

Bookmaking

A practical study on how illegal bookmakers operate and their weak points.

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Bookmaking - How a Bookie Operates and their weak points.

What actually happens in a bookmaking operation? How to recognize a bookmaking operation and then how to bust a bookmaking operation. By learning how a bookmaker operates, the sports, types of bets and activity levels, the you learn how to spot an operation and how to begin gathering evidence. Gaming on the World Wide Web and Offshore Operations are also part of the newest developments to this timeless activity.

History

Modern gaming has its roots in the mid 17th Century with the modern mathematics of Pascal and Fermat. Their collaboration is the foundation to the theory of probability the heart of the concept of risk. In modern time many people have wagered on sporting events: in Nevada, locally through off track betting, Indian gaming and illegal bookmakers. More recently gambling has become available through Internet gaming and offshore sports book operations.

The 1990s have brought a worldwide expansion of gaming. More countries than ever before are legalizing and promoting virtually all forms of gaming. It is a cheap and easy way to raise revenue with out having to raise taxes. According the International Sports Betting Guide, by Bowman, "world revenues from gambling are in the billions of dollars, exceeding those of "Fortune's" 500 largest corporations together". Currently, gaming in the United States alone is a \$400 billion a year business and growing. This US figure does not consider the "unregulated" or illegal portion of the market. A vast majority of this wagering activity is on college and professional sport events such as football, basketball, baseball and hockey.

The government has also played a significant role in increasing demand for illegal bookies. This is as a result of the promotion of state sponsored or authorized gaming through off track betting, Indian gaming, raffles and lotteries. Along with the promotion of gaming comes a very real "public desensitization" of all forms of gambling including illegal gambling.

Bookmaking (the illegal form) still exists today, even with all of the opportunities to gamble legally, because of the profitability of the business. Over time a bookie can expect to make (as an actuarial mathematical norm) a 10% percent profit (a.k.a juice or vigorish) on the gross total of all of the wagers (a.k.a. action).

Bookmaking Cash Requirements

Just like every other business to begin operations a bookie needs some cash. There are two primary categories of cash requirements for a bookie. The first is initial start-up capital items and the second is the cash reserves the bookie requires to back wagering action.

The cash required for setup is relatively low, \$10,000 or less. All that is required is a few telephone lines, a computer, and some "line" services (these services provide the initial odds for wagering).

The second is the cash reserves for backing wagering. The size of reserves will dictate the amount of wagering activity that can be handled by the house and not laid off (placed with) a larger bookie. Most operations begin with from \$50,000 to \$250,000 in cash reserves.

While a bookmaking operation in the development stage will have severe financial limitations and constraints. A mature bookmaking operation will generate a stable revenue base from regular client wagering. This results when the client pool is of both sufficient size and disparate wagering tendencies to offer the bookmaker a low percentage of uncovered wagering activity. An uncovered wager means there is no offsetting action taking the opposite side of a bet.

Historical experience has shown that a bookmaker can expect between a 50-100% return per year on wagering reserves. The rapid return on capital and low overhead makes bookmaking quite attractive.

Since the size of the bookmaking operation and its profitability are always based upon the wagering reserves and thus action, the bookie is always looking for more action and cash reserves to back the action. It is also important to remember that bookies are,

and must be, service oriented. A bookie has to be established with the appropriate equipment to accept the action with personnel to adequately service the bettors. These are important points to remember when trying to infiltrate a book making operation.

Customer Profile

The bookies target market is the recreational sports gambler. The typical customer is from 25 to 65 years of age, male and white. He will have at least some college education and one or more major credit cards. He will read only a few publications typically those publications that deal with luxury items and or sports. He will also have an avocation towards the sport he prefers to wager on.

Wagering is cyclical depending upon the individual sport seasons. US sports see the most activity, in order, are: American Football (professional and college), Basketball (professional and college), Baseball, and Hockey. The summer is the slowest season from mid-June through late-July with activity picking up in early August with pre-season American Football. The period from the beginning of September through the end of January is the busiest with the College Football Bowl Season, Football Playoffs and Super Bowl bringing the most action for the whole year. Basketball, Hockey, and the beginning of Baseball in April keep operations active from February to mid-June.

