

**REGULATORY & LEGAL FRAMEWORK FOR ONLINE SPORTS BETTING IN
NIGERIA: A VIABLE ALTERNATIVE FOR MONEY LAUNDERING***

Abstract

The betting industry has taken the Nigerian business space like a hurricane and with the advent of the Internet, betting services can be offered through multiple distribution channels such as personal computers and mobile devices and this process is referred to as online betting. When one hears about online sports betting in Nigeria they automatically think of football, well this is because betting on football is trending, as sports fanatics show a growing interest in the premiership league. Today, not only are there thriving licensed online sport betting platforms owned and operated by Nigerians, some of them are currently expanding their operations to cater for the offline market. This paper examines the gaming laws in Nigeria and the role it plays when it comes to online sports betting. It also examines the money laundering opportunities created by the sports betting marketplace when not properly regulated and also the nature and constraints of online sports betting.

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1.0. Introduction

Betting of any kind can be described as the activity of predicting results, especially in sports, and placing a wager on the outcome. In betting historical performance and statistics are factors used to predict results. Insider information can also be part of these factors. For instance in the over celebrated fight between Manny Pacquiao and Floyd Mayweather on May 2nd, 2015, betters used statistics in making their choice. An online sportsbook had Mayweather listed as the -200 favorite for the fight, with Pacquiao the +160 underdog for the fight. Mayweather had a 47-0 record in his career with 26 knockouts, while Pacquiao is 57-5-2 with 38 knockouts on his resume.¹ Now, if Pacquiao had disclosed the shoulder injury he suffered ahead of the fight,² that information would have affected predictions. All these available data are used to envisage outcomes.

However, there are arguments that betting is the same thing as gambling. Gambling is an activity that humans have taken an interest in since time immemorial and there are examples of people placing wages on certain outcome of a future event in ancient texts and human history. In gambling, there is an inherent feeling of excitement, in anticipation of preferred outcome turning up.

1 Available online at <http://www.oddsshark.com/boxing/mayweather-vs-pacquiao-betting-odds>

2 Available online at <http://www.telegraph.co.uk/sport/othersports/boxing/mayweather-vs-pacquiao/11582962/Manny-Pacquiao-could-be-prosecuted-for-perjury-after-failing-to-disclose-shoulder-injury.html>

It is important to note that in gambling the historical performance does not affect the outcome even though people try to use statistics to predict the outcome. Therefore, gambling typically involves games of chance that is based upon probability or luck and has nothing to do with the skills of a person.

Betting on the other hand is an agreement between two people where one person makes a prediction and the other person; often the betting company, either forfeits the amount waged in case of incorrect prediction or pays a higher amount as per agreed terms if the prediction turns out to be correct. Here, historical performance and statistics are factors used to predict results. Nonetheless, betting could be gambling if factors that affect the outcome are not taken into consideration.

2.0 Historical Background of Online Sports Betting

In today's world, the idea of life without the Internet is unimaginable. Many of us have become practically reliant on online access as part of our everyday lives. The Internet has practically made the world a global village which means that sport bettors do not have to visit their local bookie to place a bet, this can easily accessible online and bettors can place a bet from the comfort of their own home.

The online gaming business is progressively moving into markets around the world, changing the model of the gambling industry as many consumers turn to the Internet to bet on sports. Despite potential political and legislative restrictions, the market already produces more than US\$20 billion in worldwide revenue.³ Online betting is most prominent in Europe and Asia. Combined, the two regions are responsible for over 80 percent of all revenue.

3. eGaming Report," H2 Gambling Capital, July 2009

Online sports betting began shortly after the early online casinos. The first site was Intertops in 1996 and others soon followed. The placing of wagers on sporting events over the internet was very popular with players all around the world and the industry took off in a big way. A number of new companies were formed to enter the market and most existing bookmakers opened up web based operations to complement their existing businesses.⁴

In 2000 a new betting site called Betfair opened up. Unlike all the other betting sites at the time, Betfair did not take bets from customers itself, but instead allowed customers to place bets between themselves. Peer to peer betting was incredibly popular almost immediately, and remains so to this day. It became known as exchange betting and several other companies subsequently launched similar sites, although Betfair dominated this particular market.⁵

