

# China's New Game Approval Requirements

## CHINA REGULATION WATCH<sup>1</sup>

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On April 19, 2019, the National Administration of Press and Publication (国家新闻出版署) (“NAPP”), also known as the National Copyright Administration (国家版权局) (“NCA”), released new game approval application documents, including new versions of the game application forms, on its official website. In addition, various unofficial reports indicate that several local provincial level offices of NAPP have held meetings with various game companies to provide additional information about the new game approval procedure.<sup>2</sup> Both the new application documents and these meetings suggest that going forward NAPP will be the primary regulator for China's game industry, ending a period of regulatory uncertainty that lasted over one year and included a nine month suspension of game approvals.

## 1 China's Suspension of Game Approvals

### 1.1 Government Reorganization

Prior to March 21, 2018, the primary regulators for China's online game industry were the State Administration of Press, Publication, Radio, Film and Television (新闻出版广电总局) (“SAPPRFT”) and the Ministry of Culture (文化部) (“MOC”). Previously, every game required approval from SAPPRFT prior to commercialization. In addition, each foreign game needed to be reviewed and approved by MOC prior to commercialization, and each domestic game was required to register with MOC within 30 days after commercialization.<sup>3</sup>

On March 21, 2018, the Chinese Communist Party (中国共产党) (the “Party”) released the Plan to Deepen Reform of Party and State Institutions (深化党和国家机构改革方案), pursuant to which (i) SAPPRFT became the National Radio and Television Administration (国家

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<sup>2</sup> See “[Mini-Games Need Approval or Registration \(小游戏需版号或备案\)](#)” (Chinese), posted by Gamelook on April 19, 2019, [Game Approvals Restart \(游戏版号审批重启\)](#)” (Chinese), posted by Sohu.com on April 20, 2019; and “[Game Approval Submission Restarts, Are the Notes about New Requirements True? \(游戏版号申请重启, 新增版号注意事项是否为真\)](#)” (Chinese), posted by China Economic Observer (经济观察报) on April 24, 2019.

<sup>3</sup> “Foreign game” refers to a game that is owned by a company established under the laws of a jurisdiction other than the People's Republic of China (the “PRC”), or a foreign-invested company. “Domestic game” refers to a game that is owned by a company established under the laws of the PRC with only PRC citizens or other domestic PRC companies as shareholders.

广播电视总局), which now regulates the radio and television industries, while control over press, publication and film moved to NAPP, which reports directly to the Propaganda Department of the Central Committee (中央宣传部) (the “CPD”) under the Party; and (ii) MOC was reorganized into the newly established Ministry of Culture and Tourism (文化和旅游部) (collectively, the “Government Reorganization”).<sup>4</sup> In addition, as part of the Government Reorganization the CPD also, in the name of the NCA which now reports to the CPD, supervises the administration of copyrights, a task previously handled by SAPPRFT but also in the name of the NCA.

On March 29, 2018, SAPPRFT issued an unofficial notice to game approval applicants, which indicated that due to the Government Reorganization, SAPPRFT had decided to suspend the game approval procedures.<sup>5</sup> Following SAPPRFT’s decision, MOC closed the domestic game online registration channel on July 25, 2018 and then suspended foreign game approvals on August 6, 2018.<sup>6</sup>

## 1.2 Shortsightedness Prevention Plan

Initially, the game approval suspension appeared to be a direct result of the Government Reorganization. As the suspension period dragged on, however, industry observers speculated that the various government regulators may be competing with one another to maintain or establish their authority over China’s lucrative game industry. However, on August 28, 2018, President Xi Jinping issued a call to action that appeared to have negative implications for the game industry. President Xi indicated that many of China’s youth need glasses and called for the government to work together to solve this problem.<sup>7</sup>

On August 30, 2018, two days after President Xi’s announcement, eight government departments, including NAPP, jointly issued the Implementation Plan for Comprehensively Preventing and Controlling Myopia Progression in Children and Adolescents (综合防控儿童青少年近视实施方案) (the “Shortsightedness Prevention Plan”).<sup>8</sup> According to the Shortsightedness Prevention Plan, NAPP will limit the number of new video game approvals and set new restrictions on video game playtime for children and adolescents.