American Football

American Football is the primary sport of any bookie. It will generate the most action of the four major US sports combined. A bookie wants as many football bettors as possible and be sufficiently capitalized to handle as much of their action as possible. Therefore the bookie customer recruitment efforts will be in full force during the football season from August to January with special emphasis on the beginning and ending months. Bettors generated at the beginning of the season will wager all season long. During the college bowl and NFL playoff season in late December to late January the bookie may concentrate on adding bettors as there are more people who may just want to wager during this time due to the large media exposure football receives. These late season bettors are those who just bet on the playoffs and Bowl games. Even those person unlikely to wager throughout the year may place bets during the playoff season. But the bookie will want as much wagering as possible during this final month of the football season from both regulars and novices.

Bookies think of the NFL's Hall of Fame Game at the end of July as the beginning of their fiscal year. During the month of August there will be wagering on the NFL's Pre-season Games. This month has been known to be both good and bad for the bookie, but it must be withstood for the regular season is near. By the end of August, the college football season will have begun and by the first week in September regular season professional football will have started.

Basketball

Basketball offers the sports book with a second reliable source of action. With the growing international popularity of the NBA, basketball will soon become a dominant betting sport comparable to football.

Baseball

Baseball is the third most popular of the 4 major US sports, but for the bookie it can be the most dangerous. Baseball is typically different from Football and Basketball wagering in that there are no point spreads involved. Sports books usually offer betting opportunities on Baseball in the form of money lines. Bettors only have to wager varying levels of money and have their team win the game by one run or more. While football and basketball (when offered) money lines are not thought to be dangerous, baseball money lines are because of the fact that pitching is such a dominant part of the game. In baseball, the pitcher controls the ball and the game. Theoretically, (if the pitcher doesn't make a mistake) the other eight players on the team do not have to do anything spectacular in the field while the opposing team is at bat, and they would only have to generate a few runs for victory if their pitcher is performing well. Therefore, baseball is a very risky sport for the bookie if bettors follow pitchers and understand some of the other fine aspects of the game.

Some Basic Types of Wagers

While there are many types of wagers the following are some examples of the more common wagers. While the information is detailed, it is important for any undercover officer trying to place a bet with a bookie to understand the basics of wagering and how the odds on the wagers are calculated. The wagers we will explore are Straight Team Action, Straight Total Action, Parlays, and Money Lines. These wagers tend to

account for approximately 85% of a bookies wagering activity. For example sake, only football is used since it is the most popular sport on which to wager and is still representative of both Basketball and Hockey wagering.

- **Straight Team Action**

In every football game there will be a favorite and an underdog unless the game is a pickem. If the game is a pickem, the line associated with that game is 0. Bettors just have to pick the winner of the game. A pickem is usually designated with the letters "PK".

When there is a favorite/underdog game scenario, there is a line associated with the favorite. For example, Team Bee (favorite) is favored by 7 over Team Flower (underdog). This means that if you bet on Team Bee, they must win by more than 7 points because you are starting the game with a deficit of 7 points. If you bet on Team Flower, you are starting the game with 7 points. So, for the bettor to win his bet, Team Flower can't lose the game by more than 7 points or they can win the game outright for the underdog bettor to win his bet. If Team Bee wins the game by 7 points exactly, all bets are returned to the favorite and underdog bettors. This last scenario is called a "push".

Outcome 1 - Final Score	Team Bee	24
	Team Flower	16

Bettors who bet on Team Bee will have won their bets with the final score for betting purposes being Team Bee 24, Team Flower 23; bettors on Team Flower will have lost their bets.

Outcome 2 - Final Score	Team Bee	17
	Team Flower	14

Bettors who bet on Team Bee will have lost their bets with the final score for betting purposes being Team Bee 17, Team Flower 21; bettors on Team Flower will have won their bets.

