**Block Chain and FinTech (BSM172J)**

**TOPIC : Blockchain: The Sports Industry and the Crypto**

**Candidate Number: 220390110**

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# **1.0 ABSTRACT**

A comprehensive understanding of blockchain principles and their implications is necessary to distinguish between the opportunities and challenges that come with utilizing blockchain technology in the sports industry. This overview scrutinizes the primary components of the network and highlights four key learning outcomes.

First, it is important to understand blockchain technology. This includes understanding the underlying principles, architecture, and processes. The use of blockchain can transform ticketing frameworks in sports, enabling the generation of secure and permanent records of ticket ownership and conveyance.

Moreover, comprehending the structure of cryptocurrencies is crucial. The utilization of advanced resources in sports involves the acquisition of knowledge about their operation, contract mechanisms, and cryptographic techniques. The industry can benefit from the use of cryptocurrencies in sophisticated transactions, including transactions with players and partnership projects such as fan engagement activities, club credibility assessments, etc.

Furthermore, the use of capacity to evaluate the impact of blockchain on the sports industry is significant. The decentralized aspect of blockchain may disrupt established sports back systems, promoting alternative routes for competing crowdfunding and ventures in the sports industry. The use of blockchain technology has the potential to improve the evaluation of sports information and combat issues such as match-fixing and doping, among other things.

Lastly, it is important to keep an eye on security and administrative matters. Information security and protection are a significant concern in the sports industry, and blockchain's decentralized and strong encryption provides additional advantages. Even so, it is important to take a careful approach when operating administrative systems that manage cryptocurrency and blockchain applications in sports to ensure compliance and minimize potential risks.

In summary, a thorough understanding of blockchain developments is crucial for exploring the emerging sports industry. The use of blockchain standards and the utilization of cryptocurrencies with care and consideration to create modern opportunities for development, simplicity, and progress while managing security and administrative issues.

# **2.0 INTRODUCTION**

The report demonstrates how coordination blockchain innovation could revolutionize the sport industry. The decentralized and uncomplicated nature of blockchain, which was initially designed for cryptocurrencies, has made it a challenging endeavor. The project explores how digital currencies have become essential tools for business operations and trade, expanding beyond traditional financial systems. The greater opportunities and challenges that have arisen from the integration of blockchain and sports are highlighted, such as enhancing fan engagement and transforming competitor sponsorship models. Additionally, it highlights the importance of addressing security, administrative, and moral issues in this alteration. It outlines the plan for a comprehensive discussion on the connection between blockchain and sports, to offer an all-inclusive comprehension of its influence and recommendations.

# **3.0 LITERATURE REVIEW**

The significance of Blockchain within or outside the semantic sports industry may be a rapidly expanding area of study. Several studies have been conducted to evaluate the technology's ability to address existing and future potential issues in various fields. The following are some primary topics to cover:

Fundamentals of blockchain for the sports industry

(i) **Decentralization and Immutability**:

Instead of relying on a single central specialist, decentralization involves the dispersal of power over an arrangement of computers (hubs). The relationship between fans, competitors, and sports organizations can be impacted by decentralization in the sport. Occasionally, distributed sports events can empower fans by empowering enablers-employees to seamlessly join their competitors, participate in administrative decisions, and even obtain computerized collectibles or tokens that communicate with sports groups.

Blockchain technology's ability to remain constant ensures that information on the blockchain cannot be altered or deleted. This is a crucial aspect of its innovation. The constancy of sports in nature ensures the attention-grabbing nature of fundamental data, such as coordinate measurements, player execution measurements, and money exchanges. The accuracy and tamper-proof of data stored on the blockchain can be trusted by fans and partners, reducing the likelihood of debates or false assertions.

(ii) **Improved Data Integrity**:

The use of blockchain enhances the clarity of information by providing a clear and error-free record, with exchanges being recorded in synchronization and verified by arrangers. Various types of information, such as ticket bookings, broadcasting rights, sponsorship deals, and competitor execution metrics, can be securely stored on blockchain in the sports industry.