Live betting was later introduced for the first time in 2002, allowing bettors to place wagers on a sporting event while it was taking place. This was another major development and also an instant success. The vast majority of betting sites went on to offer a live betting service, and these days you can bet on a massive range of sporting events while watching the action. Mobile betting is also available at most of the big sites too, making it possible to place wagers using a phone, tablet, or other mobile device. Placing wagers online is easy and convenient and offers many other advantages over more traditional betting. These traditional forms of betting haven't

⁴ See <http://www.gamblingsites.com/history/>

⁵ id.

disappeared completely, and probably never will, but using betting sites is certainly the preferred option for many.⁶

In America in the late 1960s, sports betting took a turn for the better, with the introduction of televised sports and this marked the beginning of a financial phenomenon and a new breed of sports betting enthusiast was born. In 1974 the US Federal Government eliminated a 10% tax on sports betting wagers. This caused several land-based casinos to open Sportsbooks⁷ within the casino as a sideline attraction to prevent patrons from leaving the casino to place sports wagers elsewhere. Subsequently, with the advent of the Internet in the 1990s, sports betting quickly shifted online and soared to new heights as more and more online Sportsbooks set up shop in offshore countries such as Antigua and Costa Rica. Not to be outdone, England also jumped on the sports betting band wagon, piggy-backing on the success of sports betting in the United States and later dominating it with the fall out of sports betting in America due to the long-standing grey area associated with offshore gambling

Just like other climes, the business of online sports betting in Nigeria is thriving. Accordingly, more Nigerian betting sites are appearing on the Internet, with many of them also having physical offices across the country. Betting online has become very easy and fast with over one hundred betting websites in Nigeria. A 2014 report by the News Agency of Nigeria (NAN) says that about 60 million Nigerians between eighteen and forty years of age may be spending up to N1.8 billion on sports betting

⁶ id.

⁷ In the United States a sportsbook or a race and sports book is a place where player can wager on various sports competitions.

daily. The investigation showed that they commit on the average N3, 000 on sports betting daily.⁸

3.0. Correlation Between Online Sports Betting and Money Laundering

It is established that organized crime is utilizing the sports betting marketplace to launder money gained through the proceeds of criminal activity. Online sports betting provide a unique conduit for laundering the proceeds of crime such that they emerge as legitimate business revenue. Noel Pons, a specialist in criminal organisations and fraud says *"The concentration of a number of money laundering and fraud resources in a single uncontrollable geographic area allows criminals to launder money, but more particularly to optimise the profitability of criminal corruption. It is due to this accumulation of interests that the criminal fraternity has become widely involved with betting on the web, which affords them a certain impunity due to betting sites being located offshore, lack control by the normal authorities (particularly in relation to money-laundering) and the opportunity to develop lobbying activities to liberalise the sector, which will be highly profitable for them"*.⁹

What Noel Pons is simply saying is that criminals are taking advantage of tax haven countries with lax online betting laws to launder money. This is possible because of these characteristics that are most relevant to online sport betting as thus; liquidity

⁸ Available at <http://www.premiumtimesng.com/news/top-news/165856-nigerians-spend-n1-8-billion-on-sports-betting-daily-nan-investigation.html>

⁹ Pons Noel, "Economie Criminelle: Vieilles Ficelles et Ruses Insolites" , Pouvoirs, 2010/1 No. 132, p. 29-40.

is usually high; the cash flow is fluid and easily internationalized online; global sports betting law lacks harmony and enforcement is, in any event, uneven as aggravated by the fact that there is a bewildering array of regulated and unregulated bookmakers available to process bets; gambling winnings in some jurisdictions are tax free and/or can be easily diverted offshore; and the pay-out percentage, relative to investment returns available in other financial services industries, are high.¹⁰

In 2011, SportAccord which is a representative body for both Olympic and non-Olympic international sports federations as well as organizers of international sporting events stated in its report that for organized crime gangs, money laundering is a “cost” of doing business, which they have historically struggled to keep to below thirty percent. Consequently, it is expected that given the high pay out rate available in sports betting,¹¹ Internet sports betting becomes an extremely attractive means of laundering money. This in turn “gives criminals an interest in both the betting industry and sports organizations”.¹² Organized crime is estimated to launder over US\$140 billion annually through sport betting¹³ which means that more than ten percent of the worldwide revenue of organized crime would gain the appearance of legality in this way and therefore invisible to regulators and investigators, and more than eight thousand operators offer sports bets in the world.

