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Welcome to the bizarre world of non-fungible tokens (NFTs) – unique digital assets that could reshape how we view copyright and the internet.

On March 11, an artwork sold for \$69.3 million at storied auction house Christie's.

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What made the sale unique was that the art is purely digital and is what's called a non-fungible token (NFT).

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The sale of "EVERYDAYS: THE FIRST 5000 DAYS" by crypto artist Beeple, is by far the largest known sale of an NFT and positions Beeple as among the top three most valuable
(https://twitter.com/ChristiesInc/status/1370027970560106497?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E1370027970560106497%nft-christies-auction) living artists.

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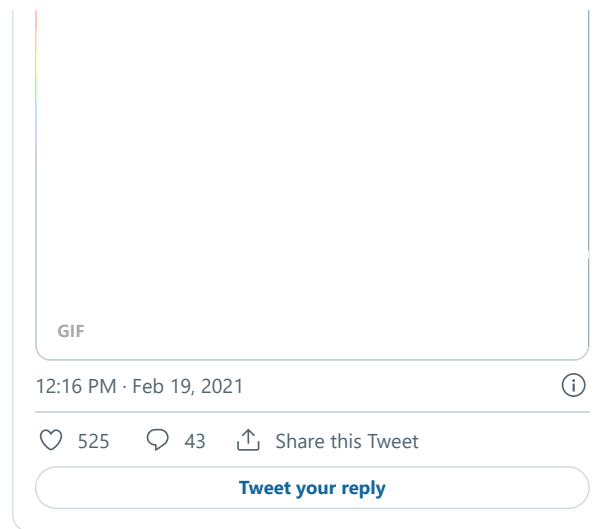
The market for NFTs ballooned in 2020, climbing to a market cap of at least \$338 million
(<https://www.coindesk.com/nft-frenzy-bitcoin-prices>).
Bringing in over \$86 million
(<https://www.forexcrunch.com/non-fungible-token-popularity-explodes-amid-looming-bubble/>) last month alone, NFTs are clearly having a moment.

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On February 19, an animated Gif of Nyan Cat – a 2011 meme of a flying pop tart cat – sold for over half a million dollars (<https://foundation.app/NyanCat/nyan-cat-219>). A few weeks later, musician Grimes sold some of her digital art for more than \$6 million (<https://www.bbc.co.uk/news/technology-56252738>).



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NFTs are not entirely new – they’ve been around since 2017 when a company called Dapper Labs began selling unique digital cat cartoons called CryptoKitties (<https://decrypt.co/resources/cryptokitties>). While that was a fad that quickly fizzled out, the phenomenon of NFTs have come roaring back.

Much like Bitcoin was hailed as the digital answer to currency, are NFTs becoming the digital answer to collectibles and the future of art? Or is it a bubble that will burst?

What are NFTs and how do they work?

First, it’s important to understand what is meant by fungibility. A fungible asset is something with units that can be readily interchanged, like money. For example, you can swap a \$20 note for two \$10 notes and have the same value.

However, if something is non-fungible it wouldn’t be possible since that item possesses unique properties that cannot be interchanged with something else. Take the Mona Lisa: the painting is unique and cannot be substituted for a replica painting or print for the same value because there is only one original Mona Lisa.

Similarly, NFTs are one-of-a-kind digital assets that can be bought and sold like any other piece of property. NFTs can be thought of as an ownership certificate – or a digital signature, much like how a great work of art might bear the artist’s signature as a seal of authenticity.

NFTs are crypto assets, but not fungible like

asset, who sold it, and when it was sold. It is also encrypted, ensuring the authenticity and scarcity of the tokens.

Think of it this way: a digital work of art is not unique or scarce because it can be downloaded and copied infinitely, but when you "mint" or "tokenise" the file into an NFT, it becomes authentic and scarce.

So while the digital object might be all over the internet, buying the NFT means acquiring the certificate of ownership for it.

