

Club of Amsterdam

Virtual economies present real challenges

April 2008

Club of Amsterdam

Shaping Your Future in the Knowledge Society

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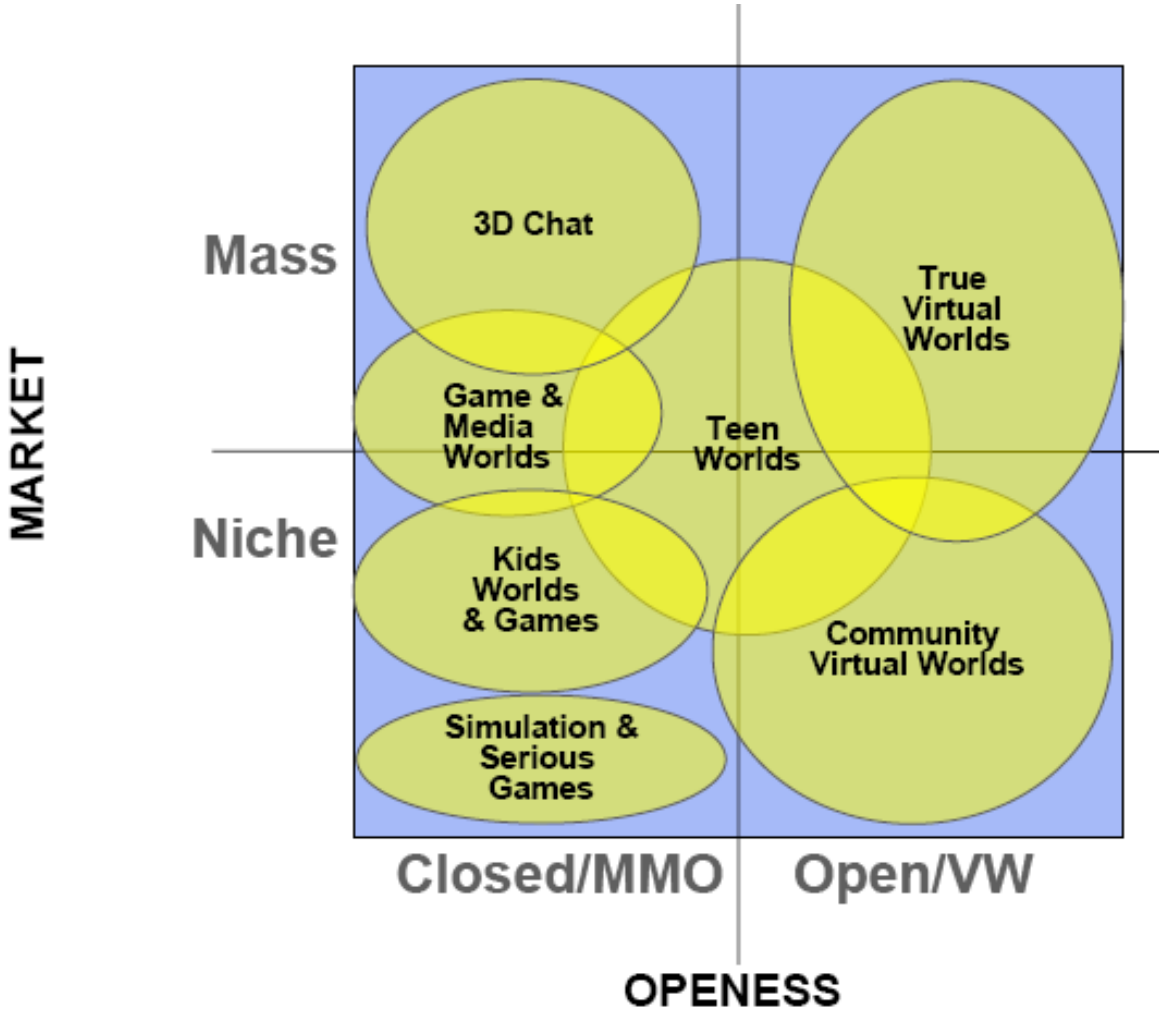
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Agenda/Contents

1. A snapshot/examples of Virtual Economies
2. The concepts of a selection of Virtual Economies
3. Challenges of Virtual Economies

The playing field



Examples of virtual worlds





CLICK TO PURCHASE
adidas MICROWORLD
IN VR

CLICK TO PURCHASE
adidas MICROWORLD
IN VR

WELCOME TO
adidas
Microworld
CLICK FOR INFORMATION

adidas

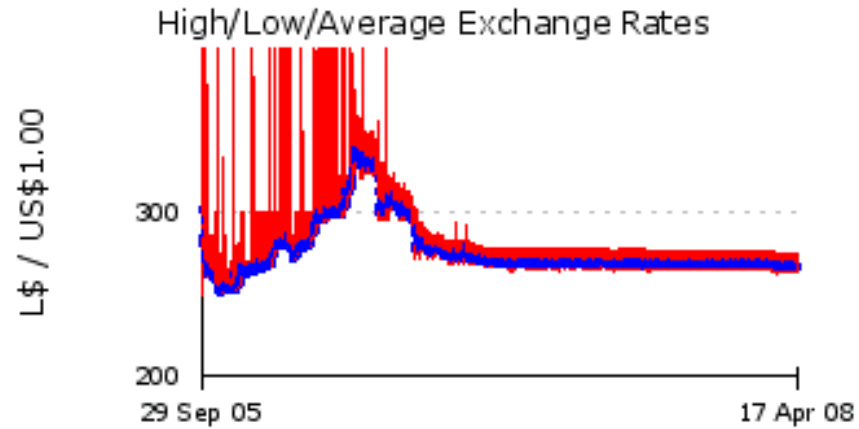
adidas MICROWORLD





Second Life (Linden Labs)

- Linden\$ Currency (Lindex Exchange)
- Virtual Labour
- Virtual Goods
 - Clothing
 - Land
 - Real Estate
 - Artifacts
- Currency Trading



780716
 780714
 LEVEL

8
 2
 3
 4
 5
 6
 7

100%

Now training level 24, you can learn 2nd rank skill.

