

Written Testimony Adrienne Lodge Senate Budget and

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Written testimony of Adrienne Lodge, Chief Operating Officer of NFC Global and Director of Research at Spectrum Gaming Group regarding Senate Bill 860

March 5, 2025

Thank you, Chair Guzzone, Vice Chair Rosapepe, members of the Senate Budget and Taxation Committee, and Senator Corderman, for the opportunity to submit testimony on Senate Bill 860.

I am the Chief Operating Officer and Partner at NFC Global, a due diligence services firm founded in 1982 that specializes in investigative research and risk advisory. I am also the Director of Research at Spectrum Gaming Group, an independent gaming consultancy firm. Spectrum is pleased to once again return to Maryland, having previously supported the Maryland State Lottery with consulting and due diligence services, and we welcome the opportunity to contribute our expertise to this important discussion. I have overseen thousands of investigations used to assess the suitability of applicants for gaming and other privileged licenses. Over the past 20 years, my work has allowed me to examine financial crime in relation to the gaming industry and track its evolution alongside the industry's own transformation.

U.S. gaming regulators and financial regulatory bodies are increasingly alarmed by the rise of illegal online gambling platforms. According to the American Gaming Association's 2022 study¹ on the illegal and unregulated U.S. gambling market, Americans bet nearly \$64 billion with illegal online sportsbooks and a staggering \$338 billion with illegal online casinos. Operating without a license, these sites lack essential safeguards, including responsible gambling and consumer protections, and are more vulnerable to exploitation by criminal organizations for money laundering. The absence of oversight allows illicit funds to be funneled through these platforms with little resistance.

When investigating companies on behalf of gaming regulatory clients, one of the primary areas of focus is beneficial ownership. In a regulated gaming environment, the regulator understands the corporate ownership structure and the persons that benefit from gambling revenue and have direction and control over the business- but with illegal providers operating outside the framework, we do not know the beneficial ownership or even where these operators are based. Many appear to be based in offshore gambling jurisdictions such as Malta, Isle of Man, the Philippines, Anjouan, and Cyprus. Transparency is necessary to prevent criminals from hiding their identities behind gambling companies and for the regulatory body to ensure that these persons have the good character, honesty, and integrity to hold a gaming license.

A lack of transparency in the gaming space is not just a regulatory concern- it can be a gateway for more serious criminal activity. When gambling operations conceal ownership and evade oversight, they create an environment ripe for financial crime and exploitation. The U.S. Department of the Treasury's 2024 National Money Laundering Risk Assessment² highlights offshore online gaming as

¹ chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.americangaming.org/wp-content/uploads/2023/04/AGA_SIG_Sizing-the-Illegal-Market.pdf

² chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf

high risk for money laundering, noting the use of virtual assets as forms of payment presenting additional level of risk due to the anonymity provided. This anonymity allows individuals to transfer and store funds in a manner that is difficult for law enforcement to trace, making cryptocurrency a powerful tool for concealing illicit financial activities.

In 2024, the United Nations Office on Drugs and Crime (UNODC) and United States Institute of Peace each issued policy briefs³ highlighting the links between illegal online gambling, money laundering, transnational organized crime, and human trafficking—particularly in Southeast Asia. However, this criminal ecosystem has expanded far beyond the region.

The COVID-19 pandemic accelerated the digital shift of transnational crime, forcing organized crime groups to adopt new technologies and expand illegal online gaming operations. This progression has led to the rise of cyberfraud scam centers running a variety of online scams, including "pig butchering." In this scheme, scammers build trust with victims, persuade them to invest in fraudulent investments/cryptocurrency platforms, and ultimately defraud them of vast sums of money. These operations occur alongside illegal online gaming operations run out of scam factories in Southeast Asia, where workers—often victims of human trafficking—are forced to participate. Alarming, a significant number of "pig butchering" scam victims are in the United States. Conservative estimates suggest that by the end of 2023, these syndicates had stolen nearly \$64 billion, with American victims losing billions.⁴

Organized crime groups have leveraged increasingly sophisticated technologies to expand their revenue streams, transforming underground banking and money laundering operations. These networks have integrated illegal and underregulated online casinos and cryptocurrency exchanges as critical components of their financial infrastructure. These platforms are frequently used to mix and disguise illicit funds as legitimate gambling profits, enabling criminals to launder billions of dollars with minimal scrutiny.

Money laundering typically follows three stages:

- Placement – Introducing illicit funds into the financial system
- Layering – Obscuring the source of the funds through transactions
- Integration – Reintroducing the "cleaned" money into the legitimate economy

Illegal online gambling platforms facilitate these processes through methods like cash-in cash-out transactions, collusion between gamblers, and offsetting arrangements. By disguising illicit funds as

³ chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.unodc.org/roseap/uploads/documents/Publications/2024/TOC_Convergence_Report_2024.pdf

chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.unodc.org/roseap/uploads/documents/Publications/2024/Casino_Underground_Banking_Report_2024.pdf

chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.usip.org/sites/default/files/2024-05/ssg_transnational-crime-southeast-asia.pdf

⁴ <https://www.usip.org/publications/2024/05/transnational-crime-southeast-asia-growing-threat-global-peace-and-security>

gambling winnings, criminals can reintegrate them into the economy to purchase luxury goods, stocks, and property.

The anonymous nature of payment methods and the lack of regulatory oversight make these illegal platforms highly attractive for money laundering, further complicating law enforcement efforts—especially with the integration of cryptocurrencies. Most illegal gaming operators are based offshore in unregulated or underregulated jurisdictions, some of which are on the Financial Action Task Force’s (FATF) grey list⁵ of countries under increased monitoring to address strategic deficiencies in their regimes to counter money laundering and terrorist financing, or on the black list⁶ of high risk countries designated as having serious strategic deficiencies. Some of these offshore operators function completely outside a regulatory framework and place profits above compliance.

The relationship between organized crime, human trafficking, cyberfraud, and illegal online gambling has become deeply interconnected, fueling the growth of the illicit economy. Major investigative reports from *Reuters*⁷, *BBC*⁸, *The Economist*⁹, *ProPublica*¹⁰, *The New York Times*¹¹, *Radio Free Asia*¹², and *The Wall Street Journal*¹³ have shed light on the scale of these operations. However, as scrutiny increases, criminal organizations are likely to adapt, seeking new business models, partnering with seemingly legitimate enterprises, or relocating operations beyond law enforcement’s reach. Some have already shifted outside Asia, investing in licensed but underregulated offshore gambling companies and technology firms to further obscure their activities. Notably, some of these entities have established U.S. subsidiaries, while their parent or sister companies simultaneously engage in illegal markets.

