

# Poker Players Go Underground

By [Anastasia Ustinova](#)

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Nikolai nods to the camouflaged guards as he enters a nightclub in central Moscow before heading to a room tucked behind a glass wall.

It's shortly before 10 p.m. on a Tuesday. The push of a button opens a wooden door to a smoke-filled parlor packed with poker players. The card game was considered a sport until Prime Minister Vladimir Putin decided last year to prohibit gambling in all but Russia's furthest reaches.

The ban succeeded only in driving "decent people into the dark," Nikolai, a name he chose to use because of fear of repercussions, said as he stacked 20,000 rubles (\$650) of chips on a blue felt table. He pointed to a poster advertising a poker tournament with 600,000 rubles of prize money.

Russia's purge against gambling is sending poker underground just as the casino industry expands globally. Gaming revenue will increase 57 percent worldwide to \$157 billion by 2014, the accounting firm PricewaterhouseCoopers estimated in a report published earlier this month.

Why parlors like the ones Nikolai frequents are still operating is an issue of increasing frustration for President Dmitry Medvedev, who has taken the lead from Putin in the public campaign against gambling. As president in 2006, Putin called for casinos to be shut to reduce addiction and to clamp down on organized crime. He set up four special zones for gambling that have so far remained undeveloped.

"Russia is quite unique because it went against the trend globally," said Laurie Korpi, head regulatory analyst at London-based GamblingCompliance, an industry research firm. "I can't think of many countries which would have an established gambling industry that pays taxes and then overnight would basically just close the door."

Medvedev ordered an investigation last month into why Moscow officials haven't shut down what City Hall itself says are more than 100 illegal gambling halls. The ban on poker came into effect on July 1, 2009, two years after it became a sport.

The club hosting Nikolai includes three halls, a bar and cash desk, and the focus is poker, not discussion. Players around seven tables in one hall nibble on savory snacks and sweets and mainly drink tea, rarely talking.

Medvedev last week ordered Mayor Sergei Sobyenin to investigate illicit gambling dens. "We need to finish the task of cracking down on illegal casinos," Medvedev said at a government meeting in Ryazan, southeast of Moscow. "This is an illegal business and it's a crime."

## **24 Hour Raids**

Sobyenin, Putin's former chief of staff, plans to create special units that will be on call to raid gambling halls 24 hours a day. Medvedev fired Sobyenin's predecessor, Yuri Luzhkov, in September after 18 years in power, citing "lack of confidence."

"I think we will sort out the mess within a month," Sobyenin told Medvedev last week.

More than 3,000 illegal betting parlors have been closed across Russia so far this year and many still operate outside the law, said Colonel Vladimir Krivosheyev of the Interior Ministry's economic safety division.

"We raided a hall with slot machines in a basement of a house in the suburbs of Moscow once and there were rats everywhere," he said in an interview. "People kept playing even after the squad raided the premises."

Nikolai, who learned karate in the 1980s to defy a Soviet-era ban, keeps in touch with his poker partners and parlor managers by text message as they move around Moscow to avoid raids. He lost 20,000 rubles of chips within half an hour before winning 61,000 rubles with his second 20,000-ruble stake. He then headed to the second venue of the night, this one glitzier, with dark leather walls lit by deep red lights.

"I've got phone numbers for about 40 places, and about 20 percent of them have been shut down in the past two years," said Nikolai, 50. "If this keeps up, where are the decent people supposed to go to relax, a dungeon?"

The four zones Putin created for legal gambling are near the borders of North Korea,

Kazakhstan and Ukraine, as well as in the exclave of Kaliningrad between Poland and Lithuania. Before then, Russia had 360,000 slot machines, more than any country except Japan and the United States, according to a 2008 report by London-based research group Taylor Nelson Sofres.

### **'Irrational Idea'**

"One of the most dramatic developments in 2009 and 2010 was the collapse in the Russian market, which was essentially shut down by regulatory changes in the latter half of 2009," PricewaterhouseCoopers said in its Dec. 7 report.

The company predicted global casino gaming revenue will grow at a 9.3 percent annual rate during the five years to 2014 from \$100.5 billion in 2009.

The Russian government shouldn't be under any illusions as to the difficulties of curtailing gambling in a country where the industry was doubling every couple of years, reaching about \$7 billion in 2008, said Michael Boettcher, chief executive officer of Storm International, the country's biggest casino operator before the prohibition.

Storm, based in Moscow, has all but abandoned Russia and opened casinos in countries including Armenia, Belarus and Mexico because few gaming companies or gamblers have shown much interest in traveling to the new zones, Boettcher said.

"It was an ill-conceived and irrational idea born more out of politics than common sense," Boettcher said by e-mail. "This disaster could have been averted by talking to either the existing operators inside Russia or consulting with another, independent, gaming expert from outside the country."

Russia had 3 million gambling addicts, or 2.1 percent of the population, according to a 2008 estimate by NarcoDen, a Moscow-based rehabilitation specialist.

The Public Chamber, set up by Putin to scrutinize legislation, said the gambling halls were to blame for "destruction of families, crimes against people, theft and robbery, psychological illness, a large number of suicides," according to a 2006 statement.

As he moved to his third and final venue of the night at about 2 a.m., a three-story office building, Nikolai said there are far worse scourges on society than playing poker.

"There are 50 times more saunas, which are basically brothels, than there are gambling halls in Moscow," said Nikolai. "And no one cares about them."

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