Betting on football is now a worldwide phenomenon with much of the trading carried out on illegal markets in Asia, where the huge sums wagered bring with it

10 Fiedler, Ingo (2013) Online Gambling as a Game Changer to Money Laundering? Available at SSRN: <http://ssrn.com/abstract=2261266> or <http://dx.doi.org/10.2139/ssrn.2261266>

11 Average pay out rates in the sports betting industry have risen from less than 80% 15 years ago to a situation where today online betting companies generally pay out over 92% of total amounts staked.

12 SportAccord (2011) Integrity in Sport: Understanding and Preventing Match-fixing at page 31.

13 Available at <http://www.theicss.org/astonishing-scale-of-betting-fraud-and-sport-corruption-confirmed-in-ground-breaking-scientific-report/>

the threat of match-fixing.¹⁴ Most of these operators, roughly eighty percent are established in territories applying a low rate of tax and few inspections,¹⁵ these operators offer their bets all over the world, often without obtaining the national authorizations required in the countries of their clients, making them illegal operators in these countries. The following statistics reemphasizes this point.

Darren Small, the director of integrity at betting and sports data analysts Sportradar, puts current estimations, which include both the illegal markets and the legal markets, of the sports match-betting industry between \$700bn and \$1tn a year.¹⁶ About seventy percent of that trade has been estimated to come from trading on football. Sportradar has contracts to monitor betting on some fifty five thousand matches a year, running algorithms which cover three hundred and fifty global bookmakers, to spot suspicious betting patterns. Concerns are raised with about one percent of fixtures monitored which is about five hundred or so matches that are potentially fixed and we are talking potentially millions of pounds in turnover on these matches which is running through criminal activities," says Small.¹⁷

Subsequently, the international crime investigation body of Interpol says its Operation Soga has carried out more than two thousand three hundred raids on properties worldwide as part of its drive to disrupt match fixers. It has seized over

14 Available at <http://www.bbc.com/sport/0/football/24354124>

15 Alderney, Gibraltar, Isle of Man, Malta, the Cagayan province in the Philippines, the Kahnawake territories in Quebec, Antigua & Barbuda and Costa Rica.

16 Supra, Note 14.

17 Id.

\$27m in cash, and closed down illegal gambling dens which handled bets worth more than \$2bn.¹⁸

Similarly, a recent report on sport corruption *released by the University Paris 1 Panthéon-Sorbonne and the International Centre for Sport Security (ICSS)* identifies the sport-betting market as the primary purpose for match-fixing.¹⁹ It is therefore exact to say that, modern sports bets offer numerous opportunities for money laundering, established mostly in tax havens and have progressively become gambling havens, sports betting businesses regularly offer their services via the internet without possessing the required authorizations in the country of residence of consumers.

The United States Treasury department in a letter to an industry group stated that *"Increases in sports betting conducted on behalf of third parties are facilitating criminal activity and posing a money laundering risk to the U.S financial system,"*²⁰ In an effort by the United States Department of Justice in clamping down on sport betting operations that pose a money laundering risk, the United State's Attorneys Office for the Western District of Oklahoma found three Florida men guilty, who were prominent figures in the online sports betting operation called Legendz Sports.²¹The three men used a Florida-based company called Zapt Electrical Sales Inc, as a money-laundering front for their massive sport betting ring operation. The Legendz Sports operation included online sites hosted in Panama and Costa Rica, while the entire bookmaking scheme included both online and face-to-face elements in several US states.²²

18 Id.

19 The Sorbonne-ICSS Report – *'Protecting the Integrity of Sport Competition: The Last Bet for Modern Sport'*

20 Available at <http://fortune.com/2015/01/16/casinos-illegal-sports-betting/>

21 Available at <http://www.justice.gov/opa/pr/three-florida-men-and-corporation-convicted-running-illegal-international-gambling-enterprise>

22 id.

