

## SPORTS BETTING

# Sports betting is everywhere, so why is the black market still thriving?

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Despite the widespread legalization of sports betting in the United States, the offshore black market continues to attract billions of dollars of wagers annually.

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Legal sports betting was supposed to put the black market out of business. Instead, even as regulated sportsbooks have become an ubiquitous part of the U.S. sports landscape, unsanctioned bookmakers continue to attract billions of dollars annually from Americans. That's why regulators in six states where sports betting is legal recently ordered Bovada, a prominent offshore sportsbook based in Curaçao, to stop taking online bets from residents.

To some, the cease-and-desist letters from Colorado, Connecticut, Louisiana, Michigan, Ohio and West Virginia seemed like a toothless way of taking on a company that for years has violated U.S. laws against unregulated bookmaking — akin to drug-enforcement agents asking cartels to please knock it off. Yet Bovada is withdrawing from those states, which raises the question: Why didn't regulators try this years ago?

"I don't have a good answer for you," Kurt Steinkamp, chief of staff of the Michigan Gaming Control Board, told The Washington Post. He cited the need to conduct investigations before sending cease-and-desist letters but added, "Perhaps it's an action that should have been taken sooner." He said to expect Michigan to go after other offshore sportsbooks in a similar fashion.

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 from places such as Curaçao, Costa Rica, Panama and Antigua 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.

Yield Sec, an organization that analyzes the gambling marketplace, estimates that nearly 900 illegal sportsbooks and online casinos target Americans. An online survey last year of about a thousand U.S. adults by the American Gaming Association found that nearly a quarter of online sports bets are still placed through unregulated operators, although that is down from 56 percent in 2019.

Stern letters won't be enough to snuff out companies estimated to handle tens of billions of dollars in illegal bets from Americans every year, which the AGA in 2022 said was costing states \$700 million annually in tax revenue. Companies such as Bovada are licensed in the countries where they're headquartered but are not authorized to advertise and accept bets in the United States, even if bettors who place such bets are rarely prosecuted.

"If you take one [operator] down, three more pop up," said Rep. Dina Titus (D-Nev.), co-chair of the Congressional Gaming Caucus. Sometimes that's as simple as rebranding; Bovada operated in the United States as Bodog until 2011.

Sometimes, customers don't even realize they're wagering illegally, said Kristofer Gilman, the top gambling regulator in Connecticut. His office sent a cease-and-desist letter to Bovada after learning it was among Google's top results when constituents searched "online sportsbook."

When a reporter in North Carolina, which legalized sports betting in March, recently searched Google for "where to bet on sports online," the first page of results showed two other illegal sportsbooks, including BetUS, a Costa Rica-based operation that features former NFL quarterback Michael Vick in its ads.

Gilman said search engines shouldn't be directing Americans to criminal enterprises. A Google spokesperson said: "We are guided by local law in removing pages from Google Search. When authorities alert us to search results that violate the law, we review those requests quickly and take appropriate action."

In California, where sports betting is illegal, some people recently received magazines in the mail with Vick on the cover published by BetUS, describing itself as “America’s Favorite Sportsbook” since 1994. (Christopher Costigan, who runs a gambling news site focused on the offshore market, said there’s uncertainty, perhaps intentionally, over whether BetUS is pronounced “bet us” or “bet U.S.”) Bovada and BetUS did not respond to requests for comment.

## Legal operators frustrate bettors

The black market has several inherent advantages for luring bettors: extending credit, lax enforcement of age restrictions and a willingness to do business with cryptocurrency, allowing customers to avoid gambling transactions appearing on their bank statements. Bovada also lists Mastercard and Visa as accepted methods for depositing cash. A Mastercard spokesman did not address whether his company knew that Bovada accepts deposits with Mastercard but said it will “promptly investigate to ensure our customers and their merchants are in compliance with our standards.” Visa did not respond to requests for comment.

The biggest offshore operators are also known to accept much larger wagers from winning bettors because that allows bookmakers at those companies to refine their odds based on this “sharp” action. U.S.-based operators, meanwhile, often aggressively limit customers who display winning tendencies — a practice that has come under scrutiny in Massachusetts.

Billy Walters, whom ESPN once called “the world’s most successful sports bettor,” told The Post that in his heyday, roughly 80 percent of his betting was conducted offshore through his office in Panama City, while the rest was wagered in Nevada.

He recently co-founded a nonprofit, American Bettors’ Voice, that is seeking more modest limiting policies from U.S. operators, which could lessen the black market’s appeal.

“The vast majority of these people that they’re throwing out haven’t done anything wrong,” he said. “If you violate a rule or your money’s dirty, fine. But a guy who bet you on a ballgame because a quarterback was out and you didn’t move your line, you’re going to throw him out for that? You need to throw out the guy running your sportsbook.”

