

BANKING GAMES IN CALIFORNIA: THE LAST GOLD RUSH

By Bill Zender

The next time you walk into a card room in California, wander through the Asian gaming or “rotating bank” game section and look for the banking group players. They are easy to spot. They’re the ones sitting at the table with racks of chips on the table in front of them. These people are neither players, nor are they card room employees. They are a new breed of gaming industry entrepreneurs known as Third Party Proposition Player groups, or more simply, banking groups. Another term by which they are known is “corporation.” This moniker comes from the name of the first banking group, Core Capital. Card room players, mostly Asian, mutated the name “Core” into “Corp.” or corporation. The “corporations” make a good living by playing on California rotating bank games and wagering against the other players at the table. And since the banking groups usually win, it is common to hear someone at the table say, “kill the corporation.” The banking groups are both hated and loved by the card room customer. Even though the banking groups play with an advantage, they have the bank roll to place in action, and that’s what the card room customers strive to win.

Without the banking groups, activity inside the card rooms would not be as great as it is today. Due to this special case of supply and demand, in a little over a decade, the banking groups have carved a “gaming niche” into the California card room scene. They have become so successful that there are more than two dozen active banking groups presently playing in card rooms throughout the state of California. One banking group alone has claimed they cover more than 120 rotating bank game tables in a dozen different card rooms in both northern and southern California.

At one time, the poker game was king of the California card rooms; not any more. Today the rotating bank game is a cash cow for the card rooms, and it’s growing in size and popularity every day. So are the rotating bank game banking groups. They are the new, and maybe the last, California “gold rush.”

What are Rotating Bank Games?

In the California card room environment, casino-style games such as pai gow poker, pai gow tiles, blackjack and baccarat by law must be played without the card room’s involvement in the winning and losing. The players themselves take on this responsibility by banking in turn at each seated position. In the same style as the old fashioned “fade” craps games, the designated banking player places the amount of chips he wishes to place at risk in the wagering box in front of his position. The remaining players may now wager against the banking player up to the

limit for each wager position or seat. The dealer’s sole responsibility is to manage and control the game. After having the option to bank twice on the seated position, the bank rotates left (right in pai gow tiles) one seated position. This format of gaming has catered primarily to the Asian customer over the last 25 years. However, recent introduction of the more mainstream casino games, such as blackjack and three card poker, is attracting a large number of non-Asian players.

Placing total player wagers in excess of the banking player’s bank wager is common; however the winning or losing player positions are paid or taken based on the amount of chips or “action” the banking player has remaining after each table decision. Once the banking player has experienced “action” on his entire chip wager, no further paying or taking of a wager can take place. A hand is considered to receive action if it wins or loses. If the hand ties or pushes, action does not occur. For players who have a worse hand than the banker, seeing the action depleted means they will not lose their wager. However, if the player had a better hand than the banker when action was exhausted, then he wouldn’t receive payment. In a game like pai gow poker, where pushes occur approximately 40 percent of the time, it’s quite common to see a \$500 banker wager cover action on \$1,000 worth of player wagers.

The starting point for delivery of the first hand and the “action” is determined by the roll of the dice. This adds an element of interest to the game as well as an element of game protection. Players wagering against a smaller banking amount do not know if they will have a chance to receive action until after the dice have been shaken and called. In the same instance, all players don’t know the location where any hand of cards or tiles will start, precluding them from having prior hand knowledge, which makes the game safer from possible cheating.

Like any gambling game, “action is the attraction.” The more money wagered by the banker(s), the more total player wagering is received by the card room. The card room derives its revenue from the fees paid by the players for each wager. The standard collection fee is \$1 for every \$100 wagered by the players, and \$2 to \$3 for the opportunity to be the banker. The more total wagering that occurs on the table, the more the house makes per round dealt. When a table is subject to customer banking, with a great deal of money each round, the players are motivated to wager more money themselves. This increase in “action” drives the card room’s fee collection upward. It’s not unusual to see collections of \$30 to \$40 dollars per round on higher action games.

What Is a Banking Group?

In essence, the banking group or Third Party Proposition Player group is its own gaming business. The only time they will place a wager is when the banking group has the mathematical advantage. The banking group is actually its own casino inside of a casino. At the same time, the banking group serves a very important function for the card room. They provide an additional and usually larger bankroll on the table to cover all player bets, adding liquidity to the games. With the guarantee of bank coverage, card room customers know they can go to that card room with the ability to wager any amount they desire and receive action.