Transnational organized crime groups have infiltrated both legal markets and financial systems to diversify their operations and evade detection. Cases have emerged of criminals owning or supplying illegal online casinos, as well as leasing technology to both legal and illegal operators. Recent law enforcement actions in Southeast Asia suggest that some vendors, suppliers, and technology partners may be profiting from both black-market and regulated gambling sectors. The infiltration of

⁵ <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/increased-monitoring-october-2024.html>

⁶ <https://www.fatf-gafi.org/en/publications/High-risk-and-other-monitored-jurisdictions/Call-for-action-october-2024.html>

⁷ <https://www.reuters.com/technology/cybersecurity/trafficking-cyber-fraud-an-increasingly-globalised-crime-interpol-says-2023-12-08/>

<https://www.reuters.com/world/asia-pacific/philippines-cracks-down-illegal-offshore-gambling-firms-2024-06-13/>

⁸ <https://www.bbc.com/news/articles/c04nx1vnr17o>

<https://www.bbc.com/news/articles/cd60611407no>

<https://www.bbc.com/news/articles/c2d3w90x86po>

<https://www.bbc.com/news/articles/cw076g5wnr3o>

<https://www.bbc.com/news/world-asia-67471138>

⁹ <https://www.economist.com/audio/podcasts/scam-inc>

¹⁰ <https://www.propublica.org/article/human-traffickers-force-victims-into-cyberscamming>

¹¹ <https://www.nytimes.com/interactive/2023/12/17/world/asia/myanmar-cyber-scam.html>

<https://www.nytimes.com/2025/02/19/magazine/cryptocurrency-scam-kansas-heartland-bank.html>

<https://www.nytimes.com/2024/09/10/business/scammers-trafficking-cybercrime.html>

¹² <https://www.rfa.org/english/news/cambodia/prince-group-investigation-02022024124011.html>

<https://www.rfa.org/english/news/cambodia/prince-group-investigation-02082024130529.html>

<https://www.rfa.org/english/news/cambodia/prince-group-investigation-02122024143012.html>

¹³ <https://www.wsj.com/world/china/china-mafia-broken-tooth-wan-kuok-koi-online-fraud-scam-70c09afb>

legal markets by transnational organized crime groups is not limited to gambling operations abroad; similar dynamics are at play within the U.S. financial system. As these groups expand their reach, they increasingly rely on professional money laundering networks to conceal illicit funds, creating a direct link between global criminal enterprises and domestic financial crime.

A growing body of research shows that professional money laundering networks tied to transnational crime groups are actively operating within the U.S., aiding other criminal organizations—including drug cartels—in laundering funds. The U.S. Department of the Treasury’s 2024 National Money Laundering Risk Assessment¹⁴ highlights the growing role of Chinese Money Laundering Organizations (CMLOs), which have become dominant players in the U.S. and global financial system. Their success is due in part to the use of real-time mirror transactions, which allow them to move money while avoiding the risks of physically transporting cash. The misuse of illegal online gaming platforms by these organizations has become an increasing concern as these networks integrate billions of dollars in criminal proceeds into the formal financial system. The way in which Transnational Organized crime groups and cyber criminals have innovated these services and then sold and marketed them to other crime groups will likely mark one of the most significant developments in financial crime in recent decades.

Without the proper regulatory framework, and a concerted enforcement effort, illegal online gambling platforms will remain a gateway for financial crime, enabling organized crime to flourish in the shadows.

¹⁴ [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf](https://home.treasury.gov/system/files/136/2024-National-Money-Laundering-Risk-Assessment.pdf)

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Testimony of Light & Wonder
Maryland Senate Budget & Taxation Committee Hearing
Senate Bill 860 (House Bill 1140)
Gaming- Prohibition of Online Sweepstakes Games and Revenue From Illegal Markets
March 5th, 2025

Light & Wonder is a leading provider of casino game content and technology around the world, including the regulated casino industry in Maryland.

Our global scope gives us a broad perspective on both the US and international brick-and-mortar casino and online casino markets.

Senate Bill 860 introduced by Senator Corderman will combat illegal online gambling by providing legal clarity and increasing penalties and enforcement powers.

The size of the current illegal online casino market in Maryland is estimated at \$6.3 billion. This data is derived from the American Gaming Association report “Sizing the Illegal Gaming and Unregulated Gaming Markets in the U.S.”, November 2022.

Unlike the casinos that operate under state law, unregulated online casinos are not required to offer responsible gambling services, age verification or other consumer protections. There are no anti-money laundering requirements. The operators of these sites pay no gaming taxes. Many, but not all, operate from offshore locations.

The leadership of the Maryland Lottery & Gaming Commission and the Attorney General have taken a firm approach in combatting illegal online casinos, issuing cease and desist orders to offshore companies to protect Maryland residents. Senate Bill 860 provides enhanced tools to regulators and law enforcement and eliminates any uncertainty in existing law regarding unregulated casino gaming.

Specifically, the bill:

- Prohibits the operation, conduct, or promotion of unregulated online casino games.
- Prohibits financial institutions, payment processors, and other gaming service providers and affiliates from facilitating unregulated online casino games.
- Bars an entity from obtaining a gaming license if that entity supplies casino gaming services in a jurisdiction on the US Black List of Money Laundering Countries, designated as a state sponsor of terrorism or in which online gaming is prohibited.
- Establishes criminal penalties and fines for violations.

For more information on this issue, see the attached Washington Post story on sweepstakes casinos and the testimony submitted to this committee by investigations and intelligence expert Adrienne Lodge and the American Gaming Association.

The Washington Post

The ‘sweepstakes’ games that look a lot like online gambling

Millions of Americans are betting real money on online casino games marketed as “sweepstakes.” Users, regulators and the casino industry are fighting back.

November 27, 2024

By [Rick Maese](#)

It was only about a year ago, Erik says, that he started gambling online. He wagered just \$10 or \$20 at first but soon found himself putting up hundreds of dollars at a time — money, he says, he couldn’t afford to lose.

“It’s almost like I blacked out,” he says. “I remember how fast it went. It’s such an embarrassing thing. These are such childlike little games. I don’t even know how it happened.”

It’s a familiar tale. But Erik’s habit doesn’t involve casino visits, basement poker games or mobile sports betting. Though online casino games are illegal in most every state, Erik is among millions of Americans who have played slots and blackjack online, winning and losing real money faster than they could in Las Vegas.

