



Gaming & Betting Regulation
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License Requirements for Online Sports Betting Operators in Nigeria¹

1. Introduction

Driven by an estimated 60 million Nigerians actively involved in sports betting and over 40 betting companies operating in Nigeria,² the online gaming industry has grown astronomically in recent years, having a tremendous impact on the Nigerian economy. Sports betting has emerged as a lucrative segment of the economy, leveraging on the Nigerian football culture.³ For sports bettors, the opportunity to turn their passion into earnings holds a strong appeal. The increased participation in the online sports betting market can be attributed to technological advancement, globalization, affordable access to internet and internet enabled-devices, online payment platforms facilitated by FinTechs, the youthful population in Nigeria as well as the high unemployment rate.

Consequently, sports betting operators like Bet9ja, NaijaBet, and Nairabet, optimising the market trend and youthful demographic, have evolved into blue-chip companies, making Nigeria the second largest online gambling market in Africa.⁴ The fiscal performance of these companies has encouraged an increasing influx of new entrants into the sports betting industry.

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² BusinessDay.ng *The Impact of Sports Betting on the Nigerian Economy* (15 June 2020), available at: <https://businessday.ng/sponsored/article/the-impact-of-sports-betting-on-the-nigerian-economy/#:~:text=The%20impact%20of%20sports%20betting%20on%20the%20Nigerian,consequently%20having%20a%20huge%20impact%20on%20the%20economy>. accessed on 4 December 2020.

³ PwC *The Nigeria Gaming Industry*, available at: <https://www.pwc.com/ng/en/assets/pdf/nigeria-gaming-industry.pdf>, accessed...

⁴ BusinessDay *The impact of sports betting on the Nigerian economy* (5 June 2020) available at <https://businessday.ng/sponsored/article/the-impact-of-sports-betting-on-the-nigerian-economy/> accessed on 10 December 2020.

Like every other industry, the online gaming industry, and its subcategories, especially sports betting, are subject to regulatory oversight. In this article, the focus is to highlight the normative framework for obtaining a sports betting license, which would be instructive for newcomers in this industry.

2. **Regulatory Framework of Sports Betting in Nigeria**

Chapter 22 of the Nigerian Criminal Code Act (“CCA”)⁵ sets out legal and illegal forms of gaming. The illegal games are *roulette, dice games except for backgammon, non-skill-based card games, and any other games of chance which are not favorable to the player while racing, sports betting business, or land-based casinos* are permissible. In Nigeria, gaming activities (e.g. lotteries, sports betting, etc.) are regulated at the federal and state levels, despite conflicting arguments as to the constitutionality of the Federal Government’s involvement in regulating gaming activities.⁶

The National Lottery Regulatory Commission (“NLRC”) established through the National Lottery Act, (“NLA”) 2005⁷ regulates the operation of the lottery business and gaming activities in the Federation. The NLRC is responsible for issuing licenses and permits, setting standards and guidelines/rules, and promoting transparency and integrity in the operation of a lottery/gaming business nationwide. The NLA is supplemented by the National Lottery Regulation 2007.⁸ The NLRC grants 3 different classes of licenses:

- Lottery License
- Sports Betting License
- Promotional License⁹

Some states have created municipal laws and agencies governing commercial gaming activities and lottery business within these states. The Lagos State Lottery Board was established, under the Lagos State Lottery Law 2004 (as amended), to oversee the licensing and regulation of lottery and gaming activities in the state. The amendment of the Lagos Lottery Law in 2008, in response to developments in the

⁵ Criminal Code Act Cap. C38 LFN 2004.

⁶ The Lagos State Lotteries Board (LSLB) has argued that the powers to regulate gaming activities are exclusive to the state governments due to its absence from the Exclusive and Concurrent Legislative lists as prescribed by the Nigerian Constitution. See *Rejoinder/Response to National Lottery Regulatory Commission’s Publication* available at: <https://lslb.lg.gov.ng/rejoinderresponse-national-lottery-regulatory-commissions-publication/> accessed on 16 December 2020.

⁷ National Lottery Act, 2005.

⁸ National Lottery Regulation, 2007, No. 106.

⁹ *General Guidelines*, available at <https://nlrc.gov.ng/guidelines/> accessed on 14 December 2020.

industry in 2008 paved the way for the regulation of different categories of lottery as well as licensing of multiple lottery operators in the State.

The National Lottery Act 2005 and the Lagos State Lottery Law of Lagos 2004 (as amended) are currently the most relevant laws overseeing sports betting in Nigeria. These legislations serve to establish regulatory bodies overseeing the online sports betting industry in Nigeria as well as to protect the interest of players, bettors, consumers, stakeholders, and the general public.