Blockchain innovation has the potential to mitigate risks related to information manipulation, such as unauthorized get to and exploited victims' claims. This approach also safeguards sports organizations' data integrity and accuracy by using blockchain technology. A sense of straightforwardness and zeal prevails among supporters, associates, and other stakeholders, contributing to a more stable and productive sports atmosphere.

(iii) **Resilience and Reduced Vulnerabilities**:

The flexibility of blockchain's decentralized architecture makes it susceptible to specific disappointment and cyberattack mechanisms. Contrary to conventional centralized frameworks that lack resilience against hacking, suppression, and information leakage, blockchain systems convey data across multiple hubs, making them more secure and resilient in their design.

The sports industry can utilize this flexibility to safeguard essential systems and operations, including ticketing stages, gushing administrations, and fan engagement apps, from downtime or disruption. Sports organizations can enhance their computerized framework and safeguard sensitive data from cyber threats and malevolent performers by utilizing blockchain technology.

(iv) **Security Automation with Smart Contracts**:

A smart contract is a contract that has automatic entry processes and operates on its terms. Through innovative contracts built upon blockchain technology, advanced understandings can be easily and securely executed without the need for intermediaries.

The sports industry can use computerized contracts to facilitate various forms of transactions such as ticket negotiations, broadcasting rights administration, athlete endorsements, and competitor support. Thus, a strong agreement may automatically follow the natural distribution of income earned from ticket sales to key players through predetermined procedures that ensure decency and simplicity in income-sharing agreements.

(v) **Fraud Prevention Mechanisms**:

The implementation of Blockchain offers potent elements for predicting fraud and ensuring the liquidity of transactions. The use of cryptographic hashing, consensus algorithms, and public key cryptography is part of the features that enable blockchain systems to protect information from unauthorized get to or tampering.

Blockchain can help anticipate and prevent extortion and fraud in ticket sales, merchandising, and betting in the sports industry. Blockchain technology enables users to follow a consistent and unambiguous record of exchanges, which can be used as reassurance software or for verifying tickets, shares, and other budgetary exchange transactions, thereby reducing the risk of fraud, scalping, etc.

Ultimately, these blockchain projects offer significant benefits to both the sports industry and the cryptocurrency ecosystem in terms of security enhancements or transparency for efficiency and trust. Various aspects of sports organizations can be improved through the use of blockchain technology to improve the experience for fans, athletes, and supporters.

**CORE CONCEPTS AND BENEFITS:**

**1. Settlements of Securities Transactions and Post-Trade Services:**

* Blockchain facilitates the settlement of securities transactions in the sports industry by providing a transparent and secure platform for trading ownership shares in teams or athletes.
* Smart contracts automate the execution of these transactions, ensuring transparency and reducing the need for intermediaries.
* Post-trade services, such as tracking ownership rights and managing dividends or revenue-sharing agreements, benefit from blockchain's secure and immutable ledger.

**2. Payments**:

* Payment options in the sports industry can be made easier through blockchain technology, particularly in emerging markets where banking is not yet available due to financial constraints.
* International sporting events, sponsorships, and merchandise sales can be transacted through cryptocurrencies or stablecoins with minimal fees and promptly.
* Regulations such as Payment Services Directive 2 (PSD2) offer business opportunities for blockchain-based payment solutions by promoting competition and innovations.

**3. Trade Finance**:

* Blockchain provides a clear and secure platform for managing exchange fund forms in the sports industry, including contracts, installments, and documentation.
* The mechanization of smart contracts reduces printed materials and decreases threats like extortion or disputes.
* Blockchain-based exchange fund arrangements have led to the development of financing for sports organizations and competitors, particularly in regions that are not well-served.

**4. Anti-Money Laundering (AML)**:

* AML initiatives in the sports industry are strengthened by blockchain technology, which provides a transparent and lawful way to record budgetary transactions.
* Sports organizations use blockchain to track and authenticate the source of sponsorships, endorsements, and investments in their stores.
* The use of blockchain-based AML arrangements fosters cooperation among controllers and sports organizations, resulting in compliance progress and less chance for illegal activity.