Erik was playing what the gaming industry calls a “sweepstakes” game.

With names such as Chumba Casino and McLuck, sweepstakes social casinos are at the forefront of a booming, multibillion-dollar industry operating in a legal gray area. Players have the option of playing for free — or they can feed money into the games, unlocking a secondary “currency” that effectively turns their smartphone into a slot machine, blackjack table or roulette wheel. Sweepstakes operators aren’t regulated, licensed in the United States or subject to gaming taxes, and though they target American consumers, the biggest ones operate from offshore locales including Cyprus, Malta and Gibraltar.

Erik, a 41-year-old transportation professional from St. Louis, is part of the growing army of players who have spent hours playing the games — and watched their bank accounts grow or shrink in the process. He spoke on the condition that his last name be withheld because his family and employer are unaware of the addiction he says has upended his life. He has maxed out three credit cards, he says, taken out a personal loan and, all told, has lost nearly \$100,000 in the past year. He provided screenshots of past-due credit card bills and bank statements showing thousands of dollars in payments for sweeps coins, often multiple deposits over the course of a single day.

“This turned me into a person I never thought I’d be,” he said.

Unlike regulated sportsbooks and casinos, sweepstakes casinos don't have to offer responsible gambling services, age verification or other consumer protections. Yet more than a million Americans play each month, and the games drew nearly \$6 billion in player purchases last year, including \$1.9 billion in net revenue, according to Eilers & Krejcik Gaming, a research analyst firm. The firm predicts those numbers will more than double next year.

Australia-based Virtual Gaming Worlds (VGW), which operates Chumba Casino, LuckyLand Slots and Global Poker, alone brought in \$4 billion in revenue in 2023, including \$322 million in net earnings, according to its most recent financial report. Even amid legal challenges, it's now a primary sponsor of Ferrari's Formula One team and enlists celebrities Ryan Seacrest, Michael Phelps, DJ Khaled and others as pitchmen.

The boom has caught the attention of the regulated gaming industry, which has long seen online casino games as its most lucrative potential market. Only seven states have legalized and licensed online casinos, even as online sports betting thrives. Yet legal iGaming generated \$6.1 billion in gross revenue last year, according to the American Gaming Association (AGA), the trade group representing many of the largest companies in the traditional, regulated gaming industry. Legal sports betting, available in five times as many states, generated \$11 billion, the AGA says.

The AGA recently asked states to investigate the sweepstakes games, and states have begun responding, with some accusing the companies of flouting gambling laws and ordering them to cease operating.

"They look like a casino, talk like a casino, walk like a casino," said Shawn Fluharty, a West Virginia delegate and president of the National Council of Legislators from Gaming States. "And they're trying to tell us they're not a casino."

The sweepstakes industry insists that its offerings are misunderstood and that its core product is not gambling but social gaming.

"We've got full confidence in our compliance with all laws and regulations where we operate," Tim Moore-Barton, VGW's chief operating officer, said in an interview. "... We don't view this as gray at all."

That view is being tested by the casino industry, states and users themselves, who are increasingly turning to the courts to recover their losses and challenge the legality of the sweepstakes games.

Daniel Wallach, a Florida-based gaming attorney, said the model is a ruse and operators are peddling in gambling under the guise of legitimate sweepstakes. "It's a stretch to even call it subterfuge because it's so easy to pierce," he said.

“It not only skirts the edges of the legality but is so far over the cliff that I’m surprised that state attorneys general and federal prosecutors haven’t seized upon this yet,” he added.



“They look like a casino, talk like a casino, walk like a casino,” said Shawn Fluharty, a West Virginia delegate and president of the National Council of Legislators from Gaming States. (Craig Hudson/AP)

Free vs. ‘sweeps’

To understand sweepstakes casinos, it helps to first understand “social casinos,” which offer free-to-play games such as slots and blackjack. There, users can purchase virtual currency to unlock certain features, not unlike in countless other mobile games. But they can’t win or lose real money.

“Sweepstakes games” are social casinos with a twist. Users can play with one of two types of currency: virtual “coins” that have no value, as well as a second tier of currency, called “sweeps” coins, that can be cashed out.

Signing up is typically easy. Chumba verifies users’ email addresses and asks them to attest that they are 18 or older — no ID or Social Security number required, as on sports betting apps. Then users get a pop-up offer: For \$10, they can purchase 10,000 gold coins. The coins technically have no value. But in exchange for making the purchase, the user receives 30 sweeps coins, which can be used to play for real money.

The sweeps coins are labeled “free,” and users can toggle between gold coins and sweeps coins. Those playing the casino games for actual money, though, compete separately from those playing for fun.

The registration process takes a couple of minutes. Only users who try to withdraw money have to submit a form of ID.

Having two forms of currency is confusing — and key to the enterprise, according to stakeholders. To meet the legal definition of gambling, a game needs three elements: prize, chance and “consideration,” the industry term for the cost of playing a game.

Sweepstakes operators claim their game has no “consideration” — that the product is the social casino and the sweepstakes are simply a vehicle to help promote that product. They cite the popular McDonald’s Monopoly game or Starbucks’ frequent sweepstakes contests. “Instead of selling coffee and running sweepstakes to sell more coffee, Chumba sells social casino currency and runs the sweepstakes to promote the sale of the social currency,” said Chris Grove, managing partner with Acies Investments, whose portfolio includes Jefebet, a sweepstakes casino aimed at the Hispanic market, and Fliff, a sweepstakes sportsbook.

Grove points out that people spend more than \$7 billion annually on social casinos, according to the Eilers & Krejcik analysis, knowing they have no chance of winning real money. Only half of VGW’s million monthly users ever make a purchase, Moore-Barton said, unlocking the ability to win and lose money.

“People might wonder: ‘Oh, why would anyone ever do that? I would never pay money to play slots that you can never win,’” Grove said. “But the ‘why’ of it is kind of irrelevant. Because people do.”

Jon Kaplowitz, CEO of Clubs Poker, a social poker site that includes a sweepstakes offering, recently suggested that only 1 to 5 percent of social casino users ever pay to play. “The rest play for free,” [he said](#), “versus the regulated gambling market where money exchanges hands 100 percent of the time.”

So if not gambling, then what are the sweepstakes games?

“I think they’re entertainment,” said Kaplowitz, a former executive for Penn National Gaming. “They’re a way to play with friends online for free.”