Getting limited hardly requires Walters’s abilities and bankroll. A 35-year-old accountant in the Detroit area said in an interview that he was happy to ditch his Bovada account when Michigan legalized sports betting in 2021. He started betting through licensed sportsbooks such as FanDuel, DraftKings and BetMGM, enticed by their generous offers to new customers. “I figured everybody could bet whatever they wanted to bet, and that I would never have to worry about limits, because I’m not betting massive amounts,” said the customer, who spoke on the condition of anonymity because he has made money from unlicensed sportsbooks, a misdemeanor in Michigan.

His bets rarely exceeded \$1,000, he said. But after enough winning, operators cut down his limits, especially BetMGM, which he said now won’t let him bet more than a penny on an MLB game. (BetMGM declined to comment.) Soon, he was back gambling with Bovada, and he said he’ll continue betting with other offshore operators.

That, of course, comes with the risk of getting stiffed. In 2002, another Curaçao-based sportsbook reportedly was on the hook for more than \$3 million after the underdog New England Patriots defeated the St. Louis Rams in Super Bowl XXXVI. It closed shop rather than pay winnings.

Andrew Pace, founder of betting advice company inplayLIVE, said offshore operators refuse to process his withdrawal requests “all the time” for obscure reasons, such as needing to vet his credit score. But because of limits, people like him continue to bet with the black market, using digital workarounds such as virtual private networks, or VPNs, to circumvent geolocation restrictions on certain websites.

The offshore “post up” business, in which customers deposit funds as they would with a licensed sportsbook, “is a fraction of what it was 20 years ago,” said Jonathan Lerner, who has sold data and content to sportsbooks throughout that period. The trendier way of betting illegally, he said, is through “paid-per-head” outfits in which an “agent” recruits high-end clients and manages their money while paying a company, often a few dollars per customer per week, to provide back-end software, setting the odds and displaying them on websites. This frees agents of bookmaking duties and spares per-head shops the danger of customers not paying up.

A former minor league baseball player allegedly used the per-head model for a complex, global bookmaking network that The Post exposed last year after a federal indictment.

Two years ago, Titus and 27 other members of Congress wrote Attorney General Merrick Garland, urging the Justice Department to investigate “predatory operations” offshore that facilitate massive tax evasion while undermining licensed operators and player-safety initiatives such as self-exclusion, which allows customers to prevent themselves from gambling at certain websites and physical locations.

Garland’s office never replied, Titus said. The Justice Department declined to comment.

Richard Schuetz, a longtime casino executive and gambling regulator in the United States and abroad, said appeals to the Justice Department are “just drama,” because “Merrick Garland is not going to go to Costa Rica and start arresting people.” Any crackdown on offshore operators, he said, would require collaboration among U.S. diplomats and local governments.

“These are important outposts diplomatically,” Schuetz added, “and no one gives a s--- that they’re making some money because of U.S. bettors.”

The State Department declined to comment.

## **‘I wasn’t going to fight the U.S. government’**

U.S. sportsbooks argue they can’t compete with the favorable odds and generous promotions offered by illegal operators unless taxes are slashed. They have joined members of Congress and roughly a dozen states in pleading with the Justice Department to crack down.

But prosecuting black-market operators can be a game of whack-a-mole. Steve Budin and his bookmaker father left New York for the Caribbean in the 1990s to open one of the first offshore sportsbooks that took bets from Americans over the phone and online. They were indicted in 1998 after advertising brazenly in U.S. sports magazines with appeals such as: “Virtually no limits. Call if over \$300,000.”

“I folded because I wasn’t going to fight the U.S. government,” Budin said. “Twenty companies opened up immediately and filled that void.”

Pinnacle, one of the world’s largest bookmakers, withdrew from the United States soon after passage of the 2006 Unlawful Internet Gambling Enforcement Act. The company’s chief executive, who goes by Paris Smith, had been named in an indictment shortly before then “for offenses related to the laundering of an estimated \$250 million worth of Internet gambling wagers” at a previous company.

During a phone interview while driving in Curaçao, Smith — who left Pinnacle last year — said the latest cease-and-desist letters won't deter Americans from finding ways to bet offshore, as long as a handful of sportsbooks dominate the legal market while limiting winners and promoting high-margin parlays that entice unsophisticated bettors.

After briefly pausing the interview because she said she accidentally ran over an iguana, Smith continued: "They're always saying, we're looking out for players. Clearly [that's] not the case."

What's also clear is that some offshore operators can be indifferent to player safety. Stories on message boards abound similar to that of Sam DeMello. A recovering compulsive sports gambler, he was living in California in March 2019 when he tried to self-exclude from Bovada. That June, he said, Bovada accepted his request to let him bet again. A month later, when he asked to permanently close his account because of his gambling problem, he said a company representative tried to keep him around by offering a deposit bonus.

When DeMello self-excluded from other offshore sites, he said, they emailed him messages such as: "We miss you. We would love you to come back. Here's \$500 of free play."