According to evidence presented at trial, from 2003 to 2013, these men and the company conspired with others to operate Internet and telephone gambling services from Panama City, Panama, through an enterprise known as Legendz Sports. The international gambling enterprise took more than \$1 billion in illegal wagers, almost exclusively from gamblers in the United States, on American sporting events. The evidence demonstrated that these men illegally solicited and accepted sports wagers and settled gambling debts. The company and its bank account were also used to launder gambling proceeds collected from losing bettors. According to the evidence at trial, bookies and runners for Legendz Sports transported millions of dollars of gambling proceeds in cash and checks from the United States to Panama. The checks were made out to various shell companies created by Legendz Sports all over Central America to launder gambling proceeds.²³

From the foregoing, it is evident that dirty money can easily be transferred, as winnings, from an offshore player's account to a banking account anywhere in the world thereby laundering their proceeds to avoid detection by law enforcement agencies.

4.0. The Nature of Online Sports Betting

The strength of online sports betting, for the most part, comes from the fact that it offers an avenue through which sports enthusiasts can place wagers very conveniently, instead of having to either visit a gaming establishment or find someone who is working at an illicit bookmaking operation. People who stake at online sports betting sites find that they have a lot more choices than they would if

²³ Id.

they were simply calling a local "bookie." They can, in fact, wager on just about any major sporting event, and plenty of minor ones, around the globe.²⁴

Customers of betting firms are either cash or online customers. Cash customers, are customers who choose to play through agents and the transactions will be strictly with the agents. Agents will also redeem tickets and pay customers. Any amount used to redeem is automatically credited to the agents' account. These agents will be monitored to ensure compliance with the rules and regulations of the betting companies. This is to maintain the integrity of the company, protect players, and keep to the terms of issuance of the company's operating license.²⁵

One of the big differences between betting with the local "bookie" and placing bets with an online sportsbook is the fact that when you deal online, you are required to put up, or "post up" funds from which you play. There is no credit to be had. Deposits can be made through whatever method any individual jurisdiction will allow. Some sportsbooks offers bonuses to customers as well, and often this can come in the form of a free play. Once inside the sportsbook menu, the wide range of betting options can be found within a shopping cart apparatus, through which the actual bets will be placed. You will be asked to confirm and review wagers before they are sent into the system.²⁶

24 See online at http://www.connectpublishing.com/online-sports-betting.php#How_Online_Sports_Betting_Works

25 <http://www.thisdaylive.com/articles/online-sports-betting-takes-a-foothold/145061>

26 Id.

Some of the advantages and disadvantages of online sports betting has been enumerated as follows;²⁷

Advantages:

- *Accessibility:* For many people, online sports betting doesn't just make wagering on sports easier, it makes it a possibility to begin with. Sportsbooks deal with many newcomers, or "squares," particularly during football season.
- *Vast Selection of Items:* People who have dealt with a private bookmaker before know that there is a world of difference between the menu of events that "bookie" chooses to handle and that which can be wagered on through an online sportsbook.
- *Can Shop for the Best Deal:* One of the keys to being successful sports bettor is to have the opportunity to shop around for the best odds on a single event or the best deal on "juice" that you have to pay the bookmaker. The existence of online sports betting makes this very possible, and very easy.

Disadvantages:

- *Withdrawals Can Be Slow:* Unfortunately, when you deal with an online sports betting operation you can't always collect your winning immediately like you would in a physical location, where it is all "cash and carry." You may have to wait a while after submitting a withdrawal request, and some sportsbooks are much better about the promptness of this than others.

²⁷ Supra, Note 22.

- *Have to "Post Up"*: This goes hand-in-hand with what was said above. When you deal with the local bookmaker, you can usually play on credit, but with online books, you are producing the money up front.
- *Restrictions*: This applies to North America as well as some other places in the world where online sports betting transactions may meet with some resistance, which in turn causes certain payment methods (such as credit cards) to become very problematic.