F1 driver Carlos Sainz is sponsored by VGW, the leader in social sweepstakes casinos. (Chris Graythen/Getty Images)

A playboy's play

VGW is the brainchild of Laurence Escalante, the company's 42-year-old founder and chief executive. He's among the richest people in Australia, with a net worth reportedly nearing \$4 billion and a toy box that includes private planes, helicopters, boats, flashy watches and a fleet of sports cars — Ferrari, McLaren, Lamborghini and Pagani among them.

When VGW launched as a social games company in Perth in 2010, sweepstakes were not part of the equation. According to Ben Reichel, the company's former chief executive, Escalante saw an opportunity in U.S. law to use sweepstakes to promote and grow the business. (Sweepstakes casinos are illegal in Australia.) The company sought advice from U.S.-based lawyers.

"The Board at the time was very cautious ... because sweepstakes had never been used to promote social casino games," Reichel said in an email. "Eventually the Board was confident of the legality of the model — otherwise it would never have been deployed." The company launched its products in the United States in 2017, operating under a gaming license from the Malta government. It flourished during the [coronavirus](#) pandemic, reporting a net profit of \$115.8 million in the back half of 2020 — a 60 percent increase from the previous year. By 2021, Chumba Casino alone had more than a million players, largely from North America, and paid out nearly \$500 million in prize money. Competition followed. VGW's market share has fallen from 90 percent in 2020 to 50 percent now, according to Eilers & Krejcik, though it's still the runaway market leader, with \$4 billion in revenue this year.

Critics say the sweeps industry has been able to grow so rapidly because it isn't subject to the same oversight as the regulated industry. Keith Whyte, president of the [National Council on Problem Gambling](#), a nonprofit advocacy organization funded in part by the gaming industry, said sweepstakes operators are exploiting "an antiquated definition of gambling" and "an antiquated definition of sweepstakes."

A key component of any sweepstakes promotion is the phrase "No purchase necessary." For sweepstakes casino players, making a purchase is the easiest way to collect "sweeps" coins. But it's not the only way. Users also can request free game play by mailing a letter to an address — which some choose to do, though the process takes much longer than simply buying sweeps coins on the site.

Sweepstakes casino Wow Vegas invites players to send a letter with specific instructions — only black ink and a No. 10 envelope — to 1445 Woodmont Lane, a one-story gray house on a residential street tucked in an otherwise industrial area of northwest Atlanta. A sign out front identifies the home as the location for PhysicalAddress.com, a company that provides physical addresses to third-party companies.



The actual house at the address for PhysicalAddress.com. (Will Hobson/The Washington Post)

The person who answered the door one recent afternoon declined to identify themselves and said they could not confirm whether Wow Vegas used the address.

“People can use this address to file their business with the state,” the person said, “so that’s why they say they’re here, but they’re not.”

Asked whether they could provide contact information for a Wow Vegas representative, the person said, “I can’t tell you.” Emails sent to a company media representative were not returned.

Chumba and LuckyLand use a post office box in Portsmouth, New Hampshire. Pulsz has a P.O. box in Manchester, New Hampshire, as do McLuck and Rolling Riches. Sweeptastic has a box at a shipping and mailing business in Amherst, New York, while Stake.us uses a similar business in Dallas.

“It stunned me with how non-fancy these places are,” said Wallach, the attorney. “It’s almost like a secretive thing where they just have a shell presence. It really underscored to me how off-the-grid these companies are.”



Leading games and systems developer showcases new releases aimed at championing winning moments (Business Wire)

Fighting back

In May, the AGA sent letters to the gaming commissions and attorneys general offices in every state, encouraging them to investigate. The memo stopped short of saying the sweepstakes offerings are illegal but urged the offices to consider “legislation to prevent unlicensed operators from exploiting loopholes in sweepstakes regulations to offer online real money gambling.”

“Consumers are being deprived of protections and states are forgoing significant tax and revenue opportunities as this gambling replaces that conducted through regulated channels,” the memo stated.

Brick-and-mortar casinos in Las Vegas and elsewhere have strict rules that dictate payouts and what percentage of money needs to be returned to the player, critics point out. The sweeps casinos might not adhere to any such standards, and if they do, they’re probably governed by some faraway gaming authority. Those casinos also require gamblers to be at least 21; the sweeps games are available to anyone over 18.

“It’s almost like some drug company not going through FDA and just saying, ‘We did all testing ourselves — trust us,’” said Chris Cylke, the AGA’s senior vice president for government relations.

Only four states have barred the sweepstakes games, including two that offer (and collect tax from) legal iGaming. Several other states’ regulators, in interviews, said they’re aware of the sweepstakes issue but declined to say whether or how they may act.

The sweepstakes operators formed a trade association in August, though it doesn’t include VGW. The company says it rejects the AGA’s assertions but welcomes regulation, which Moore-Barton said “adds legitimacy to the business model.”

For now, no court has ruled definitively on the social casinos, and federal regulators haven’t taken up the matter.

“It’s legal until it’s not,” said one longtime state regulator, who spoke on the condition of anonymity because he was not authorized to discuss the matter.

Michigan, where iGaming is legal, was among the first to bar the sweepstakes operators, sending VGW a cease-and-desist letter in December 2023. In addition to the lost tax revenue, the sweepstakes operators made no attempt to follow the guidelines in place for legalized online casinos, which include consumer protections and a minimum age restriction of 21, Kurt Steinkamp, chief of staff for the Michigan Gaming Control Board, said in an interview.

“They’re not playing by the same rules,” he said. “They don’t have the same controls in place when it comes to anti-money laundering, player protections, problem gambling,

know-your-customer requirements, age verification — all of the things that exist in the legal market.”