By doing so, NFTs ostensibly fix a problem for digital creators on the internet: how to make your creation scarce, and therefore, more valuable. They can sell their art directly and rely less on intermediaries. NFTs can also contain smart contracts that may give the artist a cut of any future sale

(<https://www.bloomberg.com/news/articles/2021-03-02/nft-art-boom-is-the-same-concept-as-the-photography-market?sref=M8H6LjUF>) of the token.

'Crypto art' and NFTs are taking over the digital world



Platforms that sell NFTs usually need you to use cryptocurrency. Since most NFTs are part of the Ethereum blockchain, they generally can only be purchased with Ethereum and are stored in digital wallets.

As with cryptocurrency, blockchain technology works to keep data unchangeable and fraud proof.

What are some examples of NFTs?

The range of NFTs include just about anything that can be captured as a digital file.

An original work by street artist Banksy has been turned (<https://decrypt.co/60070/an-original-banksy-has-been-burned-and-turned-into-an-nft>) into an NFT.

Last week bids for an NFT of Twitter founder Jack

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version of their new album (<https://decrypt.co/60087/kings-of-leon-nft>), while the NBA is selling (<https://decrypt.co/60391/nba-built-for-top-shot-nft-craze>) NFT basketball highlights.

Digital art, memes or sports memorabilia, however, represent just a slice of the current NFT market.

In the gaming world, tokens can represent special assets (<https://venturebeat.com/2021/02/26/the-deanbeat-how-non-fungible-tokens-nfts-will-change-games/>) the buyer can use in the game. There are NFT collectibles based on arcade games like Street Fighter, while Axie Infinity (<https://axieinfinity.com/>), one of the most popular crypto collectible platforms, sells cartoon characters that are created to fight.

Others sell NFTs representing real estate in virtual landscapes. The most popular virtual real estate site, Decentraland (<https://decentraland.org/>), operates as a multiplayer role-playing game that allows users to build an entire virtual world as an NFT.

Nike has joined the fray too: the retail giant has patented a method to verify sneakers' authenticity (<https://thenextweb.com/hardfork/2019/12/10/nike-blockchain-sneakers-cryptokick-patent/>) using an NFT system called CryptoKicks.

OpenSea (<https://opensea.io/>) is the biggest NFT marketplace. With over 200 categories and four million items, it's been referred to as "the eBay on the blockchain".

Is it all a bubble?

As with cryptocurrencies, there are concerns about the environmental impact (<https://www.wired.com/story/nfts-hot-effect-earth-climate/>) NFTs could have due to the maintenance of the blockchain.

Another concern is that not all NFTs verify the person selling a digital art piece is the original creator – particularly on online marketplaces.

A potentially more serious challenge is competing blockchain services that promise to provide the legitimate record that a given NFT is unique, not to mention rogue token shops (<https://decrypt.co/60125/binance-smart-chains-musical-beats-alleged-ethereum-copycat-shuts-down-days-after-launch>) that mimic store names of existing Ethereum-based NFT shops.

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(https://twitter.com/Melt_Dem/status/1369362485359284229?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E1369365838881566728%3Acrave-easy-money-hard-copyright-questions) as tokens for sale.

There is skepticism that ownership alone makes digital assets valuable. When it comes to digital art, a buyer owns the original digital painting but can't keep others from sharing it or changing it online.



Many worry that NFTs, like any other speculative asset (<https://www.bloomberg.com/news/articles/2021-03-02/nft-art-boom-is-the-same-concept-as-the-photography-market?sref=M8H6LjUF>), are being hyped up and could be a digital bubble in the making.

Beeple, the artist whose record-breaking NFT was sold at Christie's, himself said that he believes the market at the moment has all the hallmarks of a bubble.

David Gerard, author of the 50-foot Blockchain, said (<https://davidgerard.co.uk/blockchain/2021/03/11/nfts-crypto-grifters-try-to-scam-artists-again/>) that people selling the NFTs are "crypto grifters" who are "trying to come up with a new form of worthless magic bean that they can sell for money."

Though prices may fluctuate in the future, it looks like NFTs are here to stay.

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