As noted earlier, Nigeria has over a hundred online sport betting sites amongst are Nairabet, Golden Bet and Merrybet.²⁸ Nairabet is Nigeria's first online betting website with over one hundred thousand customers. Their online betting platform offers sports betting, live betting, phone bets and the option to play casino games. This online sportsbook is fully licensed and regulated by the Lagos State Lotteries Board. Players can either make deposits/withdrawals at one of the many outlets in Lagos or on their website.²⁹

Golden Bet is a different online betting website based in Lagos, their online betting platform allows Nigerians to bet on many different football fixtures, basketball, tennis, baseball, virtual dog racing and virtual football leagues.³⁰ Another licensed Nigerian online betting site is Merrybet, which offers a wide range of betting markets for sports bettors in Nigeria, including football, rugby, tennis and darts.³¹

28 For a list of some of these other sites, see online at <http://www.sportsbetting.com.ng/sports-betting-sites/>

29 Available online at <https://www.nairabet.com/home>

30 Available online at <http://www.goldenbet.com>

31 Available online at <https://www.merrybet.com>

5.0. Existing Legal Framework of Online Sports Betting

By the end of the 1990s, a large number of online betting sites had been set up independently of any state control. Profiting from the growth of the Internet, these sites began to extend their offering to Internet users across the world, without prior authorisation.³² According to a study carried out by Cert- Lexsi, an IT-watch institute, in 2006, 80-90% of the ten thousand gambling sites present on the Internet had no valid license.³³ The formation in just a few years of this uncontrolled virtual market has put pressure on the various laws that govern betting activities at a national level in different jurisdictions.

The United Kingdom was one of the first country to “open up the market” in 2005. France waited until May 2010 to propose regulating the market, and has now authorized seventeen operators to market sports betting on the Internet, the management of physical sports betting remaining the monopoly of the Francaise des Jeux. Italy and Belgium also chose to regulate the market, and Spain and Denmark followed suite.³⁴ In Singapore, it is legal to place a wager on a football match at a “pools store”, but online sports’ betting is out rightly banned.

Ultimately, when it comes to betting regulations, there are five possibilities. Countries can:

- Prohibiting certain betting forms;
- Grant a specific exploitation right in the framework of a regulation subjecting operators to certain specifications:
- Grant exclusive right to one operator (monopoly);
- Grant rights to a limited number of operators (multiple licences);
- Define a general authorization regime (legislative authorization)

³² Sports betting and corruption: How to preserve the integrity of sport. A study conducted by IRIS, University of Salford (Manchester), Cabinet PRAXES-Avocats and CCLS (Université de Pékin), at page 36.

³³ Cert-Lexsi, Gambling Cybercrime Study, July 2006.

³⁴ id.

Prohibition is still used in close to half of the world's countries. Muslim countries, numerous countries in Asia including India, Indonesia and Thailand, as well as the United States of America except for Nevada, use this system.

The main countries with a *monopolistic regime* that is, granting of license to one operator, are China, Japan, Canada, several Latin American and Scandinavian countries with the exception of Denmark.

The *licensing model* has been adopted by most large European countries, but also Mexico, Australia and many smaller States wishing to boost the local economy Central American islands, Malta, the Cagayan province in the Philippines, etc. including Nigeria. The United Kingdom is the only country using a general *authorization regime*.

The realization of a holistic legal framework for online sports betting in Nigeria is still at the early and informative stages of growth, as such, online sports betting is regulated at the state level with the issuance of licenses, to multiple operators with each betting sites defining their own rules and regulations. Now, lets look at the gaming controlling laws in Nigeria and how it relates to online sports betting on the national and state levels.

5.1. Criminal Code Act, LFN 2004

The gaming laws that exist in Nigeria are set out in the Criminal Code Act.

Section 236(1) defines *gaming houses* as when a person being the owner or occupier, or having the use of, any house, room or place, who shall open, keep or use the same for the purpose of unlawful gaming being carried on therein, and any person, who, being the owner or occupier of any house, room or place, shall knowingly and wilfully permit the same to be opened, kept or used by any other

person for the purpose aforesaid, and any person having the care or management of or in any manner assisting in conducting the business of any house, room or place opened, kept or used for the purpose aforesaid, is said to keep a common gaming house. The section further proscribes the punishment for keeping a common gaming house.³⁵

In section 236(2), "unlawful gaming" includes roulette, every game of dice except backgammon, every game of cards which is not a game of skill, the game known as chacha and other games of cowries, and any game the chances of which are not alike favorable to all the players including the banker or other person or persons by whom the game is managed or against whom the other players stake, play or bet. That may exist physically in places like an unlicensed, unlawful gaming house. This section basically tells us the kind of games that are unlawful and section 236(3) further states that any person who keeps a common gaming house is guilty of a misdemeanor.