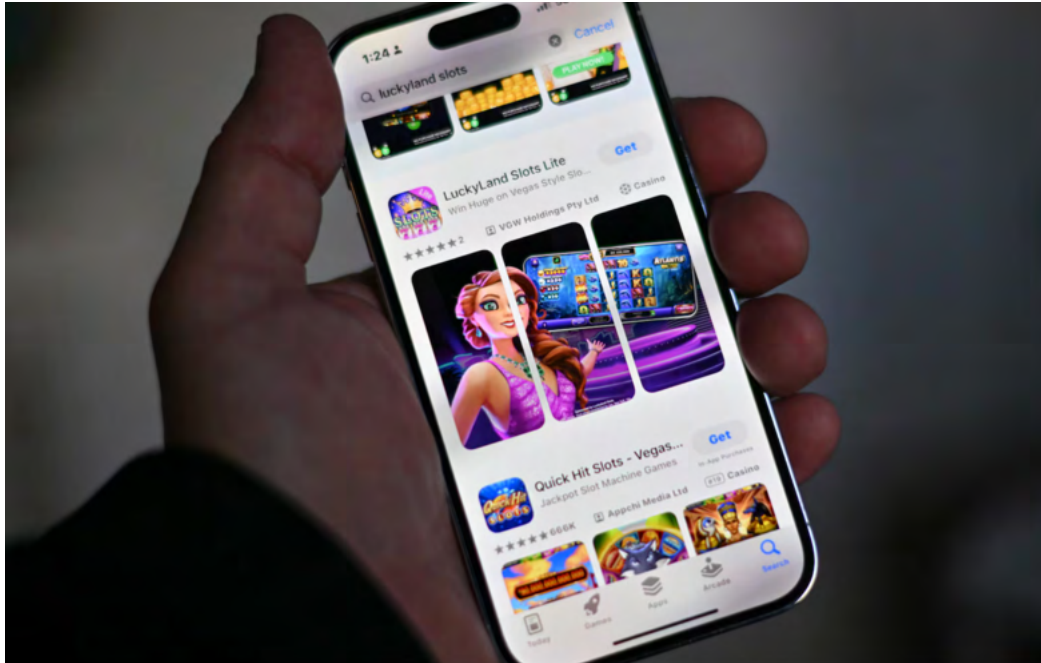
VGW’s games are still available in all but five states. The company says it did not exit any state because of concerns over the legality of its products.

“In the handful of states where we have exited, we’ve done so with respectful disagreement with the regulator or the relevant body that we’ve spoken to, and we’ve done so in the best interest of all our stakeholders,” Moore-Barton said.

Players who have lost money playing sweepstakes casinos have recently filed lawsuits in a dozen or so states, saying the sweepstakes operators violated state gambling regulations and unlawfully collected money from consumers. None has gone to trial, though several have been sent to arbitration, as dictated by the games’ terms of service.

In Kentucky, though, players did claw back some money, including a woman who claimed she lost \$7,000 playing Chumba Casino. In separate cases, four operators admitted to no wrongdoing in Kentucky but agreed to pay users a combined \$14.2 million. VGW agreed to the largest payout — \$11.75 million — in a class-action suit and said it settled to avoid additional legal costs and risks of continued litigation.

Yet sweepstakes companies continue to operate in the state. Spokespeople for the state’s department of charitable gaming and the Kentucky Horse Racing and Gaming Corporation said their offices had no authority over sweepstakes, and the state’s attorney general’s office said in a statement, “Our office has not received any complaints relating to sweepstakes social casinos.”



The LuckyLand Slots Lite app is shown on an iPhone. (Ricky Carioti/The Washington Post)

The only game in town

Zach, a 23-year old accountant in the Pacific Northwest, says the casino-style games move too quickly and are too accessible. As his playing habits evolved into what he calls an addiction, he found himself constantly pulling out his phone — at dinner, during meetings, in the restroom — trying to replicate big wins or recover big losses. Zach also spoke on the condition his full name not be used.

“It’s the classic problem gambling,” he says, “except you don’t have to go to the casino. ... A lot of times, it felt like I was on autopilot, where it would just feel more like a mobile game — Candy Crush or something — than actually gambling money.”

Similarly, Erik found himself idly playing at all hours, pushing a button and watching the animated graphics spin on the screen in front of him.

“I just couldn’t stop,” he says. “I let myself get completely devoured. It’s just ridiculous.” Critics say the sweepstakes operators can be predatory. People susceptible to problem gambling — especially young people — can’t avoid the advertisements and allure of easy-to-play games, they argue. And, as Whyte points out, they’re sometimes the only game in town — as in California and Texas, where even online sports betting is not permitted.

“These are all customers the legal market can’t get to. Some of these companies we’re seeing much more youth-focused websites with youth-focused celebrities,” he said. “When it looks like they’re trying to appeal to youths, that’s not by accident; that’s by design.”

While companies such as VGW say their offerings appeal to users of all ages and don't specifically target youths, the games often feature cartoon characters and colorful gameplay, and the companies advertise on social media sites such as Twitch, TikTok and Kick, where younger consumers congregate. The biggest companies, such as VGW and Stake, cross-promote heavily, making sponsorship deals with UFC and Formula One. According to the company's most recent financial report, VGW spent \$275 million on marketing alone last year.

Seacrest is the ambassador for Chumba, while Phelps, DJ Khaled and NBA players Paul George and Karl-Anthony Towns have partnered with VGW's Global Poker brand. Drake is a celebrity endorser for Stake, which uses cryptocurrency in Canada but operates as a sweepstakes casino in the United States. Paris Hilton recently signed on to be the face of Wow Vegas. Her face is the only non-animated character on the casino's website.



Paris Hilton, who endorses sweeps games, tours the grid before the start of the Las Vegas Formula One Grand Prix last year. (Angela Weiss/AFP/Getty)

“State leaders and regulators have worked exceptionally hard to craft iGaming frameworks that protect minors and ensure product transparency. These unregulated operators throw all of that out the window — adhering to none of those safeguards — while robbing states of billions in potential tax revenue,” said Jeremy Kudon, president of the Sports Betting Alliance, a coalition of regulated operators including DraftKings, FanDuel and BetMGM. Any safeguards that are in place are largely voluntary. Moore-Barton defends VGW's protections and protocols, saying the company “would hold up what we do, toe to toe, against the land-based operators.”

“Being a fully digital business in almost every sense, we have better transparency, better visibility, better controls around our players,” he said. “You can go into Vegas and you can

walk onto a gaming floor and play cash. And it's anonymous. ... We know who people are at an incredibly early stage. We track every click, every transaction. We put the right protections and controls in place."

Kaplowitz, the CEO of Clubs Poker, said his site and other social casinos use many of the same "best-in-class" tools as regulated gambling operators to protect consumers, including giving users the ability to self-exclude or limit their spending.

Still, unlike in forms of legalized gambling, no funds or other resources from the sweepstakes operators are earmarked for problem gaming. Unlike sports betting, there aren't any restrictions on television advertising, either, and Chumba ads have aired in places with strict gambling laws in place, such as Texas.

"My concern is it's coming at the expense of our children," said Brianne Doura-Schawohl, a consultant whose clients include Campaign for Fairer Gambling. "My concern is communities bear the brunt. While the legal nuances get debated, how many kids or how many families need to be caught in the wake of these legal debates? And how many are never going to really understand that this was the catalyst of the issues because it just looks and feels like yet another game on a tablet?"

