach **Rs 153 billion** in revenue by the year **2024**, according to a report by VC firm Sequoia and management consulting company BCG.

prescribed criteria.

- They will **also resolve user complaints through a grievance redressal mechanism** that have not been resolved by the **grievance redressal mechanism of its members**.
- Online gaming **intermediaries are those that offer one or more online games**. These intermediaries must display a registration mark on all online games registered by a **self-regulatory body** and provide their users with information on exit from the game or refund of deposits, methods of winning determination and distribution of winnings, fees payable and other charges, the KYC process for user account registration, the risk of financial loss and addiction related to online games and the policies relating to the measures taken to protect users' deposits.
- Games that allow **betting or betting of any kind** on the outcome of the game are prohibited under these draft rules.
- Children under 18 will need **parental consent** to play online games.
- Online gaming platforms will have to appoint a **chief compliance officer** who will be **responsible for ensuring that the gaming platform** is complying with the rules and orders of the law enforcement agencies and their authorities. There should also be **physical presence of such officer in the country**.



Expected Questions for Preliminary Exam

Que. The terms WannaCry, Petya and Internal Blue which were recently mentioned in the news are related to which of the following?

- (a) Exoplanets
- (b) Cryptocurrencies
- (c) Cyber-attack
- (d) Small satellite

Answer: (c) Cyber attack