The Shortsightedness Prevention Plan is not the first example of the government’s discomfort with China’s enormous game market. Since, the early days of the industry, government authorities in China have had a love – hate relationship with video games.

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<sup>4</sup> See “[Tencent and Chinese Gaming Rivals Shudder as Government Tightens Grip](#),” posted by Wall Street Journal on August 31, 2018.

<sup>5</sup> See “[Unofficial Notice about No Game ISBN Approvals Due to Government Reorganization \(网传受国家机构改革影响, 非七大类游戏将暂时无法办理版号\)](#)” (Chinese), posted by Sohu.com on March 30, 2018.

<sup>6</sup> See MOJ website [here](#).

<sup>7</sup> See “[Xi Jinping: Work together to Protect Children’s Eyes and Give them a Bright Future \(习近平: 共同呵护好孩子的眼睛让他们拥有一个光明的未来\)](#)” (Chinese), posted by Xinhua.net on August 28, 2018.

<sup>8</sup> The eight departments are NAAP, Ministry of Education (教育部), National Health Commission (国家卫生健康委员会), General Administration of Sport (国家体育总局), Ministry of Finance (财政部), Ministry of Human Resources and Social Security (人力资源和社会保障部), State Administration for Market Regulation (国家市场监督管理总局) and National Radio and Television (国家广播电视总局).

Regulators recognize the contributions made by the video game industry to the growth of China's internet sector. At the same time, regulators in China, like many other places around the globe, are concerned that the youth spend too much time playing video games to the detriment of their studies. This tension has led to a stream of regulations over the years, including China's well-known anti-fatigue rules that limit video game playing time for youth and adolescents.

A few recent examples of the government's discomfort with the game industry, as reported through the state controlled media, include Guangming Daily's (光明日报), one of the most powerful state-run media sources, coverage of Tencent's famous mobile game Honor of Kings (王者荣耀), and criticism of the video game industry at the National People's Congress and the Chinese Political Consultative Conference (also known as the "Two Sessions" or 两会). On May 28, 2017, Guangming Daily reported that Honor of Kings distorted Chinese history, caused addiction among the youth and failed to properly implement the required anti-fatigue system.<sup>9</sup> At the Two Sessions held in March 2018, several representatives attacked the game industry for having earned hundreds of millions in profits while damaging the health of the nation's youth and distracting them from their studies. Furthermore, there were calls for the government to impose strict regulations on the game industry.<sup>10</sup> As a result of the Short-sightedness Prevention Plan and the longstanding tension between government regulators and the game industry, throughout the latter half of 2018 many industry commentators were unclear how long the game approval suspension would last and what was the true cause of the ongoing delay.<sup>11</sup>

### 1.3 Game Approvals Resume

On December 29, 2018, after approximately nine months of the game approval procedure being suspended, NAPP approved 80 domestic games.<sup>12</sup> On February 20, 2019, NAPP announced that it would no longer accept new game approval applications so that it could clear the backlog of previously accepted applications.<sup>13</sup> It is difficult to estimate how many titles are currently waiting for approval. In February 2019, an industry insider speculated that at least 5,000 games were awaiting approval.<sup>14</sup> In April 2019, another industry contact indicated that they received approval for a game whose application was submitted in June 2018. On April 2, 2019, NAPP approved 30 foreign games, which was the first time that any foreign games had been approved since Government Reorganization. In total, from December 29, 2018 to May 14,

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<sup>9</sup> See "[Mobile Game shall Not Distort History \(手机游戏不能颠覆历史\)](#)" (Chinese), posted by Guangming Daily on March 28, 2017.

<sup>10</sup> See "[Tens of Representatives Call for Supervision of Online Games \(数十位两会代表呼吁控网游\)](#)," posted at Sohu.com on March 20, 2018.