Gaming observers are watching the court cases closely and anticipate more states shutting the doors on sweepstakes operators in the wake of the AGA memo. If states decide not to take action — a de facto green light for sweepstakes operators — a busy space could only become more crowded as social casinos and regulated gambling operators race to expand their offerings.

Thousands of industry insiders gathered in Las Vegas last month for the Global Gaming Expo, a trade show and conference more commonly called G2E. While the annual event encompasses every facet of the gambling world, the rise and success of the sweepstakes social casinos was the week's hot topic.

A company called GammaSweep was among the vendors on hand at the Venetian Convention & Expo Center. The start-up sells "turnkey sweepstakes software that guarantees authentic casino-like experiences," and it constructed a giant display that stretched across a wide hallway. Thousands of people at the convention passed beneath the words: "Launch your Social Casino in just 5 weeks!"

SB 860 - Prohibition of Online Sweepstakes Games.d

Uploaded by: Jennifer Beskid

Position: FAV

Maryland Lottery and Gaming Control Agency

Wes Moore, Governor • John Martin, Director



Montgomery Park Business Center
1800 Washington Blvd., Ste. 330
Baltimore, Maryland 21230

Tel: 410-230-8800
TTY users call Maryland Relay
www.mdlottery.com

DATE: March 3, 2025
BILL NO: Senate Bill 860
BILL TITLE: Gaming - Prohibition of Online Sweepstakes Games and Revenue From Illegal Markets
COMMITTEE: Budget and Taxation
POSITION: Support

The Maryland Lottery and Gaming Control Agency (Agency) provides the following Letter of Support regarding Senate Bill 860, Gaming - Prohibition of Online Sweepstakes Games and Revenue From Illegal Markets

Bill Summary:

Senate Bill (SB) 860 proposes adding §12-115 under the Criminal Law Article including definitions and prohibitions on the operation, conducting, or promotion of online sweepstakes games in the State. SB 860 also sets criminal penalties and authorizes the Agency to deny a license application or revoke a license.

SB 860 also proposes the addition of subsection (G) to State Government Article § 9-1A-07. This subsection defines “illegal interactive gaming market” and “interactive game content”; requires completion of a disclosure; and allows for the Agency to deny or revoke a license.

Finally, SB 860 adds SG § 9-1A-08.1 prohibiting the Commission from issuing a license to a person or entity that knowingly accepts revenue from prohibited sources. The Commission would have the authority to deny or revoke the license of any entity in violation of this section.

Background:

Illegal online sweepstakes games consist of online games that award the player with credits and awards that can eventually be converted to cash. Online gaming, frequently referred to as iGaming, is currently prohibited in Maryland. Despite online gaming being illegal, many Marylanders participate in these illegal games because the developers excel at presenting a product that appears to be fun, is initially presented as having no risk to the player, and there are no warnings to the user that they are engaging in illegal, unregulated gaming that will ultimately allow for cash deposits to be accepted and cash prizes to be awarded.

In January, the Agency’s Director briefed the Ways and Means Committee, and the matter of illegal gaming was discussed. Illegal and unregulated gaming occurs when operators, manufacturers, and payment processors of gaming devices bypass licensing and regulatory requirements. These illegal operators are often headquartered and operating in countries with lax or non-existent gaming regulations. Illegal gaming occurs because these “bad actors” are offering players similar types of gaming opportunities that mirror legal, regulated gaming. It has

been estimated by the American Gaming Association (AGA) that Americans spend approximately \$551 billion annually on illegal gaming.

At the state level, the AGA has projected that states lose approximately \$13.3 billion annually in tax revenues. Another group, The Innovation Group (2023)¹ estimated the illegal online casino market in Maryland generated approximately \$197 million of untaxed revenue. Maryland has been able to divert some funds from illegal gaming by offering online/mobile sports wagering, a regulated product with customer protections, but illegal operators persist in marketing and advertising to Marylanders.

Rationale:

SB 860 would take steps toward stopping access to illegal sweepstakes operators. Providing additional legislative language prohibiting illegal gaming in the State is a step towards placing restrictions around the illegal gaming market in Maryland, not only to players but also operators, manufacturers, and payment processors.

SB 860 includes language that would provide the Agency the ability to deny or revoke an individual's license should they be found to be participating in the newly defined "illegal interactive gaming market" and by providing "illegal interactive game content." These new definitions, along with the establishment of criminal penalties provide additional resources in the attempt to combat the illegal gaming market that are not currently available to the Agency.

For these reasons, the Agency supports SB 860 and respectfully requests that you consider this information as you debate SB 860.

^{1,5} The Innovation Group. iGaming in Maryland.
https://dlslibrary.state.md.us/publications/JCR/2023/2023_49-50.pdf Published November 2023.

SB 860 testimony (illegal sweeps and illegal onlin

Uploaded by: Mark Stewart

Position: FAV

Testimony of The Cordish Companies and Live! Casino Hotel Maryland

Presented by Mark Stewart, General Counsel

In SUPPORT of SB 860

Budget and Taxation Committee Hearing

March 5, 2025

On behalf of The Cordish Companies and Live! Casino Hotel Maryland, I respectfully submit this written testimony in **support of** SB 860, which would bolster enforcement efforts against illegal online sweepstakes and illegal online gambling in Maryland. While online gambling is currently illegal in Maryland,¹ SB 860 provides further clarity that will aid enforcement efforts and specifically addresses the growing concern over so-called online sweepstakes, which are nothing more than unregulated and unlawful online gambling. While we support the bill as drafted, we suggest amendments for the sponsor and the Committee’s consideration.

We applaud the SB 860’s focus on enforcement against illegal online gambling, as multiple studies have shown that legalization does not stop the illegal online gambling market – in fact, it often grows.² As a September 2024 article in *The Washington Post* explained:

When the gambling industry urged the Supreme Court to strike down the federal ban on most bookmaking outside Nevada, it cited states’ desire “to combat sprawling black markets for illegal sports gambling.” Indeed, many of the 37 states to legalize sports betting since 2018 said doing so would help drive out operators . . . that have thrived since the 1990s without paying U.S. taxes. But a staggering amount of action continues to go offshore — and bypass state and federal tax collectors — despite the growing availability of licensed sportsbooks, which, unlike their black-market competitors, must comply with rigorous consumer protections and anti-money-laundering protocols.³

¹ Maryland Code, Crim Law §§ 12-102, 12-301, 12-301.1 and 12-302.

