The Law Society of Hong Kong's 5ᵗʰ Belt and Road Conference:

"Metaverse and Money on the Belt and Road"

10 November 2022

Session 2 – ""How do we protect the Metaverse and digital space from online falsehood, defamation, and misinformation in the Metaverse and digital space?"

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What is the Metaverse?

- The Metaverse is envisioned as the most recent version of the Internet – it is an **immersive and constant digital environment** where people interact with one another through an avatar (which is essentially the manifestation of a user).

- It is a network of virtual environments that can allow these avatars to carry out a range of activities – from commercial transactions to social interactions.

Malaysia and the Metaverse (1)

- The metaverse has taken hold in Malaysia – some businesses have started selling NFTs to customers who become part of their community, others have launched virtual platforms for customers to play games to earn points and order products (that will be delivered in real life.)

- For example, Tiger had launched its first Street Food Virtual Festival in December 2021 – where users can pick an avatar, access a virtual platform and order from local food vendors.

Malaysia and the Metaverse (2)

- In January 2022, local fashion brand Pestle and Mortar Clothing collaborated with Tiger to launch "Lucky Tigers NFT collection" – selling 6,688 NFTs, which amounted to RM3 million in revenue.

# Digital Currencies and Digital Tokens in Malaysia

- The currency in the metaverse is known as digital currency, and the 2 governmental bodies regulating cryptocurrencies are (1) the Malaysian Securities Commission ("SC") and (2) Bank Negara Malaysia ("BNM").

- Apart from the traditional pieces of legislation, Malaysia now has in place the "Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019.

- Under the order, 'digital currency' and 'digital token' are securities for the purposes of securities laws in Malaysia if the criteria are satisfied.

Potential Illegal Activities in the Metaverse

Privacy and Data Protection
- As people will be participating through avatars, this will entail the collection of huge amounts of data, including biometric data.
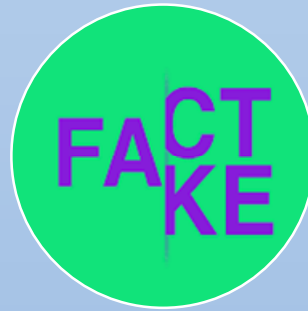
Misinformation and Spread of Hate Speech
- Virtual reality in the Metaverse is a breeding ground for deception as it can manipulate its users at a more extensive level.

Sexual Harassment
- As the Metaverse consists of haptic technologies, it makes harassment equally traumatizing because they feel like real experiences.

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DATA PRIVACY

DATA BREACH

Privacy and Data Protection

- When users participate in the Metaverse through avatars, their **biometric data** and other sensitive data (including psychological responses like head or eye movements) which might be recorded to ensure immersive experience.

- As users leave data trails, there could be a potential invasion of user privacy – where users' data could be harvested and used without their consent.

Misinformation and Spread of Hate Speech
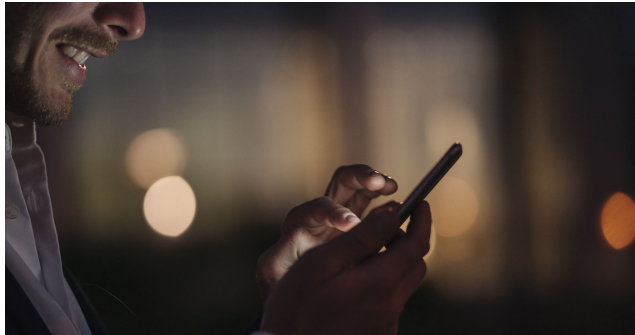
Misinformation and Fake News - Virtual reality in the Metaverse is a breeding ground for deception as it can manipulate its users at a more extensive level

FACT FAKE

- **Deepfakes**, for example – take the form of reenacting an individual's face and synthesises their speech could potentially manipulate users into believing all the information that they see, even though they may not be accurate.

- There could be spread of extremist ideologies – one example given was the 'resurrection of Osama Bin Laden in the virtual world.'

Sexual Harassment

Harassment
- As the Metaverse consists of haptic technologies, it makes harassment equally traumatizing because they feel like real experiences

- As the Metaverse consists of haptic technologies, it makes harassment equally traumatizing because they feel like the real experiences.

- Many online responses to VR sexual harassment are dismissive, abusive and misogynistic.

- When VR is immersive and real – toxic behaviour that occurs within that environment is equally real and damaging as well.

Regulating the Metaverse

- With the advent of social media platforms in the past decade, we have seen how such platforms has exploited its users and consumers – such as creating a toxic environment that spreads misinformation and hate. Such platforms also deploy the media as a polarizing force which creates misconceptions in certain demographic groups.

- This problem – among many – could get significantly worse with the metaverse.

European Union

- According to Thierry Breton – the EU Commissioner for the Internal Market, the European way to foster the virtual worlds is threefold: through **people, technologies and infrastructure.**

- The EU will adapt their Digital Service Act (DSA) and Digital Markets Act (DMA) to "future proof the regulatory tools for the digital space."

- A "Virtual and Augmented Reality Industrial Coalition" was launched to bring together stakeholders from key metaverse technologies – to devise a roadmap to identify the challenges and opportunities in the digital industry.

Japan
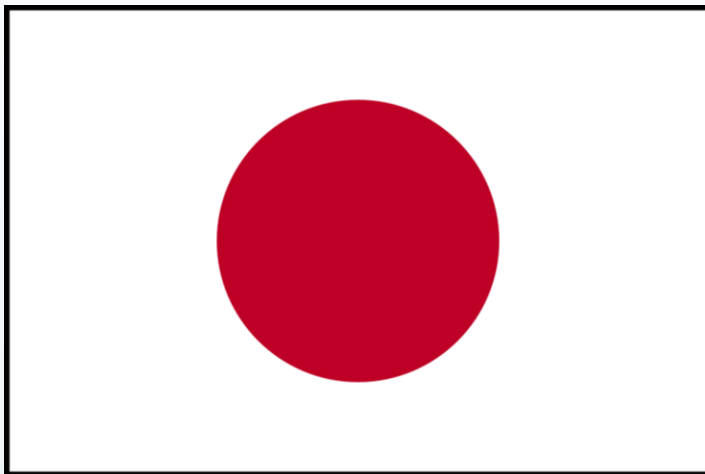
- Japan announced the creation of a Web 3.0 Policy under the Ministry of Economy, Trade and Industry (METI) to establish metaverse-related policies.

- The current legal framework in Japan for such issues is vague, so it is set to (1) investigate and review the legal issues in question, (2) investigate overseas projects in the same arena, and (3) hold study group discussions regarding Web 3.0 and the metaverse.

- METI will also establish the "Metaverse Trial Space" to review any relevant issues.

South Korea

- South Korea's National Data Policy Committee announced that it would develop regulatory amendments specific to the   metaverse.

- The Ministry of Science and ICT (MSIT) Identified that the imposing of older and existing regulations "serves as a deterrent to the growth of new ecosystems."

- The Committee has added that new industries including the metaverse could "lead to the success of national competitiveness."

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Conclusion

- While there is a need for regulations to be in place, restrictions imposed on the free flow of information and user experience can diminish the emancipating power of the metaverse and the digital world, which is precisely what it aimed to create.

Conclusion

Tech companies themselves will need to develop their own safeguards and protections for the metaverse.

Stakeholders with specific expertise – such as policymakers, law enforcement and civil-rights activists should be asked to contribute.

Finally, governments must proactively guide this process to facilitate a safer metaverse environment for companies and its users.

END

Thank you.