<sup>11</sup> See more discussion in "[Inside Tencent's Struggle to Bring World's Hottest Game to China](#)," posted by Bloomberg on August 24, 2018; "[Tencent and Chinese Gaming Rivals Shudder as Government Tightens Grip](#)," posted by Wall Street Journal on August 31, 2018; "[China's Pause on Videogame Approvals Expected to Drag Into Next Year](#)," posted by Wall Street Journal on October 24, 2018 and "[Tencent Not Yet Winning Even as China's Game-Approval Freeze Melts](#)," by Wall Street Journal on January 2, 2019.

<sup>12</sup> See "[Domestic Game Approval in December 2018 \(2018年12月份国产网络游戏审批信息\)](#)" (Chinese), posted by former SAPPFRT official website on December 29, 2018.

<sup>13</sup> See "[Chinese government halts new game approvals to work through backlog](#)," posted by Gamesindustry.biz on February 20, 2019.

<sup>14</sup> See "[Exclusive: China regulator stops accepting new video game applications to clear backlog](#)," posted by Reuters on February 20, 2019.

2019, 999 domestic games and 52 foreign games were approved by NAPP. More details are provided in the table below:

*Domestic Games:*

	PC Games	Mobile Games	Console Games	<i>Total</i>
December 2018	15	148	1	<b>164</b>
January 2019	9	274	0	<b>283</b>
February 2019	10	268	1	<b>279</b>
March 2019	8	222	3	<b>233</b>
April 2019	1	39	0	<b>40</b>
<b>Total</b>	<b>43</b>	<b>951</b>	<b>5</b>	<b>999</b>

*Foreign Games*

	PC Games	Mobile Games	Console Games	<i>Total</i>
April 2019	5	22	3	<b>30</b>
May 2019	4	15	3	<b>22</b>
<b>Total</b>	<b>9</b>	<b>37</b>	<b>6</b>	<b>52</b>

## 2 New Game Approval Requirements

When the new required application documents were made available on NAPP’s official website on April 19, 2019, several PRC news agencies reported that NAPP had held conferences with officials at local provincial branch offices of NAPP to provide additional information on the new game approval requirements, but these reports were quickly deleted by the media censors. However, several industry insiders confirmed that in April 2019 select companies were invited by NAPP’s local provincial offices to participate in meetings to discuss the new requirements.<sup>15</sup> Below please find a summary of the new requirements based on the written rules published on NAPP’s website and our understanding of the unwritten rules based on news reports and our unofficial communications with industry contacts.

### 2.1 Written Requirements<sup>16</sup>

The differences between the new NAPP requirements and the old SAPPRT requirements, based on a careful review of the old and new application materials and forms, are summarized below.

#### (a) Approval Time Period

SAPPRT previously listed on their website that the approval period was five business days after the receipt of the application documents. This sometimes created confusion since in

<sup>15</sup> Selected companies’ participation in meetings with NAPP provincial branches was also noted by several PRC news agencies. See “[Game Approval Submission Restarts, Whether the Notes about New Requirements are True? \(游戏版号申请重启, 新增版号注意事项是否为真\)](#)” (Chinese), posted by China Economic Observer (经济观察报) on April 24, 2019.

<sup>16</sup> See the new application documents for domestic game [here](#), and for foreign game [here](#).

practice the approval period generally lasted several months. NAPP clearly indicates that the approval period will be 80 business days after receipt of the application documents. Based on our communications with industry contacts, they explained that NAPP will normally give an opinion about what additional documents are needed within five business days after submission, but that final approval will be issued within 80 business days after the application is submitted. Whether or not NAPP will adhere to these time periods in practice, however, is unclear.

(b) Limitation of Approval Number

Previously, SAPPRFT stated there were no limitations with respect to the number of game approvals. However, NAPP's website states that the number of game approvals needs to be limited based on the requirements of total volume (总量), structure (结构) and layout planning (布局规划).<sup>17</sup> In the view of the regulators, China's game industry has developed rapidly without strict regulation and oversight, and as a result many low-quality and unoriginal games are widely available on the market.