Outcome 3 - Final Score	Team Bee	35
	Team Flower	28

Bettors who bet on Team Bee will have pushed their bets with the final score for betting purposes being Team Bee 35, Team Flower 35; bettors on Team Flower will have also pushed their bets. All wagers plus the vigorish will be returned to the bettors.

Outcome 4 - Final Score	Team Bee	10
	Team Flower	21

Bettors who bet on Team Bee will have lost their bets with the final score for betting purposes being Team Bee 10, Team Flower 28; bettors on Team Flower will have won their bets. Outcome 4 shows you that the Team Flower bettors did not need the 7 points to start the game as their Team won the game outright.

When bettors bet on all football games, they must wager the amount of money they wish to win on their team of choice plus 10%. This 10% is sometimes called "juice" or "vigorish". If a bettor wishes to win \$100 on Team Bee who is favored by 7 points, he must "lay" \$110. If the Team Bee covers the 7 point spread, the house will return to the bettor \$210, his initial bet of \$110 plus the \$100 won on the game. Likewise, if a bettor wishes to win \$100 on Team Flower, the underdog, who is "getting 7 points", he must "lay" \$110. If Team Flower losses the game by less than 7 points or wins the game outright, the house returns \$210 to the bettor, his initial bet of \$110 plus the \$100 won on the game. If Team Bee wins the game by exactly 7 points, all money is returned to the Team Bee and Team Flower bettors.

The correct way to express that Team Bee is a 7 point favorite, or giving up 7 points at the beginning of the game, is to write that Team Bee is -7. The correct way to express that Team Flower is a 7 point "dog", or is getting 7 points at the beginning of the game, is to write that Team Flower is +7.

You will notice that if the house gets an equal amount of betting dollars on the favorite and underdog in each match-up, the house is guaranteed to make the 10% vigorish from the losing bettors. If you have \$27,500 bet on Team Bee (including the vigorish)

and \$27,500 bet on Team Flower (including the vigorish) and if Team Bee covers the spread, the house pays the Team Bee bettors with \$25,000 of the \$27,500 bet on Team Flower. The house keeps the \$2,500 vigorish from the Team Flower bets.

Straight Team Action betting is the mainstay of all sports wagering action. A house needs to generate as much Straight Team Action as possible.

- **Straight Total Action**

In every NFL football game and televised College football games, there will be a total posted for the match-up. The total refers to the handicapper's forecasted total number of points scored by each team during the game and overtime, if there is one. The total wager was started to offset the effects of point-shaving and game-fixing that occurred more regularly in the middle to earlier part of this century. Players might be able to somewhat control how many points they won or lost a game by, but it is harder to control both how many points are scored in a contest between the teams and how many points they won or lost a contest by.

If there is a total posted for a football game, bettors are given the opportunity to wager that the total is too low or too high. In the Team Bee versus Team Flower game, we will set an imaginary handicapped total of 45 points. If bettors wager that the handicapped total is too low, they would place their bet on the "over 45" or the "high". If they wager that the handicapped total is too high, they would place their bet on the "under 45" or the "low". If the total score at the end of the game is the same as the handicapped score, all bets are returned to the bettors. This last scenario is called a "push".

Outcome 1 - Final Score	Team Bee	24
	Team Flower	16

Bettors who bet on "over 45" would have lost their wager because the final score of the game produced a total of 40 points, or the total went "under 45". Bettors who bet on the "under 45" would have won their wager because the final score of the game did go under the posted total of 45.

Outcome 2 - Final Score	Team Bee	14
	Team Flower	31

Bettors who bet on "over 45" would have pushed their wagers because the final score of the game was a total of 45 points exactly. Bettors who bet on the "under 45" would also have pushed their wagers. Remember, with all pushes wagers are returned to the bettors including the vigorish, and scores in overtime are included in the final score for betting purposes.

When bettors bet on the total in a football game, they also must wager the amount of money they wish to win on their bet plus 10%.