² *The Washington Post*, “Legal sports betting was supposed to end the black market. It didn’t” (Sept. 12, 2024); 22News wwlp.com, “Legalization didn’t undercut illegal sports betting” (Sept. 3, 2024); *The Guardian*, “Two-thirds of Super Bowl Bets were Illegal as Black Market Thrives” (Feb. 23, 2024); NERA, *A Response to iDEA’s Review of NERA’s New Jersey iGambling Study* (Feb. 4, 2025); <https://cdn.sanity.io/files/42ezp3kj/production/3c51bcc5f56e9f4e49be0d36910c0db943805877.pdf>; https://massgaming.com/wp-content/uploads/OPS23-Report_2024-07-05_clean.pdf

³ *The Washington Post*, “Legal sports betting was supposed to end the black market. It didn’t” (Sept. 12, 2024).

The State should not limit its focus to criminal enforcement, though. We encourage the Committee to consider amendments (or additional measures) that would empower civil enforcement authorities to crack down on illegal online gambling and those businesses that facilitate their websites. For example, the Consumer Protection Division of the Office of Attorney General could be empowered to enjoin platform providers from hosting illegal gambling sites and financial institutions and payment processors from processing transactions involving such sites. In the event these businesses violate those injunctions, substantial civil penalties could be imposed on a daily basis, as well as private causes of action by citizens authorized against them with the ability to recover attorneys' fees.

Additional, more technical amendments for the sponsor and Committee's consideration include the following:

1. At page 2, line 29, Section 12-115(A)(3)(II) should be revised to narrow the exception as follows: “‘Online Sweepstakes Game’ does not include a game that does not award cash prizes or cash equivalents or credits or other representations of value that can be exchanged for cash, cash equivalents, or merchandise.”
2. Section 12-115(B)(2) (p. 3, ll. 3-7) makes it illegal for various entities related to a license holder under Title 9, Subtitles 1A through 1E, including financial institutions, payment processors, geolocation providers, gaming content suppliers, platform providers and media affiliates, to support the operation, conduct or promotion of an online sweepstakes game in Maryland. While this provision is good, the same prohibition should apply to any of those service providers supporting an illegal online sweepstakes whether or not the service provided engage in business with a license holder. A subsection (B)(3) should be added to capture such entities.
3. Section 9-1A-08.1(A)(3) (p. 4, ll. 20-22) addresses “jurisdiction[s] in which online casino gaming is prohibited” This language in substance is similar or identical to the terminology used in the new Section 9-1A-07(G) involving “illegal interactive gaming market.” Usage of the already defined terms across the new sections may enhance clarity and enforcement.

SB 860 will bolster the State's criminal enforcement tools to combat illegal online sweepstakes and illegal online gambling and is an excellent first step. We respectfully urge a favorable report on SB 860.

SB860 Maryland Center of Excellence on Problem Gam

Uploaded by: Mary Drexler

Position: FAV



March 5, 2025

Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

RE: SB 860 – Gaming - Prohibition of Online Sweepstakes Games and Revenue
From Illegal Markets – Letter of Support

Dear Chair Guzzone:

This letter is in support of SB 860, which, in part, makes online sweepstakes games illegal in Maryland.

Online sweepstakes companies claim that sweepstakes are not gambling because players are not making a purchase for the chance to win real money and prizes. However, they effectively function like all other forms of gambling and have the same addictive potential. States are catching onto the damage of online sweepstakes and are increasingly filing lawsuits against these operators; for example, an online sweepstakes operator, VGW, faces multiple lawsuits alleging it is operating an illegal gambling website. Maryland has not filed any lawsuits, but the Lottery has sent cease-and-desist letters to six operators informing them their websites were illegal and demanding they block Marylanders from accessing their sites. The operators have responded, but none have agreed to block Marylanders' access.

This bill will give the state more recourse against these illegal operations. We urge a favorable report on SB 860. If you would like more information, please contact Mary Drexler at mdrexler@som.umaryland.edu.

Sincerely,

Mary Drexler, MSW
Director of Operations
Maryland Center of Excellence on Problem Gambling
Cell Phone: 860-798-9086
Email: mdrexler@som.umaryland.edu

SB 860 Senator Corderman Testimony.pdf

Uploaded by: Paul Corderman

Position: FAV

PAUL D. CORDERMAN
Legislative District 2
Frederick and Washington Counties

Budget and Taxation Committee

Subcommittees

Capital Budget

Education, Business and Administration



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

March 5, 2025

Senate Budget & Tax Committee
Chair Guy Guzzone
Vice Chair Jim Rosapepe
3 West Miller Senate Office Building
Annapolis, MD 21401

Testimony In Support of SB 860 - Gaming - Prohibition of Online Sweepstakes Games and Revenue From Illegal Markets

Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget & Tax Committee,

Thank you for the opportunity to present SB 860 to you today. Senate Bill 860 prohibits the operation, promotion, or support of online sweepstakes games, which often simulate gambling but operate outside of Maryland's regulated framework, exploiting players without proper oversight. This bill is a critical measure to protect Maryland's gaming industry and its consumers. By denying licenses to those involved with illegal gaming and ensuring that illegal revenue does not enter our legal market, we preserve the integrity of Maryland's gaming environment. The bill also strengthens penalties to deter violations, ensuring fair play and consumer protection.

Thank you for your consideration of this bill, and we respectfully request a favorable report on SB 860.

Sincerely,

A handwritten signature in blue ink, appearing to read 'P.D. Corderman', with a long horizontal flourish extending to the right.

Paul D. Corderman
District 2 – Washington & Frederick Counties

AGA Written Testimony to Maryland Senate on Sweeps

Uploaded by: Tres York

Position: FAV

March 3, 2025

Re: SB 860 Budget & Taxation Committee Hearing

Dear Chair Guzzone, Vice-Chair Rosapepe, and Members of the Committee:

The American Gaming Association (AGA) is submitting the attached policy memo for your consideration and to emphasize support for Senate Bill 860, making clear that unlicensed and unregulated so-called online “sweepstakes” casinos and sportsbooks are definitively illegal. As highlighted in the enclosed memo, these operators offer online casino games (e.g., slots, roulette, blackjack, etc.) and sports betting products to Maryland residents using an alleged “sweepstakes” model through any Internet-connected device without being licensed, tested, regulated, or paying any gaming taxes.

The AGA is the national trade group representing the legal U.S. gaming industry, which supports 1.8 million jobs across the country. Our membership consists of commercial and tribal casino operators, U.S.-licensed gaming suppliers and vendors, licensed sportsbook operators, testing labs, and other key stakeholders. The gaming industry is one of the most highly regulated in the country at every level of government, and our members constantly work to provide consumers with a safe gaming environment and to give back to their communities. This stands in sharp contrast to what is offered by the “sweepstakes” gambling market.