(c) Additional Requirements for Publishers and Operators

PRC internet information service providers who create digital works that are publicly available on the internet, including books, newspapers, audio visual products and video games, are required to obtain an online publishing service license (网络出版服务许可证) (“Publishing License”) from NAPP. As there are strict requirements to obtain a Publishing License,<sup>18</sup> only a few domestic game operators and traditional state-owned publishing houses are qualified. As a result, many small and mid-sized game companies need to cooperate with a licensed publishing house to obtain necessary game approvals.<sup>19</sup> In some circumstances, these publishing houses act only as agents to submit the application for the game approval and are not involved in any of the game's operations. In these cases, the game company that publishes and operates the game is classified as the game operator. NAPP, and previously SAPPRFT, distinguish between publishing houses and game operators in accordance with the following classification standards: “Publisher (出版单位)” refers to the online publishing service provider (网络出版服务单位) who holds a Publishing License and is responsible for submitting the game application. “Operator (运营单位)” refers to a company that digitally distributes games, and which generally handles the promotion of the game, the hosting of the game's servers, and the provision of customer service to the game's users.

NAPP now imposes additional requirements for Publishers, in an apparent attempt to make publishing houses take greater responsibility with respect to the game applications they submit.

- Personnel Requirement. Publishers must provide information about the total number of junior and mid-level publication professionals hired by the

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<sup>17</sup> See the limitation of number for domestic games [here](#), and for foreign games [here](#).

<sup>18</sup> For example, an applicant is required to employ eight (8) or more SAPRFT professionally accredited specialists in connection with publishing and editing. See Article 8 and Article 9 of Administrative Provisions on Online Publishing Service.

<sup>19</sup> Big game companies in China normally hold the online publishing service license.

Publisher, and Publishers must keep NAPP fully informed with an up to date list of all publication professionals. Instead of being signed by the legal representative of the Publisher, the application form must be signed by the censor who is responsible for the game and the editor-in-chief of the Publisher. NAPP is also the primary regulator for the publishing professional qualification certificate (出版专业职业资格), which is required to become a professional in a publishing related career in China, including a career as an editor, proofreader, publisher or distributor of books, magazines, audio-visual products and other electronic publications.

- Publisher's Game Review Opinion (审读报告). SAPPRFT required Publishers to submit game review opinions to help SAPPRFT understand the game's basic game content, including the game's background, character roles, non-player characters, settings, main plots, functions, systems, shops, features and user instructions. NAPP now requires additional information about the review opinion process to be disclosed in the game review opinion, including the start and end dates of the review, any problems discovered during the review, the correction process, and the final review opinion. All problems and corrections must include relevant screenshots showing the problem correction process.

SAPPRFT previously only required Operators to provide basic company information in applications, such as company name, address, business license, cultural operating license and ICP license. NAPP will conduct a more detailed assessment of the Operator and thus requires the Operator to disclose additional information, including how long the Operator has been established, when did the Operator start operating games, what games have already been operated by the Operator, and what games are currently being operated by the Operator.

#### (d) Mini-games

Mini-games, which are games published inside other applications, like WeChat or Douyin (TikTok), became popular in the past two years, especially during the game approval suspension period in 2018, when many small game studios chose to launch mini-games which at the time didn't require any game approvals. NAPP now requires all mini-games to be approved before commercial launch.<sup>20</sup>

#### (e) Additional Requirements

Additional requirements from the NAPP application documents and how these requirements compare to the old SAPPRFT requirements are set forth in the following table.<sup>21</sup>

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<sup>20</sup> According to some news reports, if a mini-game has already launched and doesn't have any monetization system, then the mini game only needs to be registered with NAPP's local provincial branch. See "[Mini-Games Needs Approvals or Registrations \(小游戏需版号或备案\)](#)" (Chinese), posted by Gamelook on April 19, 2019.

<sup>21</sup> See the new application form for domestic games [here](#), and for foreign games [here](#).



