

EVOLUTION OF NFTS: THE DIGITAL ASSETS OF THE FUTURE!

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Non Fungible Tokens (NFTs) – The Digital Assets of the Future!!!

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*“Nobody ever changed the world
by doing what everyone else
was doing” - Mark Cuban*

The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly publication. Topic of discussion for this month is “**Non Fungible Tokens (NFTs) – The Digital Assets of the Future!!!**”

Introduction:

The digital era has gained pace much more than ever before. With the introduction of block-chain technology and the popularisation of the crypto-currency in the digital market space, a new application of the block chain technology has emerged in the name of ‘Non Fungible Tokens (NFTs)’. This term has gained popularity since 2015 and has been the buzz word for those who are looking for novel methods to invest, speculate and also to acquire rights of ownership in the digital ecosystem.

Non – Fungible Tokens – What are they?

Non Fungible Tokens in simple terms can be understood as a digital asset which has a unique digital program or an identifier which is recorded in a block chain to clearly certify the ownership and authenticity. Let us remember that NFTs uses the same Block chain technology which is used by Bitcoins, Ethereum and many other cryptocurrencies

Let us try to understand this with an example. Imagine you are playing a Football video game. Your football player needs a pair of boots. In the video game, you notice that there is a pair of golden boots with the signature of the famous football legend Pele on auction. In fact, this is the only pair. Once you buy this pair of golden boots which is unique and is in digital format, you are entitled to be the sole owner of this pair of boots. You can sell it whenever you feel like. This pair of football boots may be considered as an example of NFT.

So how are they different from Crypto-currencies?

Even though both NFTs and cryptocurrencies use block chain technology, there are differences between the two, few of which are –

	NFT	Cryptocurrencies
Utility	Investment or as collectibles	Used as a medium to purchase goods and services
Ownership	Every NFT is unique and hence the same NFT cannot be held by all	Can be kept in the account of many.
Fungibility	Its value cannot be assessed easily	Its market value is known to all through various platforms.
Determination of value	Based on Asset	Based on market factors such as demand and supply

So how popular is NFT?

Globally, NFTs are still taking time for adoption. More than 66% of the global population is not aware about NFTs. While the data regarding the adoption rates of NFTs differs according to various sources, it is clear that countries like Thailand, Brazil and United States of America have been able to secure their positions as per the data given below.

It should be of no surprise when it comes to the low adoption rates of such technology considering the fact that very little government regulations exist in this space. This makes such form of investments highly unregulated and therefore risky.



(Source : Forbes India)

Controversies and Law suits around NFTs

The introduction and rise of NFTs has created a space for lot of speculations, debates and legal lawsuits considering the fact that there is no specific and uniform code of conduct or guidelines for such investments. This makes such investments one of the favourite areas of investments for money launderers and speculators. Moreover, it is worthy to note the recent developments around the famous French Luxury brand Hermes International SA v. Rothschild Case which is the world's first case regarding intellectual property infringement by creators of non fungible token.

1. Hermes International SA v. Rothschild Case

NFT creator Mason Rothschild had created and sold 'MetaBirkin' NFT for \$1 million , which resembles the birkin style bags of Hermes International. The court ruled in favour of Hermes and has slapped the artist, Mason Rothschild, a penalty of \$1,33,000/- in damages. The development in this lawsuit has created more clarity and popularity on the scope of NFTs.

2. 'Right click Saver' issue

While the NFTs which are sold for hundreds or thousands or even millions of dollars, users in the internet simply right click, copy and paste the image which portrays the NFT. This has sparked a debate in the tech world regarding the authenticity and exclusivity of the artwork which is possessed by the NFT owner. However, experts have explained that merely holding the image of the NFT does not mean having the ownership and possession of such a piece of art. In simple terms, we can say, there are many replicas of the famous painting 'Monalisa'. One can even click a photo and print a poster of 'Monalisa'. This does not mean that one actually possesses and owns the Monalisa!!!!

Conclusion

Technology has opened doors to a world of endless possibilities. Zeros and Ones (Computer language) have become much more complex to such an extent that a combination of Zeros and Ones can be worth millions!

NFTs are more than just collectibles. They represent the art of creating a digital asset in the digital ecosystem which can be owned and transferred from one person to another irrespective of who you are or where you belong. As more and more people engage in the race for owning an NFT, it is vital that our lawmakers bring such form of investment under their lenses and also explore the possibilities of bringing a regulated system for the benefit of all stakeholders.

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