

## **Does CentSports Engage in Illegal Bookmaking or Violate National Collegiate Athletic Association (“NCAA”) Bylaws?**

With new federal gambling laws being introduced in the past couple of years<sup>1</sup> aimed at prohibiting gambling websites in the United States, companies are becoming more creative in their approach to designing gambling websites. One such company is CentSports, which operates a unique website aimed at college students and sports fans alike. The company gives players 10 cents of free start up money in with which to bet on sporting events. If a player keeps winning, the 10 cents multiplies. Once a player reaches \$20 in winnings, they may cash out their winnings, depending on whether the company has enough funds to pay them off. The website is also used as a social networking tool and allows friends to compete against one another online and determine who has the best winning percentage when placing bets. The site encourages players to invite friends to join the site by giving members who invite friends 5% of the new member’s winnings. The website is gaining popularity, but the question is whether CentSports is illegally operating an online sports book.

In order for a sports book to be illegal, gambling must be involved. For an activity to be considered gambling in most states, the activity must consist of: (1) prize, (2) chance, and (3) consideration. The prize and chance elements are clearly present. Players may potentially cash out their winnings, creating a prize, and players do not know the outcome of the various sporting events before placing a bet, creating chance. Whether consideration is present is questionable. Consideration is defined as a bargain for exchange, meaning both parties have to give something of value up or take a risk when making a bet. It can be argued that CentSports players are not taking any kind of risk since they are not betting with their own funds, only the funds that were deposited in their accounts by CentSports. Furthermore, the players are not guaranteed any winnings. The players will only be paid if CentSports has the funding and a player reaches \$20 in winnings, which is very difficult to do. Funding to pay winning players is generated from advertising revenue on the CentSports website. Since the money is given to players by CentSports and there is no guarantee of a payoff, CentSports may not be engaged in illegal gambling. However, a case could certainly be made for the other side if someone decides to challenge the company.

### ***Does CentSports violate NCAA bylaws?***

The NCAA has adopted specific rules prohibiting student-athletes, athletics department staff members, conference office staff, and NCAA national office employees from engaging in sports wagering.<sup>2</sup> A violation of this law could cost a student athlete his or her athletic eligibility to play sports in college and NCAA employees would most likely be terminated.

The NCAA rules are similar to state law rules that prohibit gambling and sports wagering. The NCAA member colleges and universities have defined sports wagering as putting something at risk – such as an entry fee - with the opportunity to win something in return. With CentSports, no entry fee is required and nothing of value is given up, as the entry fee is provided and there is no guarantee of any payouts. It can be argued that

nothing of value is being wagered and there is no consideration present. The NCAA is does not support the argument that no consideration is present or that CentSports is not gambling.

The NCAA recently published an opinion on whether CentSports should be considered gambling and whether the website violates the NCAA's bylaws. The NCAA's Agent, Gambling and Amateurism Activities ("AGA") division weighed in on the topic and determined that the free 10 cents given to players is in fact considered "something of value," due to the potential payout down the road. It is the policy of the NCAA that they do not want anyone associated with the NCAA to be involved in any sort of gambling, even if it is questionable as to whether the activities in question actually constitute gambling.

If you are an NCAA student athlete or employee of the NCAA, you should refrain from using websites that engage in any sort of gambling or wagering, even if there is no guarantee of a payout or free money is provided with which to play. Should you want more information on CentSports and how the website affects those associated with the NCAA, the AGA's opinion can be read in their March 2009 newsletter.<sup>3</sup>

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<sup>1</sup> Unlawful Internet Gaming Enforcement Act of 2006 (UIGEA). 31 U.S.C. §§5361-5367.

<sup>2</sup> NCAA Bylaw 10.3.

<sup>3</sup>NCAA Agent, Gambling and Amateurism Activities March 2009 newsletter, <http://www.ncaa.org/wps/ncaa?ContentID=6685>.