Illegal and unregulated gambling is a long-standing problem across the country, not just in Maryland. The proliferation of unlicensed and unregulated “sweepstakes” gambling is another extension of this, and gaming regulators and state Attorneys General across the country are beginning to take notice, including in Maryland. Last year, the Maryland Lottery & Gaming Control Agency (MLGCA) sent cease-and-desist letters to multiple “sweepstakes” gambling operators, making clear that they were offering illegal gambling. We commend the MLGCA for their leadership and hope that other states will follow Maryland’s example.

We appreciate the Committee focusing on this important topic and strongly support the passage of Senate Bill 860, making it explicitly clear that the laws and regulations in Maryland will not be exploited.

Sincerely,

Tres York
Senior Director, Government Relations

Regulatory Vigilance Critical to Ensure “Sweepstakes” Don’t Threaten Consumers and Undermine Gaming Regulation



INTRODUCTION

Regulated gaming companies are constantly innovating to provide their customers with the best experience and differentiate themselves from competitors. This competition takes place within strict legal and regulatory frameworks, as determined by gaming regulators and other authorities, to ensure consumer protection and integrity are paramount as the industry innovates and grows. However, there are an increasing number of entities that have intentionally designed business models to circumvent or exploit ambiguity in state gambling laws and the regulatory frameworks within which the legal gaming industry operates. Some, like offshore sportsbooks and online casinos, blatantly disregard these laws and regulations entirely. Others misleadingly claim they are not gambling and that the rules, therefore, don't apply to them. In the brick-and-mortar environment, unscrupulous operators have used “skill” as an artifice to flood jurisdictions with unregulated slot machines. In the online space, some unlicensed casinos and sportsbooks are thriving by employing a “sweepstakes-based” model to potentially skirt gaming laws and regulations. As a result, consumers are being deprived of protections and states are forgoing significant tax and revenue opportunities as this gambling replaces that conducted through regulated channels.

THE SWEEPSTAKES MODEL

So-called “sweepstakes casinos” offer traditional casino games such as slots, roulette, blackjack, poker, and others, which allow players to ostensibly play for free, or buy virtual currency (often called Gold Coins) to further their gameplay. In addition to the Gold Coins-type virtual currency that can be purchased to fund gameplay, a second type of virtual currency is available: free credits (often called Sweep Coins) that a player will receive as a bonus with the purchase of Gold Coins or through promotions, welcome bonuses, daily log-in rewards, and other activities. Sweep Coins are “free,” single-purpose virtual currency that players exchange for cash or prizes, requiring an investment of time, real money, or both to ‘cash out’. Sweepstakes casinos claim that because they don't require real money for their gameplay, they are not offering gambling under the letter of the law. However, functionally, sweepstakes casinos look and play like an online casino while using a dual-currency system to avoid licensing and regulation. Sweepstakes Sportsbooks offer “free-to-play sportsbooks” where people can bet on each other's wagers, or stake bets directly with each other. Many operate with two different types of free “tokens” that can be used to wager, and users can exchange them for real money when won through gameplay.

The lack of regulatory oversight presents many risks for consumers as well as the integrity and economic benefits of the legal gaming market through investment and tax contributions. These sweepstakes-based operators have weak (if any) responsible gaming protocols and few, if any, self-exclusion processes. There is no independent product testing to ensure basic fairness to players, and although many claim players must be 18+, age verification procedures, if they exist, are often questionable. The opaque nature of these operations also presents a prime opportunity for illegal activity and enriching bad actors.

While both sweepstakes casino and social casino games offer online casino-style games, it's important to recognize the principal differences that impact the legal and regulatory frameworks under which these two models operate. Unlike sweepstakes casinos, which utilize a dual currency system to offer players the chance to exchange the in-game currency for real money and prize, social casino games are more casual

games that resemble gambling style games, but have a closed loop economy where rewards cannot be redeemed for real world currency, used to win prizes, or traded to other players in-games. Social casino games are typically played for entertainment in short time bursts while sweepstakes casinos are often marketed as a gaming experience where players can redeem winnings or earn cash prizes or gifts.

MICHIGAN TAKES ACTION AGAINST SWEEPSTAKES CASINOS

In November and December of 2023, the Michigan Gaming Control Board (GCB) sent [cease-and-desist letters](#) to two companies claiming to offer services under a sweepstake model –Cyprus-based Sweepstakes Limited (Stake.us) and San Francisco-based VGW Luckyland whose parent company, VGW Holdings, is headquartered in Australia. As a result, the companies have since stopped offering their products in Michigan.

The GCB listed the violations of Michigan law as:

- ◆ Promoting an unlicensed online lottery and/or raffle for customers that buy its products through its internet website (Stake.us); and
- ◆ Conducting illegal gambling by offering an internet game in which a player wagers something of monetary value for the opportunity to win something of monetary value (VGW).

Due to what the GCB called their “unregulated and unlicensed online gaming offerings,” the companies were found to be in violation of the following Michigan gaming laws:

- ◆ [Lawful Internet Gaming Act](#), which states that internet gaming may only be offered by a licensed internet gaming operator, and the [Lawful Sports Betting Act](#), which states that internet sports betting may only be offered by a licensed sports betting operator or its licensed sports betting platform provider. Only casinos that are currently licensed under the Michigan Gaming Control and Revenue Act and federally authorized tribal casinos within Michigan can apply for an internet gaming operator license or a sports betting operator license.
- ◆ [Michigan Gaming Control and Revenue Act](#), which prohibits a party from conducting a gambling operation without a license issued by the MGCB. A party who operates an unlicensed gambling operation is guilty of a felony punishable by imprisonment for up to 10 years or a fine of up to \$100,000, or both.
- ◆ [Michigan Penal Code](#), which broadly prohibits any form of unauthorized gambling involving consideration, prize, and chance. For example, accepting money, or anything of value, with the understanding that money, or anything of value, will be paid to any person based on the outcome of an uncertain event is prohibited.

Scrutinizing Sweepstakes Casinos & Sportsbooks

Gaming regulators and state attorneys general should investigate companies or platforms that offer casino games or a form of sports betting under the “sweepstakes” model to determine whether or not these operators are in compliance with their respective laws and regulations and take appropriate action if not. Where state laws and regulations are not clear, legislatures should consider enacting legislation to prevent unlicensed operators from exploiting loopholes in sweepstakes regulations to offer online real money gambling.