The banking group provides game liquidity in several ways. Primarily, they accept the opportunity to bank when the option rotates into their seated positions. Second, they will accept all opportunities to bank behind other banking players at their seated positions. When banking behind the original banking player, the banking group provides action for all bets not covered by the original player banking. Third, in some situations the banking group will also assume the role of "player." Although acting as a "player" would provide a negative advantage, the banking group will accept action as a "player" because the customer requesting them to do so will pay the banking group 5 percent of the money placed on player wager. This is known as a "buy bet." The buy bet agreement provides the card room customer with action as a player and also action as a banking player.

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How Does the Banking Group Make Money?

Every time the banking group makes a wager as the banker or the "buy bet" player, each bet is subject to a mathematical advantage. For example, let's use the game of pai gow poker. Pai gow poker is subject to a banker advantage of approximately 1.3 percent. Every time the banking group takes responsibility of the bank, they can expect to win 1.3 percent of all wagers. If the players wager \$1,000 against the bank, the banking group will theoretically win \$13. However, the banking group has to pay a fee to the card room for the privilege of being the banker. If the banking fee they must pay is \$3, then the banking group can expect a net profit of \$10 (theoretical win of \$13 - \$3 bank fee = \$10).

When the banking group banks behind a primary player banking, their theoretical win is calculated by the amount of money they actually cover. If the primary banking player covers \$500 of the \$1,000 of player wagering action, the banking group will cover the remaining amount or \$500. The banking group expects a theoretical win of \$6.50 minus the banking fee. Usually, secondary banks are subject to a lower fee than primary banks (in southern California the secondary banking fee is waived). Even though the theoretical win from banking behind is less than primary banking, the banking group will make more money from secondary banking because they will be present with more opportunities to do so.

The "buy bet" situation is slightly different. The banking group receives a percentage of the wager as a compensation to cover both the natural mathematical disadvantage and the fee they will be charged by the card room to place the wager. If the banking group is requested to place a \$100 buy bet as a player, the banking group will receive \$5 for the customer. The \$100 bet is subject to the same 1.3 percent bank

advantage as well as a \$1 per \$100 fee to the card room. If the banking group receives \$5 from the player, they can expect to net \$2.70 or 2.7 percent of the \$100 wager (\$5 [buy bet collection] - \$1.30 [bank theoretical advantage] - \$1 [card room fee per \$100] = \$2.70 [net win by the banking group]).

How much is the banking group's win potential for one hour of banking? If they covered an average of \$500 per round for 30 rounds an hour with an adjusted theoretical advantage of 1 percent, the banking group can expect to win \$150 per hour on the average before expenses. This is why the banking group is referred to as a "casino inside a casino." They expect to win a little bit of each wager made against them. The only difference is they don't have the big expense of a brick and mortar casino. If \$150 per hour doesn't sound like much revenue, multiply that figure by 24 hours per day, 30.5 days a month and 12 months a year. Next, multiply that figure by 20 tables per card room. Can you see the gold in "them there hills"?

Is the Gold Rush Over?

Don't think for a second that this highly profitable situation has been overlooked by the card room owners or the state of California. Both the card room management and the state officials have found their own gold rush through the banking group concept. No longer are the banking groups allowed to play for free. They are now subject to contract agreement with the card rooms to pay occupancy fees, and with the state for licensing them as a regulated business. Presently, everyone shares in the profits.

At the latter part of the 1990s, banking groups were hired by the card rooms to function as proposition players and provide more "action" on their games. Action was the attraction. The clubs would pay the individuals banking as "proposition" employees, give the banking groups a rebate on the estimated fees they paid when they wagered, and even paid the groups themselves a fee for managing their own operations. This compensation was above and beyond the banking group's revenue from table winnings. It wasn't long before the card room understood the potential the banking groups were experiencing. Today the card rooms charge the banking groups for costs related to their operation. Even though the state of California won't allow the card room to charge rent, the card rooms do bill the banking groups for estimated advertising and promotional costs, as well as costs related to equipment such as playing cards and shuffling machines.

In the early 2000s, the banking groups fell under the watchful eye of California's Department of Justice. Originally, the DOJ suspected that the banking groups were in it to launder illegally obtained money; however it didn't take long for the state to see the profit potential. At first, they were worried about where the money was coming from, but in the end the DOJ was more interested in where the money was going. Today, Third Party Proposition Player groups are highly regulated with each employee and group principle subject to background investigations and licensing.



▲ BILL ZENDER



Bill Zender is a former Nevada Gaming Control agent, casino operator, professional card counter and present gaming consultant. He has been involved in various areas of gaming and hospitality since 1976. He can be reached at wzender@billzender.com.