

IT'S NOT REAL MONEY!

...but it so is!

China has introduced new laws to put an end to the use of virtual currency in the trade of real goods and services.

Under the new laws, which were brought in to limit the possible impact on the real financial system, using virtual money for gambling will be punished by public security authorities.

However, in the official statement released by the Ministry of Commerce of the People's Republic of China, it did not explicitly state how the government would monitor the trade of virtual currency, or if the ban would extend to currency in the gaming world, such as gold farming, which is the exchange of real-life currency for virtual goods and services. In fact, the Chinese government's media release failed to mention what kind of virtual currency they were referring to, making only a vague reference to the virtual currency used in a popular instant messaging service.

According to Professor Richard Heeks of Manchester University, the statement can be interpreted as being the opposite of gold trading.

"This is a government restriction on the use of the quasi-Paypal-like currencies...that are used extensively in China to pay for virtual game stuff," he wrote on his ICTs for Development blog.

Professor Heeks believes that the Chinese government's media release refers to QQ Coins, which are the main currency issued by TenCent.com, which is one of the most popular instant messaging services used in mainland China.

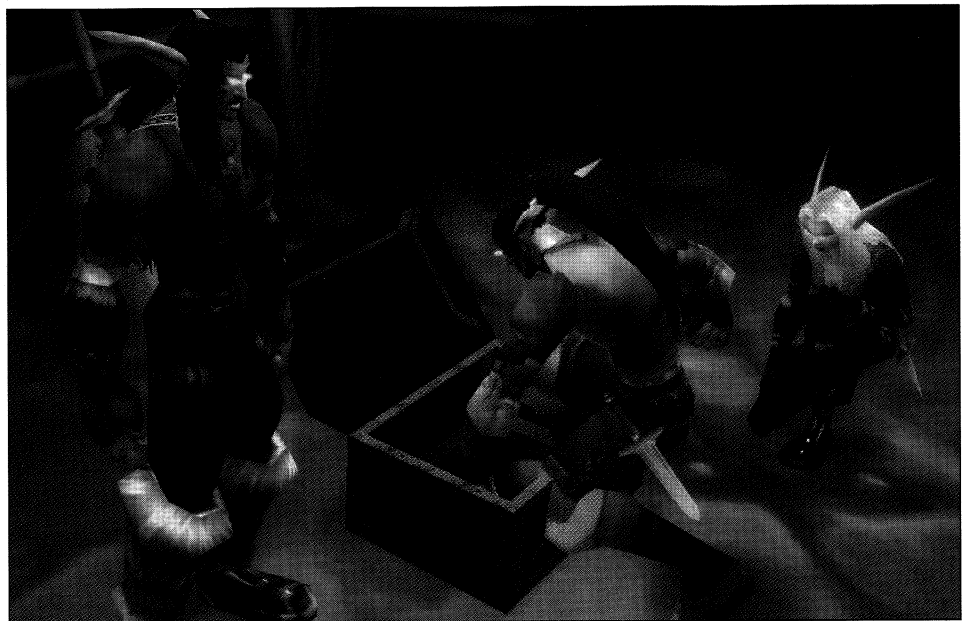
Users of the messaging service can use QQ coins to buy avatars, blogs, download games and ring tones. The coins are obtained through purchase and, due to their popularity, they are now accepted by more and more online stores and gaming sites in exchange for "real" merchandise such as small gifts.

"As announced they can now only be used to pay for virtual stuff, and you can't buy real things with them as game companies were allowing to happen, nor can you gamble," Heeks wrote.

The problem is it is incredibly difficult to monitor how virtual currency is used and just as hard to track down the perpetrators. Furthermore it is not known for certain if any other kind of virtual currency - whether it be gold in World of Warcraft or Linden Dollars in Second Life - will be affected by the new legislation.

If it is the case that only QQ Coins are being targeted, then it is unlikely that non-TenCent.com users will feel the effects of China's ban. But if the ban also includes gold farming, then this could have a much greater impact on the gaming world.

It is estimated that hundreds of thousands of people in China are employed as gold farmers who sell virtual currency and characters to gamers in developed countries. While most make very little money from this - an example being a level 70 character in World of Warcraft being sold for \$US160, despite such a character requiring up to 1500 hours to level-up - the local context in



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which gold farming takes place often makes it an attractive option.

Dr. Yusuf Pisan, an Associate Professor in the Faculty of Engineering and Information Technology from UTS, said that these trades as well as gold farming occur off the radar, so it is hard to pinpoint how many people are doing it and how big an issue it is.

"It falls into the grey and black economy -- there isn't just one owner of a company doing these deals -- we don't know for certain how many people there are doing it, but they often have their own system and work from labs or internet cafes," Dr Pisan said in an interview with Hyper.

It is estimated that China currently has hundreds of thousands of gold farmers employed, many of whom are exploited by those who operate the systems and internet cafes where gold farming takes place.

"One of the reasons why China would want to ban gold farming is that there's no tax on it and there's no government control. And there is probably a lot of exploitation happening -- there are people working 16-hour days, living in dormitories, and the pay is comparable to working in a factory," he said.

"Lots of people doing gold farming do it because of the income disparity. It provides a real opportunity to a group of people, it gives them access to real money."

At the moment, all we can do is speculate over what the Chinese government means when they say "virtual currency", because there has been no clarification since the release of the statement. But it will be interesting to see what gets targetted and how the law is enforced in such an ephemeral environment.

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