**Impact of the Metaverse on financial services**

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Financial services companies have joined peers across industries in exploring the potential opportunity in the metaverse, though few are yet attempting this at scale, by Mckinsey and Company.

The report stated that the future extent of the impact of the [metaverse](https://financialexpress.com/about/metaverse/) on the sector depends on the evolution of the underlying [technology](https://www.financialexpress.com/life/technology/) especially utilizing Web3 and the degree to which platforms are adopted as part of our daily interactions.

**How companies currently use the metaverse**

Financial institutions have been engaging with the more traditional Web 2.0 metaverse and experimenting in Web3-enabled metaverse venues.  In the context of web 2.0, we see financial services companies utilizing the technology for employee training (for example, Bank of America VR training); creating virtual “financial towns,” telecommuting centers, and interaction spaces (such as South Korea’s KB Kookmin Bank); and offering virtual investment advisory services (for instance, NH Investment & Securities). While these applications are quite mature, their impact on the fundamental business model in financial services has been only modest.

In the Web3-enabled metaverse, we are starting to see more creative models of engagement. For example, HSBC has purchased virtual land in The Sandbox dedicated to engaging with e-[sports](https://www.financialexpress.com/sports/) enthusiasts. As London-based fintech, Sokin is building infrastructure for processing metaverse payments, transactions, and investments, and neobank Zelf is launching embedded banking for metaverse gamers via its MetaPass in Discord. Several companies including a North American technology companyTerraZero are providing back-end support for virtual real estate financing in the metaverse. There is no shortage of financial services companies exploring the utility of the latest evolution of the metaverse.

As its function transitions from primarily consumer entertainment to more commercial applications—and from niche social interactions to become a social network—the opportunities for the sector will only expand, including the following examples:

Value creation in the metaverse: The real business of the virtual world

— [Marketing](https://financialexpress.com/about/marketing/): Institutions may create digital branches in the metaverse to build their brand and credibility with users, demonstrate their ability to innovate, and even offer client interactions in a hybrid way with more traditional digital or even physical channels.

— Infrastructure: Financial institutions, especially more traditional ones, are uniquely positioned to bridge the trust gap that has traditionally held back wider adoption of services such as digital IDs, digital payments, or custody for NFTs, cryptocurrencies, or other digital assets.

— Emerging products and services: As cyber insurance for companies and similar services become more commonplace, insurers and cybersecurity companies are well-positioned to capture parts of this emerging value pool, maybe even in novel collaboration and models.

**What could come next**

As the metaverse potentially captures a larger share of day-to-day human interactions, digital versions of more sophisticated banking services could emerge to serve these users. Examples could include:

— embedded bank-like services for wallet owners in native metaverse venues, such as multicurrency cash management.

— back-end servicing for financial services, like virtual real-estate mortgage origination and warehousing.

— funds and investing services for metaverse projects, such as metaverse-specific investment funds.

— customer engagement enhancements, like gamified credit education and unique loyalty experiences.

— financialization of everything, as more digital assets get created with utility in a metaverse context, such as being employed as collateral for loans.

Growth in these use cases will depend on the extent to which the metaverse is adopted. And the value and convenience of financial services in the metaverse must exceed the current utility of online or bricks-and-mortar servicing. If engagement in the metaverse gains momentum, more and more financial service companies will need to decide between investing and entering at scale, establishing a minimal position, or doing nothing for now.

It’s a decision that depends on four factors: the willingness to bet on the future value of the metaverse; the talent, capacity, and capability to develop a relevant position; the scale of potential metaverse customers and relevance for the existing and future customer base; and the extent to which the metaverse vision fits with the strategy and culture of a company and its employees.

Not entering the metaverse is also a strategic choice. But while widespread metaverse adoption and the development of significant revenue pools in financial services may take time, many companies may decide an early investment is an appealing strategic hedge, especially with the increasing integration with digitally native assets.