<b>Old SAPPRT Requirements</b>	<b>New NAPP Requirements</b>
SAPPRT would rarely accept game names which were the same as another game.	NAPP will not accept game names which are the same as another game.
SAPPRT required game content to be compliant with content restrictions rules. SAPPRT specifically noted that games should not include any pornographic, violent, or bloody elements.	NAPP applies the same content restrictions rules. NAPP specifically notes that games should not include any vulgar, pulp, kitschy element, or any other element that severely deviates from socialist core values (社会主义核心价值观) <sup>22</sup> .
SAPPRT's application required the submission of colorful screenshots of the game with explanations (more than 10 screen shots).	NAPP's application requires the submission of colorful screenshots of the game with explanations (more than 10 screen shots, one of which must display the game home screen along with the game's name).
SAPPRT required the submission of two (2) disks with all application documents and a game demo video. The demo video was not to be less than 5 minutes.	<p>NAPP requires the submission of three (3) disks with all application documents and a game demo video. The demo video should not be less than 10 minutes.</p> <p>The content of the demo video must include: the game's title, the game's login interface, the "healthy game advice notice" (健康游戏忠告), key fight scenes, virtual items purchase scenes, key plots, all characters and all maps/scenarios. The length of fight scenes must be more than 2 minutes and include the fight process and final results. The anti-fatigue push notice and reduction of the value of in-game benefits (such as experience points) must also be displayed.</p> <p>Currently there are no requirement for mini-games to submit a demo video.</p>
SAPPRT required basic information about a foreign game's operation outside of China, but did not impose detailed requirements.	NAPP requires the information about a foreign game's operation outside of China to include the first commercial launch date, the first commercial launch territory, where the game is currently operated, the amount of

<sup>22</sup> "Socialist Core Values" refers to: the national values of prosperity, democracy, civility and harmony; the social values of freedom, equality, justice and the rule of law; and the individual values of patriotism, dedication, integrity and friendship. "Socialist Core Values" was initially coined by the Party in November 2012, and reiterated by President Xi Jinping in October 2017. See [here](#) for more information.

Old SAPPRFT Requirements	New NAPP Requirements
	users, revenue and the social response outside of China.

## 2.2 Unwritten Requirements<sup>23</sup>

In addition to the new written requirements, new unwritten requirements have also been shared by NAPP, and NAPP provincial local branches with entities that held online publishing service licenses in April.<sup>24</sup>

### (a) Game Name Detailed Requirements

As mentioned previously, NAPP will not accept game names which are the same as another game. NAPP disclosed more details on its naming requirements at the NAPP conferences, including (i) the game name of a prequel or sequel game must clearly include the name of the original game; (ii) game names cannot include a version number in Arabic numerals; and (iii) game names for online games which are derived from a standalone game must clearly reference the standalone game.

### (b) Commercial Launch Expected Date

The expected commercial launch listed in the application form must accurately reflect the game's expected commercial launch date. According to news reports, if a game does not launch on time then the applicant must provide an explanation about the delay, otherwise NAPP might conduct an investigation and potentially blacklist the applicant on the national credit information sharing platform (失信企业平台), which can have negative implications for the applicants' ability to apply for future game approvals as well as other negative consequences, as this new credit system evolves. Although our knowledge of these additional requirements is informal and we have been unable to confirm its veracity, our best guess is that NAPP's intention behind these requirements is to prevent applicants from obtaining game approvals without any real plan to operate the game with the hope of potentially using the approval for other future games.

During the game approval suspension period, a few smaller game studios under great financial pressure had the creative idea to purchase game approvals from other companies and publish their game under the other entity's game approval. Although this practice clearly violated the game approval rules, the practice nonetheless became widespread in 2018. On October 31,

<sup>23</sup> In practice, we believe that unwritten requirements are enforced by regulators during the game approval process. On April 9, 2019, Tencent obtained approval from NAPP for a mobile game titled "Game for Peace (和平精英)," which is "PUBG Mobile." On May 9, 2019, Game for Peace launched in China and included monetarization functions, ending a 15 months non-monetarization period for PUBG Mobile. Tencent complied with most of the unwritten rules required by NAPP, including, no corpses. Instead, on death a player will wave to the killer and a box will be generated at the location where the player was killed. If someone is shot in the game no blood will be shown, instead a special target-hit feature will be displayed. When a player opens the game, the player will find an in-game advertisement for China's Air Force (中国空军). Lastly, the popular slogan for the winner of round has been changed from 'Winner Winner Chicken Dinner' to 'Winner Winner Peace-Keeper'.