You will notice that if the house gets an equal amount of betting dollars on the over and under in each match-up, the house is once again guaranteed to make the 10% vigorish from the losing bettors.

With total action, there are now four possible outcomes for the house and bettors in each game. The four outcomes are favorite/over, favorite/under, dog/over, and dog/under. But, unless there is a push on the line or total, there will only be one outcome for each game.

Straight Total Action betting is a very important element of football action. It is second in importance below straight team action. A house needs to generate as much Straight Total Action as possible.

- Parlays/2 - 3 Team Parlays

A parlay gives a bettor the opportunity to bet on 2 or more teams or totals or any combination of teams or totals and win a greater sum of money than if he had wagered on the teams or totals separately. If a bettor thinks that Team Bee is going to cover the 7 point spread, and he also thinks that the total in the Bee/Flower game is going over 45, the bettor can wager a \$100 - 2 Team Parlay which consists of Team Bee -7 and Over 45 Team Bee/Team Flower. If Team Bee covers the 7 point spread and the total in the game goes over 45, the bettor would be paid back \$360, his original \$100 bet plus \$260 for correctly picking both elements of the 2 Team Parlay. If the bettor correctly picks

only one element of his parlay or he incorrectly picks both elements of his parlay the bettor loses his \$100 bet. If the bettor correctly picks one element of his parlay and pushes the other element, the bettor will win an amount of money equal to what he would have won if he wagered his parlay money on a Straight Action Bet. So, a 2 Team \$100 Parlay with a winner and a push would pay an amount the bettor would have won if he wagered \$100 on the one element of the parlay individually, \$90.91. Remember a \$100 straight bet is made up of \$90.91 and \$9.09 in vigorish. In the unlikely case that there are 2 pushes in a 2 Team Parlay, the bettor is returned his initial bet. A push and a loser in a 2 Team Parlay results in a complete loss of the bettor's bet. With 3 Team Parlays the rules are essentially the same, as with 2 Team Parlays, with the bettor winning \$600 on a \$100 bet if he picks all 3 elements correctly. There is one nuance though. If a bettor picks 2 elements correctly and pushes the third, the 3 Team Parlay reverts to a 2 Team Parlay and the bettor wins \$260, if it was a \$100 parlay. If the bettor picks one element correctly and pushes the other 2, then the \$100 - 3 Team Parlay would revert to a straight bet and the bettor would win \$90.91. Remember, it does not matter how many winning or pushed elements there are in a parlay; if there is a losing element, the bettor loses the parlay bet.

It might be valuable to explain how the house would calculate these parlay odds.

Calculation of 2 Team \$100 Parlay -

\$100 on Element 1 at -110 odds (-110 implies the 10% vigorish found on straight football bets, teams and totals) would generate \$90.91.

$$\$100 \quad \times \quad 1/1.10 \text{ (or } .9091) \quad = \quad \$90.91$$

There is now a total of \$190.91 (or the original bet, \$100, plus the winnings from the 1st element of the parlay, \$90.91) parlayed to the 2nd element of the parlay at -110 odds.

$$\$190.91 \quad \times \quad 1/1.10 \text{ (or } .9091) \quad = \quad \$173.55$$

There is now a total of \$364.46 (or the \$190.91 plus the winnings from the second element of the parlay, \$173.55).

*If one were to now subtract out the original bet, \$100, from the \$364.46 total, the winning dollar amount for a 2 Team \$100 Parlay is approximately \$260. Las Vegas should pay \$264.46, but the figure is rounded down to \$260.

