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## **Government Should Extend Legislation into Virtual World, Says Fraud Watchdog**

Legal loopholes are exposing web-based virtual communities to a growing risk of theft and deception according to independent watchdog the Fraud Advisory Panel. “Such communities are not just chat rooms, they are also lucrative and growing marketplaces” said the Chairman of the Panel’s Cybercrime Working Group, Steven Philippsohn. “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. It is time government took this seriously”.

Online virtual communities are a combination of internet chat room, 3D games and next generation internet environment in which residents can choose what they look like and what they do, with goods and services traded using virtual money.

South Korean police reported in 2003 that over 50% of alleged cybercrime occurred on ‘virtual world’ gaming websites (see notes to Editors). The Panel argues that the UK government must ensure that funds exchanged in this way count as genuine financial instruments covered by existing laws and regulations. “That’s the key to successful crime prevention in this evolving area” said Mr Philippsohn.

The Fraud Advisory Panel highlights several problems arising with virtual communities:

- Credit card fraud against genuine customers and suppliers
- Hacking into databases and identity theft
- New opportunities for money laundering via false online identities
- Tax evasion and unregulated cross-border money movements
- Sales of age-restricted goods and services to minors.

Virtual communities can also be used by organised gangs intent on avoiding surveillance.

Mr Philippsohn added: "The legitimate benefits of virtual communities will prove enormous but people need to be aware that this cutting edge technology has a darker side."

The Working Group's findings are based on a report to them by TRMG ([www.trmg.org](http://www.trmg.org)) Chairman Mark Johnson.

### **For Further Information**

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### **Note for Editors**

1. 'Does virtual crime need real justice?' Mark Ward, BBC News Online, 29/09/03 (<http://news.bbc.co.uk>)
2. Mark Johnson is CEO and Chairman of TRMG. He can be contacted at [mark.johnson@trmg.org](mailto:mark.johnson@trmg.org).
3. The Fraud Advisory Panel is a registered charity which raises awareness of the immense social and economic damage caused by fraud and helps private and public sectors, as well as the public at large, to fight back. It was established in 1998 by the Institute of Chartered Accountants in England and Wales (ICAEW) which continues to provide valuable support. Since its foundation the Panel has:
  - Raised the profile of fraud helping to push the issue up the policy making agenda
  - Developed major proposals for the reform of policing, prosecution and the law; many of these have found their way into the Fraud Review
  - Worked to improve business and professional education and training
  - Commissioned important new research, for instance on the extent of fraud, cybercrime and the risk to SMEs
  - Raised awareness through conferences, seminars and the media.

Members include representatives from the legal and accountancy professions, industry associations, financial institutions, government agencies, law enforcement, regulatory authorities and academia.