<sup>24</sup> See "[Game Approval Restarts \(游戏版号审批重开\)](#)" (Chinese), posted by Sohu.com on April 20, 2019; and "[Mini-GameS Needs Approvals or Registrations \(小游戏需版号或备案\)](#)" (Chinese), posted by Gamelook on April 19, 2019.



2018, the National Working Group on Pornography and Illegal Publication Elimination (全国扫黄打非工作小组), a working group formed under the instructions of CPD, revised their Pornography and Illegal Publication Elimination Whistle-blowing Incentive Measures (“扫黄打非”工作举报奖励办法) to encourage the public to report any activities regarding the sale or purchase of ISBN numbers, which was also the number issued by SAPPRFT in connection with game approvals.<sup>25</sup> Thus, NAPP may want accurate information on the exact date of the anticipated commercial launch to reduce the possibility that applicants hold on to approvals in anticipation of selling them to others.

(c) Game Type and Game Content

China has implemented game content restrictions for many years now. We understand that NAPP mentioned these specific content restriction points at their conferences: (i) game approvals will not be issued for games that relate to harem infighting (宫斗), political maneuvering (官斗), poker or board games (棋牌),<sup>26</sup> or dress up games (换装); (ii) no blood may be included, and even changing the color of the blood from red to another color (for example green) is unacceptable; (iii) corpses of killed characters must disappear immediately; (iv) superstitions or fortune telling may not be included and (v) marriage features may not be accessible to children.

(d) Loot Box Features

Previously, MOC required operators to accurately disclose the odds of obtaining potential virtual items or value-added services through loot boxes.<sup>27</sup> The following requirements were also mentioned in NAPP conferences: Operators shall disclose how many times a player must open a loot box before the player is guaranteed a valuable virtue item. Pursuant to the previous MOC rules, if a player had a 1% chance to obtain one specific virtual item, it was still possible that the player would not receive the item even after opening 100 loot boxes, since the posted odds were calculated based on aggregate player numbers. According to the NAPP conferences rule, a player will know exactly how many loot boxes they need to open to get that specific virtual item. Some game industry insiders mentioned that NAPP may set daily limits on how many purchased loot boxes a player can open: (i) no more than 30 individual loot boxes, (ii) no more than three “10 box” bundles, and (iii) no more than 50 loot boxes in total. With the daily cap of 50 loot boxes, a player that has opened three “10 box” bundles will only be allowed to open an additional 20 individual loot boxes. A player’s daily limit must be clearly displayed within the game. In addition, drop chances shall gradually increase with every loot box a player opens.<sup>28</sup>

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<sup>25</sup> See rules [here](#). See “[New Rules about Whistling Blowers about Sales of Game Approval \(举报买卖版本号新规颁布\)](#)” (Chinese), posted by 07073.com on November 20, 2018.

<sup>26</sup> Industry contacts have mentioned that game approvals will not be issued to poker games but may be issued to board games. Tencent shut down their poker platform on September 2018. See “[Tencent Shuts Poker Platform Amid Widening Gaming Crackdown](#),” posted by Reuters on September 10, 2018.

<sup>27</sup> See Article 2, Section 6 of the Notice on Regulating Online Game Operation and Strengthening Concurrent and Ex-Post Supervisions (文化部关于规范网络游戏运营加强事中事后监管工作的通知) issued by MOC on May 1, 2017.

<sup>28</sup> See “[New Approval Requirements: Daily Limits for Loot Boxes \(游戏审批规则变动：每日付费抽取受限\)](#)” (Chinese), posted by Gamelook on May 10, 2019.

