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Sweepstakes Casinos Cash In On Dormant U.S. iGaming Market

Exemptions from gambling laws boost online sweepstakes casinos

Sweepstakes casino growth resembles DraftKings, FanDuel

California lawsuit may draw unwanted attention from regulators

It has been more than two years since Connecticut became the seventh and, so far, last state to legalize internet gaming, but online sweepstakes casinos continue to quietly thrive.

Virtual Gaming Worlds of Australia, owner of Chumba World and one of the world's most successful sweepstakes casino operators, made a reported \$3bn in revenue last year, including from players in the U.S., where real-money online casinos are confined to just a handful of states.

While they must comply with laws in the jurisdictions in which they operate, sweepstakes casinos are largely exempt from gambling prohibitions because of the nature of the games they offer.

“When we’re talking about gambling, it’s three things – prize, chance and consideration – and here, one key element is missing, which is the consideration because you’re not actually paying to play the sweepstakes games,” said Michelle Cohen, an attorney with [Ifrah Law](#), a firm specializing in internet gambling based in Washington, D.C.

By offering free play and other prizes directly to customers, sweepstakes also can develop a database of players who might be interested in real-money online casinos and other products.

DraftKings and FanDuel followed a similar business model when they started as online daily fantasy sports operations. Both companies developed invaluable databases, which catapulted them into the sports-betting market in 2018.

Unlike [DraftKings and FanDuel](#), which ran into legal scrutiny from state regulators because of their excessive advertising of fast-paced fantasy sports games, sweepstakes casinos seem to have kept a lower profile which has kept them off the radar of regulators and politicians.

But in a June 6 proposed [class action lawsuit](#) at a federal court in California, a man named Bishoy Nessim demanded more than \$5m in damages from the sweepstakes-based sportsbook known as Fliff.

Nessim, who claims he lost more than \$7,000 using the Fliff app, also is asking the federal court to block Fliff from offering its sweepstakes contests across state lines, in what he alleges to be a violation of the [U.S. Wire Act of 1961](#).

The Fliff lawsuit and the soaring growth of sweepstakes casinos are now starting to raise eyebrows in the U.S. internet gambling and commercial casino industries.

“These internet sweepstakes casinos are offering a quasi-gambling product in an unregulated market,” said John Pappas, founder of Corridor Consulting, and senior vice president of government and public affairs for GeoComply.

Ironically, however, increasing competitive tension between sweepstakes casinos and the regulated gaming industry could result in a win-win situation for both verticals.

If lobbyists can persuade legislators that online sweepstakes casinos should be regulated, those same regulations could be applied to real-money online gaming as well.

Jurisdictions

United States

Sectors

Online Gambling

Sweepstakes