- Money Lines

When betting on football games where there is no point spread and only the issue of money is involved to differentiate the favorite from the dog, defines the term Money Line. Instead of laying \$110 to win \$100 and giving up 7 points with Team Bee, a Money Line would require the bettor to lay approximately \$290 to win \$100 on Team Bee, but Team Bee would just have to win the game for the bettor to win \$100. There is no point spread involved in this Money Line wager. Likewise, if the bettor thought that Team Flower was going to win the game outright (or did not need the +7 points), then the bettor would wager \$100 on Team Flower to win \$270 (assuming there is a 20 cent line involved in this particular Money Line) (A -290/+270 money line is a 20 cent line, a -350/+340 is a ten cent line, a -135/+130 is a five cent line, a -110/-110 is also a 20 cent line, a -105/-105 is also a 10 cent line, and a -102.5/-102.5 is also a five cent line). Team Bee would be -290 on the Money Line and Team Flower would be +270. In Money Line terminology you lay the minus (-) figure to win \$100 on the favorite, and you bet \$100 to win the plus (+) figure on the dog.

Moving the Lines

A bookie need to generate equal action across the field of bets. If the bookie has 450.00 on Team Bee and 200.00 on Team Flower the bookie may need to "move the line" change the odds, to generate more activity on Team Flower. Lop sided betting activity can and does occur when a bookie only takes action form a local area that has a popular team. Locals tend to bet on their home team and generate lop sided betting activity. Moving the lines help to manage this problem.

Busting the Book

Now that you understand how a bookie makes and takes bets, the internal operations are straight forward.

The bookie is usually the "odds maker" and has control of the cash reserves to back the wagering activity for the house. During the course of a week the house will take bets from customers or customer representatives and the money and the betting slips will be collected and dispersed by runners respectively.

As mentioned earlier, the bookie is a service business. If the bookie is difficult to deal with, overly complicated or doesn't pay, he will lose his business to other bookies very quickly. Hence the bookie, or his representative, must be readily available, easy to deal with, and prompt in collection and payment. Each of these requirements set up a weak point for law enforcement to exploit in the bookmaking organization.

Bookies usually get into the business because their have turned the avocation of sports and sports wagering into a vocation. A bookie is a professional full time sports "junkie". The paraphernalia of the trade includes sports news services, sports ticker services (just like stock tickers but they supply up to the minute game scores and lines), computers, pagers, cellular telephones and usually several subscriptions to sports publications.

Bookies either need to meet with all of the bettors once a week or the bookie's representatives. Since a person can only meet with so many people in a given time period and still keep operations running, the bookie will come to rely on representatives as he grows. These representatives have traditionally been restaurant and bar people, but they can be anyone who is in contact with the public on a regular basis. Examples such as carpet cleaners, plumbers, repair people, and courier services, can make pick-ups and deliveries all day long and never draw suspicion. Employees and/or owners of bars, convenience marts, liquor stores, video rental locations etc. can accept regular deliveries and bets and not draw any suspicion either. The representatives will get a piece of the action for accepting bets and paying winners for the bookie. Hence, through the documentation of suspected bookie's (or representative's) activities a pattern of activity will emerge. The information items to focus on are; driving destinations, regular person's arriving on or about the same time every week, regular telephone traffic by and between, the bookie, bettors and the representatives, regular contact with the same people every week.

A bookie will receive many telephone calls in a day usually beginning around 3 to 4 P.M. and ending around 7 to 8 P.M depending upon your time zone and the game schedules. The same will be true for the representatives of the bookie. These are inbound wagering calls and calls to pick-up winnings. The volume of calls is large and will follow a predictable pattern with respect to the time of the calls. The volume per telephone line of 50 calls or more during the time periods above is a good baseline for a small time bookie, but 200 to 300 calls a day per line could be expected for a larger book. By running a trap and trace on the telephone line, the investigator will know the number and ID of the caller, the duration of the call and the total number of calls during any given time period. The longer the call the more action that is taking place between the caller and the bookie. The more action taking place on a given call the more likely that the call is from a representative or a layoff. If the action is lop sided or too large for a bookie to handle, the bookie will use a layoff and offset the risk with another bookie. A layoff is a larger bookie that the bookie will use if he does not have sufficient reserves to cover certain action.