(e) Foreign Games Pretending to be Domestic Games

It has always been challenging for China's regulators to distinguish between a foreign game and a domestic game, which is partially due to the fact that foreign games are generally subject to a stricter review process than domestic games. In order to launch a game sooner, some applicants have chosen to apply for a domestic game approval for a foreign game. As discussed in the NAPP conferences: a game licensed by a foreign intellectual property licensor may be classified as a domestic game, as long as (i) the game is developed by domestic company; (ii) the term of the license grant by the foreign licensor is for a long duration; and (iii) the license territory is worldwide.

(f) Three Strikes and You're Out

NAPP indicated at its conferences that if a game is rejected three times by NAPP during the censorship review process, then the game will not be accepted for any more reviews and thus the game will not be able to be published in China. One industry contact confirmed that the Guangdong provincial office of NAPP might implement an even stricter rule – two strikes and you are out.<sup>29</sup>

(g) Ethics Committee

On December 7, 2018, CPD established the Online Game Ethics Committee (网络游戏道德委员会) (the “Ethics Committee”), to review videogames content.<sup>30</sup> During the NAPP conferences, NAPP indicated that it might consider the Ethics Committee's opinions in connection with their decision on whether or not to approve a game. The Ethics Committee's members will be made up of individuals from the government, universities, the media and the game industry association. This is not the first time China has used such an expert committee for content censorship, in fact, MOC previously utilized a game censorship review committee. However, the standards that games need to meet to satisfy the Ethics Committee's requirements have not yet been released.

### 3 Implication: Government and Market

MOC has not shown any signal that they will restart approvals for foreign games or registration for domestic games. Additionally, NAPP's new requirements overlap with the scope of MOC's previous regulations, such as the prior MOC rules for loot boxes. As a result, it appears that MOC might not be involved with the game approval process going forward and NAPP might become the sole regulator for the game industry, or at least with respect to the

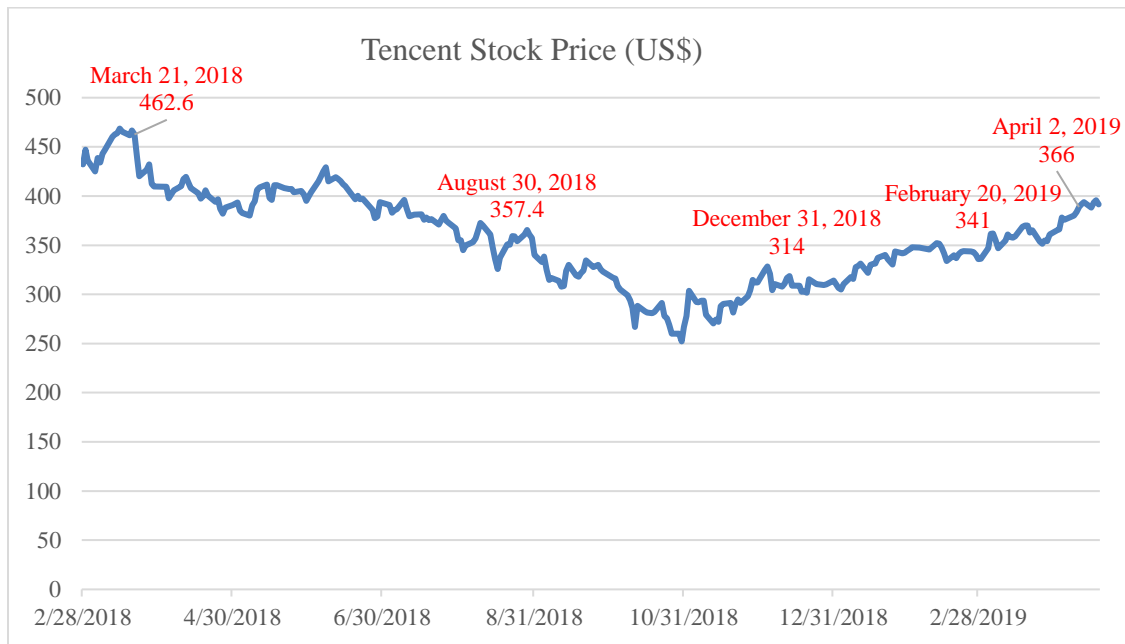
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<sup>29</sup> News reports addressed Guangdong's stricter requirements. See “[Game Approval Submission Restarts, Are the Notes about New Requirements True? \(游戏版号申请重启, 新增版号注意事项是否当真\)](#)” (Chinese), posted by China Economic Observer (经济观察报) on April 24, 2019.

