

# Real criminals use virtual worlds to launder money

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(PhysOrg.com) -- A study of 'virtual' worlds to see how criminals use them to launder real money is underway at the University of the West of England.

Senior Law lecturer Dr Clare Chambers has just started an 18-month project to investigate whether the legal structure of these virtual worlds - where players use real money to buy virtual goods such as land, businesses or consumer items, which can then be sold on or exchanged - enables [money laundering](#) offences to be committed.

Clare said, “On an average day, about £750,000 changes hands in the most popular virtual world platforms. The most recent research into virtual fraud was carried out in 2007 and this concluded that money laundering was on the increase in virtual realities. More up-to-date research is required in this area order to understand and combat it.

“The number of users of one popular platform, [Second Life](#), has soared from 700,000 in 2003 to 6.2 million in 2008. Players create on-screen characters known as avatars who can mingle with others anywhere in the world. Using a pretend currency called Linden dollars they can buy and sell virtual items from clothes to homes, for fun or to impress. Characters can even start up businesses.

“Crucially, Linden dollars can be freely exchanged for real American dollars. My research will examine how money laundering can take place through virtual platforms. Little is really known about virtual economies

and the effect this has on the real economy. The previous research is now relatively out-of-date given the fast pace of technology and the criminal mind. Virtual bank runs and virtual money laundering may seem a bit far-fetched but it is now a reality which is hitting the real economy hard. The difficulty in virtual money laundering and banking law is the confusion over the jurisdiction the crime has taken place in. This project is therefore a global examination of the laws relating to virtual worlds and whether we can assimilate real world laws into a [virtual world](#).”

“I will be making recommendations on how the government can regulate this growing virtual crime, and these will be communicated through policy consultation and journal publications. For example, the UK government can ensure that funds exchanged in this way count as genuine financial instruments, covered by existing laws and regulations.

“The new opportunities offered by virtual worlds for money laundering include people providing false online identities, tax evasion and unregulated cross-border money movements.

“Virtual communities are not just chat rooms, they are also lucrative and growing marketplaces. Members use these interactive sites to buy and sell tangible goods and services such as land and property, clothing, music and bookmaking. But there's nothing virtual about online crime, it's all too real and needs to be taken seriously.”

Clare is one of 21 UWE staff who have been awarded grants to help their research careers. The University is investing nearly £300,000 to support early career researchers through a new scheme that will fund them to undertake some preliminary research with a view to then making a substantial bid for external funding to take the work forward. Awards vary in size from £5,000 to £20,000.

Clare added, “This funding is really welcome. During this time I will also be applying for further funding to build on my research so that I can carry on work in this important and fast-changing area. I am very excited about carrying out this research. Banking law is my passion and this grant has allowed me to pursue this project solely over the next 18 month and hopefully beyond.”

Provided by University of the West of England

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