3. Procedure for Obtaining a National Sports Betting Licence/Permit

Although investors are advised to register a sports betting company before pursuing a sports betting license, promoters of the unincorporated company may apply to the NLRC for approval to incorporate a sports betting company in Nigeria, attaching the following documents namely, a copy of the name reservation approval issued by the Corporate Affairs Commission and a Remitta Payment in the sum of ₦10,000.00 (ten thousand Naira) in favour of National Lottery Regulatory Commission.¹⁰

The process of obtaining a sports betting permit from the NLRC can be broadly divided into 3 stages, namely – *The Application stage, the Provisional Approval stage, and the Post-Licensing stage.*¹¹ Each of these stages is examined below.

3.1. The Application Stage

Pursuant to the NLRC's guidelines, applications to the Commission must be accompanied by the payment of a non-refundable application fee of ₦2,000,000 (two million Naira) and necessary documents and operational information including:

- A completed NLRC application form;
- An application letter stating the applicant's intention to operate a sports betting scheme;
- Memorandum and Articles of Association, certificate of incorporation and other relevant incorporation documents;
- Evidence of updated annual returns filed at the Corporate Affairs Commission (CAC);
- Evidence of domain name registration with a country code top level domain label (ccTLD) for Nigeria;
- Evidence of trademark registration;

¹⁰ Ibid.

¹¹ *Guidelines for Obtaining Sports Betting Permit*, available at: <https://nlrc-gov.ng/sports-betting-permit/> accessed on 16 December 2020.

- Evidence of registration with the Special Control Unit on Money Laundering;
- Particulars, profile and relevant qualification(s) of directors and key personnel.
- Proposed organizational structure, operational flow and 5-year financial projection for the betting scheme.

The proposal submitted to the NLRC should contain details of the planned game events, proposed distribution channels, operations, marketing and distribution strategy, betting modalities, terms, and conditions of participation for bettors, and sports betting industry analysis. The NLRC also requests for the profile and details of technical service providers, partners, telecoms providers and suppliers, contact persons for service providers, a copy of the proposed JVAs or SLAs with providers and suppliers, and the Software Certification from approved and recognized testing labs.¹²

At the end of this application stage, the successful applicants will be required to make a presentation to the NLRC, to justify the grant of license. Usually, the application is reviewed in 10 - 21 working days.

3.2. **Provisional Approval Stage**

Once the application is reviewed, approved applicants are granted a temporary license, valid for 90 days, subject to the fulfilment of certain pre-approval requirements including:

- Payment of permit fees within 30-days of receipt of notification;
- Bank guarantee of at least N25,000,000, valid for no less than one year;
- Connection of betting platform to the NLRC's monitoring and reporting framework to ensure compliance with the approved standards;
- For companies with foreign ownership/participation, proper immigration documents, Certificate of Capital Importation and other investment documents from the Nigerian Investment Promotions Commission (NIPC);
- Execution of Terms & Conditions of Operation of Sports Betting Schemes; and
- Copies of duly executed service level agreement with third-party providers.

These conditions are all inclusive and failure to fulfil these requirements within the 90-day period may void such application for the sports betting permit. Applicants and prospective licensees are advised to ensure that they are prepared to meet these

¹² Ibid.

conditions prior to grant of the approval in principle, to meet the 90-day period allowed. The issuance of the preliminary approval comes after the payment of the license fees.

At the expiration of the provisional approval period, a substantive permit will be issued by the NLRC, and the details of successful applicants uploaded on the NLRC's website.

3.3. **Post-Licensing Stage**

After commencing operations, licensees are required to remit 3% tax on monthly sales turnover, one percent (1%) to the NLRC and (2%) to National Lottery Trust Fund respectively, on or before the tenth (10th) day of the following month. Sports Betting Operators are also mandated to submit monthly updates on or before the 10th day of the next month. As part of its regulatory mandate to maintain transparency, propriety and quality assurance in the lottery business, the Commission will also conduct a quarterly operations audit. It is not clear if the commission will audit its internal affairs or those of the licensees. The NLRC must be notified of changes in business structure, details, and proposed operations of applicants during the application review/license period.

The National Lottery Regulation 2007 administers the post-licensing reporting and compliance obligations of Licenced operators. Licences granted by the Commission are valid for ten (10) years from the date of issue.¹³ The holder is expected to establish a "**Prize Fund**" account which will hold a minimum of 50% (fifty percent) of the proceeds realized from any national lottery, exclusively for the payment of prizes.