**5. Peer-to-Peer (P2P) Lending**:

* Peer-to-peer lending platforms, powered by blockchain technology, could be utilized to finance sports organizations and athletes.
* Traditional financial intermediaries may not be available as direct funding can be obtained between individuals and businesses through lending protocols and smart contracts.
* This will improve access to capital for sports organizations and at the same time create new investment opportunities for investors.

Despite this, the sports industry still faces concerns about the security and control of cryptocurrency exchanges and blockchain technologies.

• The security risks involve the potential for hacking, extortion, or burglary concerning cryptocurrency transactions and wallets.

• The need for standardized systems and jurisdictional differences in controlling cryptocurrencies and blockchain-based applications poses regulatory challenges.

• To fully utilize blockchain innovation in transforming budgetary markets in the sports industry and the crypto space, it is essential to address these issues.

**How Crypto Connects Teams and Fans:**

A new and innovative approach to bridging the gap between sports teams and supporters is being taken with blockchain technology and cryptocurrencies. Innovative solutions to traditional issues are available, and stakeholder engagement and interaction are encouraged. Digital Membership and Fan Tokens will explore how cryptocurrencies can create stronger relationships between teams and fans.

**Fan Apps**

* Blocksport offers groups the opportunity to gather their fans in one place through its official fan application. This application may fit into the blockchain ecosystem. It is equipped with highlights to keep fans within the circle with real-time upgrades, social media integration, and a space for them to communicate.
* The app allows fans to purchase tickets, stock, and converse with individual group supporters. Fans are brought closer to the activity by this digital medium, which promotes an all-encompassing involvement that transcends geographical confinement without any excessive speculation from groups or fans.[4]

**Digital Membership**

* Blocksport has developed a system that empowers fans to receive digital membership enrolments, which donate directly to the spectator. They became energetic members of their preferred clubs' journey. Their memberships can actively allow them to voice out their ideas in the club's decisions thus providing them more attachment and association with the team. It’s approximately bringing fans closer to the heart of the activity and decision-making.[4]
* Besides, clubs can profit from advertising elite benefits to their digital members. These can range from unique VIP experiences and stadium visits to luxurious amenities, as well as helping to enhance the fan experience and bond with the club. This approach offers clubs an additional source of revenue in expansion, making it a generally beneficial choice.[4]

**Fan Tokens**

* The use of utility fan tokens allows fans worldwide to easily join their preferred teams. By offering these tokens, fans receive substantial benefits and are able to participate in significant group decisions while keeping track of players and other fans.
* The impact of Blocksport's activities on the fan engagement scene is profound. Their approach is modern, with a focus on fans, promoting exceptional promotions, impact, and interaction with their favourite groups, all while ensuring that the clubs benefit from improved relationships with supporters.[4]

**4.0 REAL-LIFE EXAMPLES AND CHALLENGES**

Crypto.com took it to a whole new level after signing a new contract with the Los Angeles Clippers for $700 million. Formerly known as the Staples Center, it is now the Crytpo.com Arena. The same company is also the official crypto partner of FIFA and Qatar 2022 World Cup.[1]

There are several examples of other sports such as FTX and Major League Baseball, Red Bull Racing and Bybyt, Sri Lankan and Irish teams and CoinDCX etc.[1]

Nevertheless, various sports teams and athletes have turned to using non-fungible tokens (NFT) to produce exclusive digital collectibles. Therefore, sports organizations and people can represent important moments as iconic events and market them as digital assets.[1]

Lionel Messi's debut in Inter Miami against Cruz Azul didn't just break records for the most-watched American soccer game. on American television. in history with 12.5 million viewers, but it also showed the growing influence of crypto sponsorship in the sports industry.[1]