Other book making operations can be uncovered by working the bookie's layoff and the players. If you can find a bookie's layoff, you can begin an investigation on a brand new and heretofore unknown operation. Another source for information on bookmaking operations are the players themselves. A player usually has two or three bookies and will call the different bookies to get the best odds for his bet. Players will usually freely discuss other bookies and will introduce you to their other bookies. It is not uncommon for a bookie to pay a referral fee for to a player who brings in additional players.

The bookie makes his money on the odds spread between both sides of a bet. An average return on gross action is about 10%. Hence, if you hear about a bookie that can take a \$1,000,000 a year in action, that means he is probably grossing \$100,000 per year. Wagering reserves will usually amount to 5% to 10% of the of the gross action in a year. So a bookie that takes a \$1,000,000 a year in action will usually have from between \$50,000 to \$100,000 in cash reserves. Bookmaking is very similar to insurance, in fact the insurance industry was created from the mathematics of gaming. There is an actuarialized statistical norm that shows up over enough time that the enterprise will

make money. But like some insurance companies, some bookies have bad times and lose their reserves if they take too much losing action.

Bookies make their income in cash and for some reason, just like all other cash criminals, they will grossly under report income. A simple means versus ability test is the next step. Look at the spending habits of the individual versus the reported level of income. Most often there is a gross discrepancy between their meager declared earnings and a lavish life style.

Bookies tend to be cautious but gregarious and introduction to them must be handled carefully through either a Confidential Informant or surreptitious inquires at suspected locations. After a few bets have been made by the undercover officer, discrete but genuine inquires could be made on the need for additional capital for expansion of the operation. A bookie needs wagering reserves and representatives to grow. The undercover officer could present a package of potential representatives and the prospect of available cash. The officer would need to do his or her "due diligence" on the operation and that could open up additional information and evidence for the pending arrests and prosecution. Showing a bookie in need of expansion capital a Certificate of Deposit with the investigator's undercover name could be sufficient to pry open the operation for the "investor/investigator".

The investigator, if they are patient, can work up a profile on a bookie within a few week of first contact and wagering. The profile should contain a list of: players, layoffs, representatives, and associates. The profile should also contain some basic calculations on the level of activity of the bookie. Using our previous example a bookie taking \$1,000,000 a year in action is about \$19,000 a week in total action. The investigator needs to learn where the wagering reserves are held. While this may mean that our bookie is only earning about \$2,000 per week there should be from between \$50,000 to \$100,000 in cash to back that action that could be seized in a bust. These basic activity levels are important to the profile. It outlines what the bust of the operation should produce in suspect, cash and equipment.

Bookies run the gamut from quiet people that may have become a bookie because it looked like fun to organized crime. Debt collection methods of a bookie also run from no effort (business risk) to physical violence.

Backgrounds should be run on all suspects and all of those involved even in the periphery of the operation for officer knowledge and safety.

The Future

The area of biggest growth in the Sports Betting Industry is in customized offshore sports betting. This is currently done by many new thinly capitalized companies in such locations as Antigua, Dominican Republic, Curacao, the South Pacific, and Europe.

Bookies are going on the World Wide Web and offshore. The World Wide Web is now sporting "virtual" casinos and sports lines as inducements to call for more information. The investigator can regularly look for classified advertisements in major newspapers and lavish display adds in sports magazines and luxury magazines for "give-aways" from offshore sports bookies. Sports book operations have been found in The Dominican Republic, Antigua, Curacao, and other locations throughout the Caribbean, England and the world. All of these operations will either debit or credit your credit card, or you can send them a cashiers check and they will open an account for you. They are using the US Mail for promotion of gambling, telephone lines for the placing of wagers, and the banking system for the payment and fulfillment process of wagering. Maybe US Title 18 applies, and maybe it doesn't. From those the author has spoken to, federal prosecutors and some state prosecutors are waiting for the perfect case to establish some case law for the future.

Bookies pray on people that just can't stop gambling, and many people have lost and will continue to lose fortunes or worse to these people. Any concerted effort in a community can wipe out bookmaking for awhile, at least until a new operation sets up shop.

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