Operators are expected to employ modern technologies and approaches to provide efficient services to players, adhere to government policies and corporate governance principle and keep proper accounts and records of its transactions. A license holder is generally required to ensure it monitors and reports suspicion of irregularities and fraud to the NLRC. It is also required to ensure that its agents, franchise operators and representatives operate in compliance with the terms of its license.

Persons under the age of 18 (eighteen) are barred from being directors in a sports betting company, participating in any lottery event and receiving winnings from same. Lastly, prospective applicants should note that the grant and renewal of the license is at the discretion of the President of the Commission, based on the Commission's recommendation.

¹³ Paragraph 10 of the National Lottery Regulation 2007, No. 106.

4. **Procedure for Obtaining a Sports Betting License from Lagos State Lotteries Board**

The Lagos State Lotteries Board (“LSLB” or “the Board”) is a state regulatory agency responsible for issuing Online Sports Betting (“OSB”) licenses in Lagos. The procedure for obtaining the OSB license in Lagos is straightforward and less complicated than that of the NLRC, though with similar requirements. Companies intending to operate a licensed betting scheme in Lagos must be incorporated in Nigeria with a minimum share capital of ₦20,000,000 (twenty million Naira).¹⁴ Applicant companies cannot be wholly owned by foreigners. Nigerians are required to hold at least fifteen percent (15%) of the shares in foreign-owned companies, to achieve indigenous participation and local content requirement.¹⁵

Prospective sports betting licensees are to submit their application to the Board, attaching a letter of intent and the following documents:

- Evidence of payment of non-refundable application fee of ₦500,000 (five hundred thousand Naira)
- Incorporation documents of the prospective licensee; and
- A detailed proposal on the online sports betting scheme containing particulars of the names and profile of Directors, business plan, model and organisational structure, market analysis and financial projection of the company, amongst other things.

The application, upon submission, is reviewed by the Board in ten (10) to fifteen (15) working days. Subsequently, applicants will be invited to make a presentation to the Board on the proposed gaming scheme. Successful candidates would be granted an Approval-in-Principle (AIP) subject to the fulfilment of certain conditions and payment of the ₦50,000,000 (fifty million Naira) license fee.¹⁶ The AIP is a 90-day temporary license granted to the applicant pending the grant of a final permit, subject to the applicant's fulfilment of all the conditions outlined in the AIP.¹⁷

¹⁴ Unlike the NLRC, companies yet to be registered in Nigeria are not qualified to apply for a sports betting licence in Lagos.

¹⁵ Pavestones Legal *What to Know About the National Sports Betting Permit in Nigeria* available at: <https://pavestoneslegal.com/doing-business-simplified-what-to-know-about-the-national-sports-betting-permit-in-nigeria/> accessed 15 December 2020.

¹⁶ Seun Timi-Koleolu and Aderonke Alex-Adedipe *How to Start a Sports Betting Business In Nigeria* 12 August 2020, available at: <https://www.mondaq.com/nigeria/gaming/975458/how-to-start-a-sports-betting-business-in-nigeria> accessed 15 December 2020.

¹⁷ Ibid.

The license is for a period of 5 years in the first instance, renewable every five years at the discretion of the Board.¹⁸

5. **Cost Implication of Sports Betting License**

Although online sports betting schemes are highly profitable, establishing a sports betting business in Nigeria is an extremely capital-intensive venture. A breakdown of the financial requirements for obtaining an OSB license can be found in the table below.

Requirements	NLRC	Lottery Board
Minimum Share Capital	₦30,000,000.00	₦20,000,000.00
Application fee	₦2,000,000.00	₦500,000.00
Licence fee	₦100,000,000.00 (fifty (50%) percent concession where the company is a member of the Association of Nigerian Bookmakers).	₦50,000,000.00
Renewal fees	Discretionary	₦10,000,000.00
Bank Guarantee	₦25,000,000.00	Not Applicable

Capital adequacy requirements dictate that operators must have the requisite financial resources to fund the sports betting scheme, prior to obtaining the license.¹⁹ Apart from the varying application and license fees, the cost of securing an Online Sports Betting (OSB) licence covers the cost of company registration, regulatory compliance, engaging the services of legal practitioners, qualified personnel with gaming industry experience, online payment service providers, software developers and other third-party providers. These incidental expenses run into millions of Naira.

Due to the inconsistency in regulation, it is presumed that state licensed operators must fulfil the additional capital requirements under the National Lottery Act and its supplementary guidelines. Start-up companies, lacking the financial footing to meet these expenses, are forced to resort to equity or debt financing, credit facilities or foreign investment, to meet the required capital baseline.