Section 239 defines the meaning of a betting house as "Any house, room, or place, which is used for the purpose of bets being made therein is called a common betting house. Any person conducting such business of a common betting house is guilty of a misdemeanour, and is liable to imprisonment for one year, and to a fine of one thousand naira. Hence, Common betting houses are unlawful.

³⁵ Section 236 (3) states that any person who keeps a common gaming house is guilty of a misdemeanor and is liable to a fine of one thousand naira or imprisonment for two years or to both such fine and imprisonment.

However, section 239 contains a proviso which states that nothing herein contained shall make illegal the use of a totalisator by a race club recognised by the Government, at a race meeting, with the approval in each case, of the superintendent of police in charge of the area where the meeting is held. In this proviso "totalisator" means and includes the instrument, machine, or contrivance, commonly known as the totalisator, and any other instrument, machine, or contrivance of a like nature, or any scheme for enabling any number of persons to make bets with one another on the like principles.

Section 239A defines *pool betting* for the purpose of section 239, as any house, room or place which is used for the purposes of a licensed pool betting business shall not be deemed to be a common betting house by reason only that it is so used. Hence, Pool betting is lawful. This section refers to physical betting houses whilst silent on online betting.

Whilst the Criminal Code Act provides for common betting houses, pool betting and what is acceptable gaming, it is silent on online betting of any kind.

5.2. National Lottery Act, 2005

National Lottery Act, 2005, is the law regulating lottery³⁶ business in Nigeria, the act also establishes the National Lottery Regulatory Commission.³⁷ The functions of the Commission include;³⁸

- regulating the operation and business of the national lottery in Nigeria;
- collaboration with the licensee, set standards, guidelines and rules for the operation of national lottery in Nigeria;
- promoting transparency, propriety and integrity in the operation of national lottery in Nigeria;
- ensuring the protection of the interests of players, stakeholders and the public in the national lottery;
- carrying out periodic assessment of the operation of national lottery in Nigeria and submitting report to the President and the National Assembly; and
- performing such other duties as may be directed by the President, from time to time, and as are necessary or expedient to ensure the efficient performance of the functions of the Commission under this Act.

The Act furthermore provides for the National Lottery License and states that the business operation of a national lottery or any kind or by whatever name it is called, shall be subject to obtaining a license granted by the President upon the recommendation by the Commission and compliance with the provisions of this Act or any regulations made pursuant thereto.³⁹

36 Under Section 57 of the National Lottery Act, 2005, Lottery or Lotteries includes any game, scheme, arrangement, system, plan, promotional competition or device for the distribution of prizes by lot or chance, or as a result of the exercise of skill and chance or based on the outcome of sporting events or any other device which the President may by notice in the gazette declare to be lottery and which shall be operated according to a license.

37 Section 1, National Lottery Act, 2005.

38 Section 7, National Lottery Act, 2005.

39 Section 17, National Lottery Act, 2005.

Section 19(1) of the Act provides for conditions to be met before a license is granted. It states that the President may grant license to any person or body Grant of license cooperate to operate a national lottery or any lottery, by whatever name called, if the President is satisfied that the applicant –

(a) is a fit and proper person to manage the business or any part of the business of a national lottery;

(b) has the relevant knowledge, expertise and experience to manage the business or any part of the business of operating a national lottery;

(c) is capable of mobilizing sufficient financial resources to ensure financial viability of the business of operating a national lottery; and

(d) has made an undertaking to conduct the business of a national lottery with all due propriety, corruption-free, accountability, transparency and protection of the interests of participating stakeholders and the public.

(2) Any license granted under subsection (1) of this section may be subject to such terms and conditions as the President may, from time to time, determine. And without prejudice to the generality of the foregoing, such conditions shall include

(a) the percentage of the net proceed payable to the Trust Fund established under section 35 of this Act and frequency of such payment in respect of all individual lotteries operated pursuant to the license; and

(b) whether or not the license is exclusive in respect of all or individual lotteries operated by the licensee.