Sport teams can benefit financially from signing sponsorship agreements with crypto companies, which increases revenue and enhances their financial stability. Additionally, this approach is advantageous for the teams' long-term success. The younger generation is quickly losing interest in professional sports. In reality, Gen Z is moving towards TV, social media, video games and - crypto. Manchester City, the UK football club, signed a $27 million deal with OKX as its official exchange partner in 2022.[2]

Since the owner of the famous English club is Sheikh Mansour, president of the International Oil Investment Company and worth more than 14 billion dollars, trading on the popular crypto exchange was not financially necessary.[2]

The main objective was to capture the favorable associations of crypto-enthusiasts, making them potential loyal Manchester City customers who align with the club's forward-thinking approach and technological advancements.[2]

The establishment of a strong bond with the club is achieved through coordination with that crypto phase, leading to emotional stimulation of the brand. Manchester City's intention was to appeal to both crypto-advanced and serious Gen Z enthusiasts, given that almost 76% of UK crypto owners are below 45 years old.[2]

Any outcome resulting from such a deviation is entirely unique. The live chart of Ethereum suggests that a Zoomer could potentially show more interest in buying 0.3156 ETH than a Manchester City season ticket with a Level 1 status for $640. The majority would opt for the alternative with a reasonable chance of earning money from it.[2]

**5.0 BLOCKCHAIN IN THE SPORTS INDUSTRY**

The collaborative effort between the sports industry and the crypto has benefits for both entities, impacting the global fan base's engagement, creating new revenue streams, and potentially enhancing the overall experience for fans and shareholders.

To appeal to younger, tech-savvy sports fans, crypto companies are establishing partnerships with sports organizations and personal competitions. Conversely, sports organizations profit by using previously unproductive revenue streams and organizing special fan events. In this article, we explore how the collaboration between sports and crypto could be advantageous for both parties.

* **MASSIVE SPONSORSHIP DEALS: The** World’s best sporting and professional game events including teams and athletes started getting their sponsorships through Crypto companies. It has been the part of those companies to register themselves as a brand and marketing identity as a part of their planning. Nowadays, it has been quite visible for us to see teams and athletes wearing jerseys and kits with crypto company names encrypted on them.

**NFTs and Fan Engagement:**

Modern sports have embraced non-fungible tokens (NFTs), which have become a popular diversion changer among fans. Rare digitized resources (NFTs) are unique in that they indicate ownership of an object, collection, or involvement. Sports organizations utilize NFTs to commemorate remarkable events like classic goals, winning shots, or verifiable accomplishments.

NFTs can be bought by fans, who then become virtual owners of important wearing events. The migration fosters passionate connections among fans with their favorite teams and athletes, while also providing a lucrative source of revenue for sports organizations. NFTs have enabled clothing companies to profit from their history while also providing fans with personalized experiences.[1]

**Central Bank Digital Currencies (CBDCs)**:

It could potentially revolutionize the sports industry within the realm of cryptocurrency. Here's how:

* **Payment for Tickets and Merchandise:** CBDC offers a variety of merchandise for teams, players, and fans, including tickets to sporting events. This simplifies transactions, reduces costs, and provides a more secure payment method.
* **Fan Engagement and Rewards:** Fan engagement initiatives and loyalty applications will incorporate CBDCs. Those fans are entitled to receive rewards for participating in online polls, attending events, or potentially providing content through social networks. Few team choices, ticket-related discounts, and many more special experiences can be accounted for using these tokens as an exchange.
* **Player Salaries and Contracts:** Payments made by CBDC are more efficient and transparent, particularly when it comes to paying players or sponsoring transactions. By utilizing specific criteria, such as performance milestones or sponsorship agreements in contracts with automation such as Smart Contracts, automatic payment triggers can be established.
* **Blockchain-based Ticketing and Anti-counterfeiting:** Blockchain technology, which is a key enabler of secure and transparent token systems, supports many cryptocurrencies, including CBDCs. The prevention of fraud and evasion is achieved by ensuring that ticket sales are directly allocated to teams and event organizers.
* **Fan Tokenization and Ownership:** The practice of using tokenism has been adopted by some sports teams, who have begun selling digital fan tokens to signify ownership or voting rights within the team. By enhancing the liquidity and availability of these tokens, CBDC empowers fans worldwide to invest in their preferred teams or players.
* **Global Accessibility and Financial Inclusion:** Financial inclusion can be achieved through the sponsorship of local businesses by CBDCs, which enable people in underdeveloped areas to access the global sports economy. The CBDC offers smartphone and other digital ticket purchasers, as well as those without access to traditional financial services, the opportunity to buy tickets, shop for goods, and participate in social events.

