WebMoney and Its Customers

The ability to make anonymous money transfers is just one of the services attracting law-enforcement agencies’ attention

In the busy world of digital currencies, e-gold Ltd. has a controversial rival in Moscow called WebMoney. The Russian Internet currency company claims more than a million users in 37 countries (but mostly in Russia and Ukraine). It has doubled its tally of customers each year since 1998, according to founder Andrei Trubitsin.

Like e-gold, WebMoney enables users to conduct transactions without a bank acting as an intermediary. Customers of the Russian outfit exchange ordinary money for units of WebMoney, which they can swiftly transfer to anyone else with an account on the system. WebMoney isn’t anchored to gold in the way e-gold says it is. But WebMoney units do maintain a fixed value -- a feature that appeals particularly to customers bruised by Eastern Europe’s sometimes volatile currencies. WebMoney also allows users to make transactions worth up to 150 euros without using their real names.

GANGS BUSTED. That anonymity explains in part why U.S. law-enforcement officials have identified WebMoney, along with e-gold, as a popular payment vehicle among cybercrooks. And, investigators say, criminals using false names and identities gravitate to WebMoney to launder far more than 150 euros at a time.

Officials with the U.S. Postal Inspection Service say they worked with Eastern European authorities in 2004 to shut down two cybergangs, known online as dumpsmarket and carderportal. According to the postal inspectors, the gangs had laundered proceeds from the sale of stolen credit cards through two digital currencies, including WebMoney.

Trubitsin acknowledges that some criminals do use WebMoney. But he says this isn't his fault, and he denies that the company has designed WebMoney to disguise online crime. He stresses his work with law enforcement agencies to catch crooks. In 2005, the company received some 300 requests for information about its users from Russian officials and foreign law-enforcement agencies, he says. It’s natural that as the business grows, it will receive a larger number of such queries, he adds.

EASY TO CLOAK. To prevent money laundering, WebMoney uses a verification system that identifies customers and tracks their transactions, Trubitsin says. It issues "digital passports" based on notarized identity documents, which every person opening a WebMoney account must submit, he adds. Anyone who breaks the rules, he says, can have his account closed.

U.S. officials worry that WebMoney’s Moscow location has added to its appeal among online criminals. Getting cooperation from Russian courts and obtaining documents from Russian companies is time-consuming and difficult, U.S. investigators say. That makes it easier for cybercriminals -- already adept at using fake identities -- to obscure their money trails.

In April, the Financial Crimes Enforcement Network (FinCEN), the U.S. Treasury Dept.’s anti-money-laundering unit, cited WebMoney, along with e-gold, as a digital currency used to move funds from the sale of stolen identity and financial data into a Latvian bank that FinCEN labeled "a primary money-laundering concern," which means U.S. banks are barred from doing business with it.
WebMoney's Trubitsin calls the FinCEN report “nonsense” and says WebMoney doesn't have any dealings with the bank. He adds: "On our Web site are posted our terms and agreements, special for financial investigators in America who can't be bothered to read them."

By Brian Grow in Atlanta and Bryon MacWilliams in Moscow