

27 July 2023

The Metaverse

***Speakers:** Sean Ellul – Chief Visionary Officer (CVO), Aaron Zarb – Lead 3D Architect and Andre Causon – 3D Architect with Metaverse Architects Limited.*

On 27 July 2023, the MFSA hosted a workshop focusing on two cutting-edge topics: the Metaverse and Web 3. An overview of these enabling technologies within the context of financial services was provided to the dedicated employees. During this event, attendees had the unique opportunity to delve into the immersive world of the Metaverse and gain firsthand experience through live demonstrations, complete with the utilization of virtual reality (VR) headsets.

In essence, the Metaverse is a shared virtual space that emerges from the convergence of augmented digital and physical realities. Within these interconnected digital realms, users can interact, socialise and engage in various activities through avatars or other digital representations of themselves. This dynamic concept has the potential to bring about several innovative applications within the financial sector.

The workshop also delved into the crucial distinction between Web 2.0 and Web 3.0, with the former comprising of centrally owned interfaces such as social media platforms and Fortnite, making use of traditional payment services such as PayPal. In contrast, Web 3.0 refers to the next generation of internet where data is thoughtfully interconnected in a user-centric manner with minimal reliance on central counter parties. This includes decentralised interfaces such as Decentraland and Sandbox, accompanied by the use of cryptocurrency wallets like MetaMask.

Applications and benefits of the Metaverse within Finance

The workshop also focused on the applications and benefits of the Metaverse within the realm of finance:

- 1) Enhanced Customer Experience:** achieved by leveraging augmented reality (AR) to combine virtual and physical spaces, adding in the identification of branches and ATMs. Furthermore, VR technology can make the virtual world indistinguishable from reality, facilitating the provision of remote banking services, seamlessly blending convenience with immersive experiences.
- 2) Virtual Branches:** bridge the gap between banks and their customers by encouraging banks to provide more personalised services. Artificial Intelligence -powered customer representatives can create dynamic and engaging online banking experience.

- 3) **Financial Education:** VR and AR tools can revolutionize financial education by enhancing interactivity and engagement, ultimately leading to more informed financial decisions.
- 4) **Employee Training:** Realistic VR simulations offer highly immersive training experiences, enabling employees to gain practical skills and knowledge in a risk-free virtual environment.
- 5) **Data Visualisation:** Complex financial data and models can be presented as interactive visualizations, making the information more digestible. Thereby making complex financial products and investment strategies simpler to digest.

Recent Developments & Risks

The impending evolution of hardware, such as Apple's Vision Pro in 2024, is anticipated to revolutionise the accessibility and functionality of the Metaverse across numerous sectors. As the Metaverse continues to expand, transactions are likely to be conducted using virtual currencies, such as central bank digital currencies (CBDCs) or cryptocurrencies.

During the workshop, three case studies were examined showcasing real-world applications in the Metaverse:

- **US Digital Bank:** established a presence in Decentraland, hosting social events to connect with customers virtually, providing consumer education material as well as offering limited edition NFTs.
- **Fashion Retailer:** a prominent retail brand introduced its physical clothing as branded wearables in the Metaverse. Guests had the opportunity to purchase and wear this attire in the form of wearable NFTs.
- **Casino:** developed a 3D version of a 2D casino game to offer a more immersive experience. Users had the opportunity to win wearable NFTs through the token system in place.

Given the dynamic nature and increasing complexity of these digital spaces, the Metaverse could introduce new security and privacy challenges. Therefore, it is paramount to establishing robust frameworks that prioritises data protection within these expanding digital realms. The goal is to strike a balance between industry advancements and safe regulations that promote the exploration of new financial technologies while ensuring the protection of users.