

What Does The Metaverse Mean For CFIs?

by [Steve Brown](#)  [technology](#) [augmented reality](#)

Summary: There is lots of hype around the metaverse at the moment, with various observers forecasting an \$8T opportunity. While this is an evolving space and much is still unknown, we look at various potential opportunities for the financial services industry.

Since 2015, every February a group of hardy souls take part in America's ice swimming "Olympics" held on Lake Memphremagog, VT. With only goggles, a cap, and a standard swimsuit, participants crawl through 34°F waters. While this event is one of a kind in the US, it is part of a growing international league. For those wishing to try this fairly new sport, experts recommend taking it slowly and learning more about it before diving in.

When it comes to the metaverse — a hot topic in the digital world — community financial institutions (CFIs) would also be well advised to be cautious, rather than simply taking the plunge. [Goldman Sachs estimates the metaverse opportunity at \\$8T](#), with other analysts projecting similarly large numbers. However, as the metaverse is still a relatively new concept these may prove to be optimistic estimations. But given the amount of money that is already flooding into the space, CFIs may cautiously want to start investigating some of the possibilities it might offer. We start your investigation off today.

What is a metaverse?

While there are a few definitions out there, here is one from Seeking Alpha, an investment website, that is straightforward.

"The metaverse refers to both current and future integrated digital platforms focused on virtual and augmented reality... devices like virtual reality headsets, digital glasses, smartphones, and other devices will allow users access to 3-D virtual or augmented reality environments where they can work, connect with friends, conduct business, visit remote locations, and access educational opportunities, all in an environment mediated by technology in new and immersive ways."

This area of advanced technology is still in its infancy, yet some of the big banks are finding ways to start using it.

Who's doing it right now

It's no surprise that early adopters include some of the largest FI institutions: HSBC, American Express, Visa, Mastercard, and JPMorgan Chase (JPM) have all announced their entry into the metaverse.

JPM has opened the Onyx lounge in Decentraland, a virtual world in which users can buy digital plots of land. So far, the lounge consists of the picture of JPM's CEO Jamie Dimon, a pacing tiger bot, and wall-mounted displays illustrating, among other things, the bank's blockchain accomplishments. Still in its infancy, the Onyx lounge — together with [this white paper published by JPM](#) — is intended to spark conversations with their clients about the potential of the metaverse.

We mentioned two other global financial institutions, BNP Paribas and KB Kookmin Bank, that are experimenting with their own versions of metaverse as well, in a previous BID article: [Is Augmented Reality Now A Necessity For Financial Institutions?](#)

Potential metaverse opportunities for financial services

Built on top of blockchains, cryptocurrencies, and decentralized finance, it is no wonder that financial institutions have curiosity around the metaverse. Experts suggest the metaverse could offer financial institutions (FIs) a number of opportunities.

1. **Reach and educate new audiences.** The metaverse is populated mostly by younger generations, particularly those savvy to non-fungible tokens (NFTs). A virtual presence could help FIs attract these consumers and reinforce the brand relationship, as well as offer an opportunity to provide much-needed financial education.
2. **Own digital identities.** By manufacturing and maintaining unique digital identities, FIs could potentially strengthen their risk management, compliance, data protection, and fraud management. What's more, by connecting digital identities to digital wallets, an FI might be able to control transactions in the metaverse.
3. **Introduce new products.** Virtual real estate sales are skyrocketing. In January 2022, property in the six most popular virtual worlds sold for more than 52K ether (ETH) — a cryptocurrency similar to Bitcoin that is used on the internet — roughly \$169MM, on the NFT trading platform, OpenSea. Lending based on the ability to monetize virtual land might provide a real opportunity for FIs, although the underwriting and credit risk process might need to be adjusted for this type of opportunity.
4. **Leverage payments.** Payments are also an important area in the metaverse. [According to JPM, \\$54B is spent annually on virtual goods.](#) What's more, FIs could play an FX-style role, helping users convert value between the different cryptocurrencies and tokens.
5. **Engage employees.** Accenture believes the metaverse offers a chance to elevate the employee experience. Immersive training, like Bank of America's deployment of VR training for 50K employees, simulates real customer interactions and allows branch employees to practice and modify their behavior in a risk-free environment. Accenture itself used 3D technology to engage with its employees and enhance their work-from-home experience.

Many people still need to be made aware of the metaverse, let alone convinced

Despite these potential exciting opportunities, some commentators warn that short-term expectations should be tempered. In a January 2022 survey of consumers, [Gartner found that 35% of consumers haven't even heard of the metaverse.](#) Of those who know about it, three in five have no opinion of it. While 18% are excited by its possibilities, slightly more — 21% — worry about its potential impacts.

As the metaverse continues to evolve and user engagement increases, CFIs may need to invest in it as an acquisition and service channel. Fortunately, there is plenty of time to prepare before taking the plunge.

FLEXIBLE SOLUTION TO FIT YOUR CECL NEEDS TODAY AND TOMORROW

We know that not every banker has the same needs. So CECL FIT® is flexible to adapt to fit your portfolio. Start small with CECL FIT at the basic tier and you can grow into a larger tier, if you need to later. Learn more about our [CECL FIT solution](#).

ECONOMY & RATES

Rates As Of: 05/04/2022 06:50AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.91	0.06	0.85
6M	1.45	0.04	1.26
1Y	2.16	0.07	1.77
2Y	2.81	0.09	2.07
5Y	3.02	0.06	1.76
10Y	2.96	0.02	1.45
30Y	3.00	0.00	1.09
FF Market	FF Disc	IOER (Interest on Excess Reserves)	
0.33	0.50	0.40	
SOFR	Prime	OBFR (Overnight Bank Funding Rate)	
0.30	3.50	0.32	

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.