444 : finaly go over the wall
 2000000000 : no more for a while...
 444444 : you are over the
 444444 : old love
 444444 : you are at an over world up there!
 444444 : you are at an over world up there!
 444444 : you are at an over world up there!
 444444 : you are at an over world up there!

Char Info

Name	Hanku		
Gender	Male		
Group	K.V.	Lu	11
Str	44	Int	23
Dex	28	Agil	21
Vit	21	Resistance	OK
Life	26700	Mana	12424
Stamina	12424	Exp	11,215
Attack	17	Defense	17
Class			
Emotion	Neutral		
Gold			
Gold Per			
Gold Gr.			

Five Elements

Class
 1
 Emotion
 1 / 0
 Close

Entropia Universe (MindArk)

- PED (Project Entropia Dollars)
- Fixed Exchange Rate (10 PED = US\$1)
- Virtual Banking Licenses sold for some USD 400,000
- Virtual Goods and Labour
 - Real Estate
 - Hunting
 - Mining
 - Manufacturing
 - Rare items trade for multiple thousands of USD

Key figures

Entropia Universe

Some 700,000 accounts

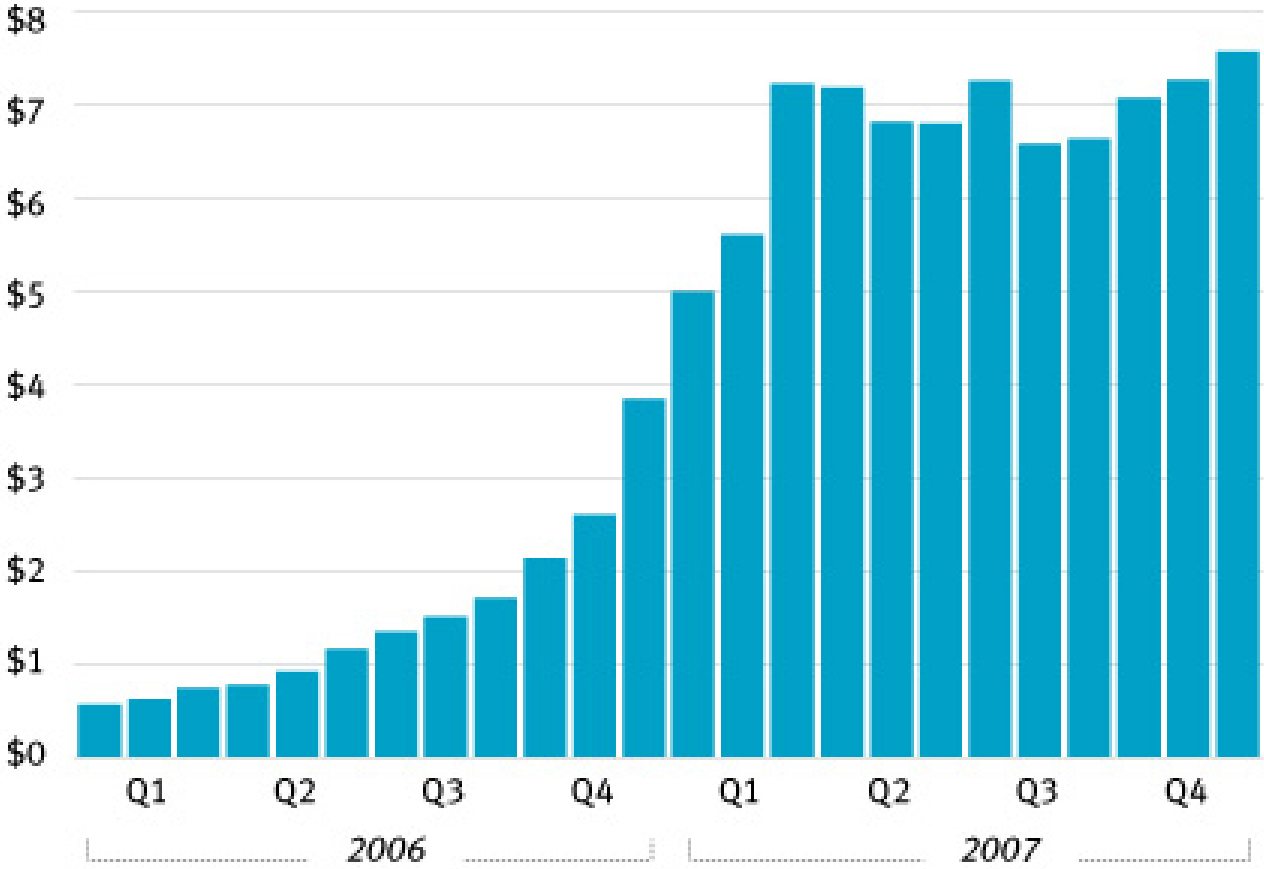
2006 in-game revenue of USD 360 mio

Second Life

Some 13 million accounts

See chart on next page

US\$ Spent by Users (in Millions)



Challenges of the Virtual Economy

- What is the status of Virtual Currencies
 - Official Exchange?
 - Functional Currency?
- How can you identify jurisdictions of users (identification)?
- How are transactions treated from a tax perspective
 - VAT?
 - Social Security/Wage Tax?
 - Corporate Income Tax?
- How are transactions treated from an accounting perspective
 - Revenue Recognition
 - Valuations (inventory, etc.)
- What about Governance?

Real Challenges In Virtual Worlds