3. If any change occurs in the information provided in the application for a license by any person or body corporate (including any document lodged with the application) before the application is granted or refused, the applicant shall forthwith submit to the President within particulars of the changed.

In the case of *National Lottery Regulatory Commission & ANOR v. Attorney General Lagos State*, the Federal High Court in its judgment on December 7, 2009, stated that It is well established that National Lottery is Interstate Commerce and that the National Assembly has exclusive authority to legislate on Interstate Trade and Commerce pursuant to paragraph 62 (a) of the Second Schedule of the 1999 Constitution of the Federal Republic of Nigeria. As such, any grantee of a national license is free to carry on its trade between states without liability to obtain another approval or license from the State Government.

As already noted, lottery is defined under Section 57 of the Act as *“any game, scheme, arrangement, system, plan, promotional competition or device for the distribution of prizes by lot or chance or as a result of the exercise of skill and chance or based on an outcome or sporting event...”*. Therefore, the aforementioned, *“sporting event” [with emphasis]* empowers the National Lottery Regulatory Commission to regulate any and all Lotteries or betting as it were, relating to sports events.

Based on this premise, the Governing Board of the Commission at the meeting held on 11th March 2015, approved and directed for the immediate implementation of the sports lottery (betting) Category and its applicable Terms and Conditions in line with Section 57 of the National Lottery Act 2005 (NLA 2005). The Commission further stated that any company presently carrying out any form of sports lottery (Betting) activity in Nigeria was invited to regularize its operations with the Commission in the interest of the growth of the lottery industry in Nigeria.⁴⁰

The Commission also invited all prospective sports lottery (betting) Operators intending to carryout any form of Sports Lottery activity in Nigeria, to submit application(s) for the processing and issuance of a Sports Lottery Permit (SLP) which allows for the operation of the business of sports lottery on a national platform in Nigeria. Furthermore, any company operating any form of sports lottery

40 Available online at <http://www.natlotregcom.gov.ng/index/index/search/?q=>

(betting) in Nigeria without a SLP is doing so illegally and will be subject to such penalties as contained in the National Lottery Act 2005.⁴¹

All companies presently operating the business of sports lottery (betting) and prospective companies are expected to obtain a SLP from the National Lottery Regulatory Commission (NLRC). All sports lottery (betting) operators must confine their business to the boundaries of sporting activities. Revenue Generated from Sports Lottery (betting) will be applied to such projects relating to sports development, education, social services, public welfare and relief, and management of natural disasters in Nigeria.⁴²

5.3. Lagos State Lotteries Law, 2004

The Lagos State Lotteries Board was established under the Lagos State Lotteries Law in 2004 (as amended) to license and regulate lottery activities in the State. The amendment of the Lotteries Law in 2008 paved way for the regulation of different categories of lottery as well as licensing of multiple lottery operators in the State. The primary function of the Lagos State Lotteries Board is the licensing & regulation of lotteries and games of chance; these include public online lottery (lotto), online sports betting, promotional competitions and scratch card/interactive games. Licensee's operations are guided by the Terms & conditions of license executed with the Board as well as other regulations the Board may make from time to time.⁴³

In Lagos state, online sports betting is restricted to online distribution channels such as the internet, POS terminals or mobile technology for accountability, transparency and revenue assurance purposes. Licensees can operate using betting shops and/or web based platform The Lagos State Lotteries Board has the mandate

41 Id.

42 Id.

43 Available online at http://www.lagosstatelotteryboard.com/about_us.html

to regulate and oversee the activities of online sports betting operators within Lagos State. With the use of technological platform, the Board is able to effectively monitor and regulate these online activities with the ultimate goal of protecting the interest of all stakeholders and to ensure that these activities are conducted with all due propriety and strictly in accordance with the provision of the Constitution, Lagos State Lotteries Law (as amended), and all applicable Lagos State Laws and regulations.

License for online sports betting is granted per annum and renewable annually.⁴⁴ Licensees operating the land-based system are expected to open a branded betting shop with a minimum measurement as endorsed by the Board. All agents must be registered with the Board and the Board must be informed of new betting shops and staff employed. Revenue generated from online sports betting is applied to good cause projects in the following sectors- Educational, Infrastructural, Environmental, Social & Health- as stipulated by the Lotteries Law.⁴⁵

⁴⁴http://www.lagosstatelotteryboard.com/web_downloads/REQUIREMENTS%20FOR%20ONLINE%20SPORTS%20BETTING%20LICENCE.pdf

⁴⁵ id.