In the general context, CBDC's involvement in the sports industry can inform access to information, raise awareness, and encourage fan participation on a global scale. To ensure the security, expansion, and compliance of these projects, central banks, sports organizations, or technology providers must work together.

**Blocksport Helps Renowned Teams Engage with Fans**

**FC Dynamo Kyiv**

FC Dynamo Kyiv is the company in question as a model case. An official app was launched by Blocksport, providing a platform for fans to unite, stay informed, and access all-encompassing amusements, news updates or supplements with top-notch content, exclusive materials, as well as engaging games and intuitive exercises. The undertaking elevated the advanced fan experience, ensuring uninterrupted security during challenging circumstances.[4]

**UAF & Empoli NFT**

A notable partnership is with Empoli and the Ukrainian Affiliation of Football (UAF). By leveraging a favorable agreement between Empoli and the Ukrainian national association, Blocksport created an NFT range that generated funds for the UNITED 24 Establishment. Despite not being advertised, the campaign was successful in channeling reserves for restorative purposes, demonstrating the use of NFTs to manage sports.[4]

# **6.0 DISCUSSION**

**Athlete Compensation in Bitcoin:**

Sports have a significant impact of cryptocurrency beyond sponsorship and fan support. Computerized resources are becoming a more common way for players to earn their money. Increasingly, athletes are choosing to receive rate of their pay or support deals in cryptocurrency. The purpose of getting exposure, preparation and presentation is to minimize costs while also expanding their venture portfolio.

The payment received from cryptocurrencies gives athletes a greater degree of control over their stores, as it allows them to maintain varying degrees of distance from traditional budgetary intermediaries. The risk associated with this move is certain, given the instability of crypto markets. To participate in cryptocurrency, contestants must possess knowledge in economics and risk management.[1]

**Athletes and Sports Assets Tokenization:**

New blockchain projects are identifying sports assets and athletes. The conversion process of tangible assets, such as contracts or shares in a player's future earnings, into digital tokens is known as tokenization. The success of players can lead to investors benefiting from the exchange of these tokens on blockchain platforms.

The token allows players to raise capital without having to rely entirely on traditional financial means. Fans and investors can also access the activities of their favorite athletes. However, compliance and investor protection are important to this growing industry.[1]

**REGULATORY ASPECTS:**

The introduction of cryptocurrencies in the sports sector has many advantages, but also new challenges and legal challenges. Weakness in the cryptocurrency market poses a risk to sports organizations and individual investors. Navigating this area requires careful risk management, open communication and business intelligence.

In addition, changes in the legal framework related to cryptocurrencies will affect the way organizations, sports and digital assets work. Regulators around the world are working to create a framework to oversee the use of cryptocurrencies, including their use in sports. Understanding and complying with these restrictions is critical to the long-term success of cryptocurrency in the sports industry.[1]

# **7.0 CONCLUSION**

As per the report, Blockchain technology is expected to offer greater transparency, security, and efficiency in sports, transforming ticketing methods, fan engagement, athlete management practices, as well as supply chains. The challenges are regulation, scalability, interoperability and training. Benefits include secure ticketing, peer-to-peer transfers, fair competition and athlete revenue streams through tagging. Blockchain improves integrity by recording athlete performance data and fighting doping and match-fixing. It improves supply chain management and enables transparency and traceability. Continuous innovation, regulatory support, and collaboration among stakeholders are essential for successful integration. A new approach to sports that leverages blockchain will result in a more open, secure and engaging ecosystem for fans, athletes, and organizations.

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