

The primary stakeholder groups in the NFT community—creators, traders/collectors, and marketplaces—all have different incentives that influence their positions on royalties.

Creators directly benefit from royalty fees and are thus pro-royalties, but traders might (generally) prefer to save the royalty fee on each NFT they purchase. However, marketplaces are incentivized to keep transactions on their platform. Magic Eden's switch to optional royalties was caused partly by declining trade volume due to the bear market, and also by the rapid growth of competitors that did not mandate royalty fees.

*Please provide some thoughts on if you think this is a good practice or not, and how it might affect the future of crypto?*

I believe that enforced royalties provide the greatest benefit to the NFT ecosystem at large. They also cultivate the Web3 ethos—the prospect of a more equitable system where creators are more fairly and consistently rewarded. This ethos attracted several artists and creators to NFTs in the first place as royalties help fund projects and sustain creators.

Depending on which stance various NFT platforms take, we could eventually see a fragmented marketplace split across chains based on their royalty stance. We would have creator-incentivized markets, where royalties are compulsory and the 'Web3' ethos is maintained. Collections could blacklist royalty-free marketplaces in favour of these creator-incentivized markets. If royalties fall out of favour, it would change the incentives of NFT creators and how their projects generate revenue.

*What are other monetization options for NFT creators and NFT marketplaces (like OpenSea and Magic Eden) if they don't charge transaction fees?*

If marketplaces void the transaction fee revenue model, they can still earn consistent income through subscription models that require collectors to 'pay to trade' on their platforms for specified periods. Marketplaces could also develop and sell their own NFT collectibles to collectors—tokens that would provide benefits like discounts and bonuses to the account that holds them.

Creators can retain larger portions of their collections as equity, and earn money through tips given by their favourite collectors. They can even block sales to markets that don't enforce royalties to retain that revenue.