The law provides for the following requirement to be met before an online sports betting license is granted in Lagos State.⁴⁶

1. An application letter
2. Details of Business Incorporation.
 - i. Certificate of Incorporation
 - ii. A minimum share capital of N20,000.000 - twenty million naira (Form CO2)
 - iii. Details of directors (Form CO7)
3. Detailed business plan/proposal on the online sports betting scheme. The proposal should provide information and documentation on the following:
 - i. Address of Registered Office, Branches and Planned locations.
 - ii. Names and Profile of Directors.
 - iii. Tax Clearance Certificate of Directors in the last 3 (Three) Years.
 - iv. Description of Operations and Management Structure.
 - v. Management Accounts of your organisation.
 - vi. Sports betting Industry Analysis including: names of Major Players and Market Share.
4. Details of Planned Games
 - i. Relevant Sport activity

⁴⁶ Available online at http://www.lagosstatelotteryboard.com/web_downloads/REQUIREMENTS%20FOR%20ONLINE%20SPORTS%20BETTING%20LICENCE.pdf

- ii. Approximate odds to be used
 - iii. Prizes & Price Structure
 - iv. Number and frequency of sports/games,
 - v. Operator's game rules and participants Code of Practice.
5. Financial information/ projections
- i. Projected Profit and Loss Account, Balance Sheet, Cash Flow Analysis.
 - ii. Capital Budgets.
 - iii. Financing Plan.
 - iv. Company's Bank Statement for the last 1(One) Year in support of the Financing Plan.
 - v. Marketing Plan
6. Information about the applicant's bookmaker.
7. Proposed technical topography- detailed information about betting sites and technical consultants.
8. Processes and System Quality Assurance.

The Board requires at least 2 weeks to conduct due diligence exercise on every application received and the applicant will be required to make a presentation to the Board.

Against this background, it can be seen that the National Lottery Act specifically provides for the business of national lottery including sports betting on a national platform but does not provide for online betting of any kind. Online sports' betting is however regulated at the state level like the case of Lagos state.

6.0. Conclusion

The Nigerian online sports betting market has grown significantly in recent years, aided by growth in the use of the internet and mobile phones as mediums for placing bets. This fast growth in sports betting activity also presented risks to consumers and operators alike hence the way the online sports betting industry is regulated is in dire need of a review. Online betting can create huge regulatory problems and since there are no national boundaries, criminals are taking advantage of this loophole to launder money from one jurisdiction to another without detection. Confidence in the integrity of sports being bet on needs to be improved and a national approach towards regulating the online sport betting industry should be explored.

There is the absence of strong consumer advocacy groups in the area of online sports betting, the job of these groups is to protect users who bet on line from been taken advantaged of or duped as the case may be. Therefore a Consumer protection mechanism should be put in place. Also, there should be a mandatory code of conduct for all online sport-betting operators and enabling national sports bodies should play a central role in ensuring bets that are placed minimize the risk to sporting integrity on a broader platform.

It is recommended that online sports betting should fall under the purview of the National Lottery Regulatory Commission since the Commission already provides for sport betting. Government is losing revenue due to the unregulated nature of online betting, in other jurisdictions, millions in tax are paid to the government by online betting operators.

The National Lottery Regulatory Commission should ensure that they include in their rules and regulations a provision that a participant shall not use in relation to betting any inside information that is not publicly available and which has been obtained by virtue of the participant's position within the sport, and in this respect sports governing bodies should within their rules clearly define what is meant by "inside information". This definition should be specific to the individual sport in question. The rules should also clearly state what can be considered misuse of inside information and the sanctions that can be expected should such rules be breached.

There is the need for sports controlling bodies to establish appropriate education programs that are aimed at informing consumers of the risks involved in online betting and make rules as to what is and what is not acceptable in relation to online betting. It is advisable to developing a national online sports betting research program that will assist in curbing the many opportunities for money laundering in the game.