¹⁸ Section 15 and 16 Lagos State Lotteries (Amendment) Law 2008.

¹⁹ See Section 11 of the Lagos State Lotteries (Amendment) Law 2008 and the NLRC Guidelines available at <https://nlrc-gov.ng/sports-betting-permit/>.

The legislative arm of the Lagos State government is proposing an increment of the license fees for OSB operators to ₦200,000,000 (two hundred million Naira),²⁰ which is ten times the required minimum share capital for sports betting companies. The monumental increment of licence fees presents another obstacle to small players in the industry and hinders participation in this sector. New entrants are advised to commence the application process before the new license fee takes effect. If the purported increase is implemented, smaller companies would be forced to consolidate to meet capital requirements.

6. **Regulators Involved in The Licensing Process**

Given the prominence of sports betting in Nigeria, the gaming industry is highly regulated. Obtaining a sports betting license requires approval from and/or engagement with several agencies including the National Investment Promotion Commission, Special Control Unit against Money Laundering, National Office for Technology Acquisition and Promotion, Federal Inland Revenue Services and Corporate Affairs Commission.

The National Lottery Regulations, 2007, requires licensees' advertisements, marketing, and public relations strategies to comply with government policies on social responsibility.²¹ Commercials and any related advertising must also conform to the Nigerian Code of Advertising Practice, Sales Promotion and Other Rights/Restrictions on Practice²² ("the Advertising Code") made pursuant to the Advertising Practitioners (Registration etc) Act, which establishes the Advertising Practitioners Council of Nigeria ("APCON") as the body responsible for regulating advertising in the country. Therefore, all advertisements must be submitted for vetting and approval by the APCON before exposure to the public.²³

Prospective licensees are expected to engage these bodies, either directly or through their legal representatives, to observe preliminary compliance requirements before commencing the application process.

7. **Conclusion**

²⁰ 'Lagos Assembly proposes N20m license fee for lottery, betting operators' (8 August 2020) available at: <https://www.pulse.ng/news/local/lagos-assembly-proposes-n20m-licence-fee-for-lottery-betting-operators/cfr37qg> accessed on 15 December 2020.

²¹ See paragraph 2(b) and 19 of the National Lottery Regulation 2007, No. 106.

²² The Nigerian Code of Advertising Practice, Sales Promotion and Other Rights/Restrictions on Practice 2012, No. 106.

²³ Bisola Scott *General Principles and Requirements for Advertising In Nigeria* (06 January 2020)

Available at <https://www.mondaq.com/nigeria/advertising-marketing-branding/880690/general-principles-and-requirements-for-advertising-in-nigeria> accessed on 27 December 2020.

Despite the impressive turnover in the sports betting segment of the economy, the complexities associated with acquiring the sports betting license may deter new entrants, especially foreign investors.

More so, the overlap in regulatory functions at the Federal and State levels is a major challenge facing the industry. The ongoing dispute between the NLRC and the LSLB, concerning the agency constitutionally empowered to regulate gaming activities and issue licenses for betting operations, is a headache to sports betting operators in Nigeria. For instance, the LSLB recently blacklisted certain sports betting operators who had been granted sports betting licenses by the NLRC.²⁴ This inconsistency needs to be put to rest as soon as possible to avoid issues of multiple taxation and licencing and to introduce certainty and predictability to the process.

Despite the exorbitant cost of registration, licensees are overburdened with heavy handed post-licensing returns. While it is agreed that taxes are levied to generate income for the government, the government is obligated to balance public interest and social responsibilities against the need to scoop revenue from the lotteries industry. Regulators must understand that their primary objective is to put forward market-friendly regulations, to drive sustainable growth in the sports betting industry.

Considering the high volume of transactions processed by virtual sports betting operators daily, regulatory agencies should impose policies that guarantee secure payment channels, to avoid loss of gaming revenue to cyber criminals. With the increased use of electronic channels for gaming, it is expected that future sports betting legislation would address crucial issues like data protection and cyber security to provide a safe and secure environment for players.

The expansion of the gaming industry seems to be hampered by the expensive and rigorous licensing procedure under the NLRC Guidelines. Streamlining the licensing process, especially in terms of cost, would provide much needed ease of entry for SMEs looking to break into the sports betting landscape and encourage foreign participation in local betting operations.

For further information on this article and area of law,

²⁴ Adeleye Awakan *Regulator continue battle state stand on blacklisting* April 2020 available at <https://e-playafrica.com/regulator-continue-battle-state-stand-on-blacklisting/> accessed on 27 December 2020.

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