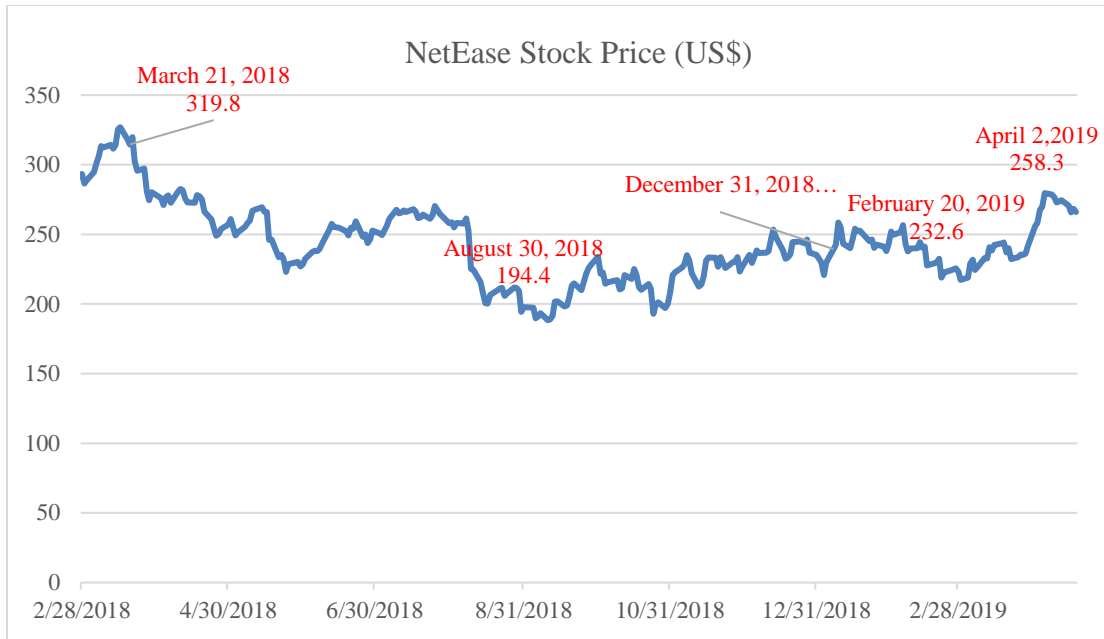
<sup>30</sup> China Central Television (中央电视台), a state-owned station, reported that the Ethics Committee evaluated 20 games in connection with potential “ethical issues (道德风险),” and that the committee found that 11 of them could be potentially published if their content was modified and the remaining 9 should not be released. See “[Committee of Ethics Review for Online Games Reviewed 20 Videogames \(网络游戏道德委员会对20款游戏作出评议\)](#)” (Chinese), posted at Central China Television on December 7, 2018.

approval and content review process. During the suspension period, however, MOC continued to conduct random checks on game operations in response to complaints from the public. Accordingly, it is also possible that MOC might still supervise game operations but will no longer be involved in the game approval process.

The game approval suspension and resumption has had a significant impact on China's game companies' stock performance. In fact, the game approval suspension did not attract broad attention until Tencent released its second-quarter financial report on August 15, 2018, which disclosed that, for the first time since 2005, the game giant's profit had dropped. Both Tencent's and NetEase's stock price fluctuations during the suspension period are shown in the graphs below:



During the nine-month suspension period, Tencent's stock lost 45% of its value. Currently, Tencent's stock is still valued 20 percent below what it was before the suspension period began.



NetEase's stock price decreased by 39% during the suspension period. From December 31, 2018 to April 2, 2019, however, NetEase's stock price has risen by 8.9%.