

NFTs: What do Trustees need to know?

What are NFTs? How are they created? How are they bought and sold? Why might trustees need to know about them?

What am I going to cover?

- What are NFTs?
- How are NFTs created?
- How are NFTs bought and sold?
- Why might trustees need to know about them?
- Some high profile NFTs
- A little bit of law...

What are NFTs? (1)

"A non-fungible token (NFT) is a financial security consisting of digital data stored in a blockchain, a form of distributed ledger. The ownership of an NFT is recorded in the blockchain, and can be transferred by the owner, allowing NFTs to be sold and traded."

"An NFT is a digital asset that represents real-world objects like art, music, in-game items and videos"

"Non-fungible tokens (NFTs) are cryptographic assets on a blockchain with unique identification codes and metadata that distinguish them from each other."

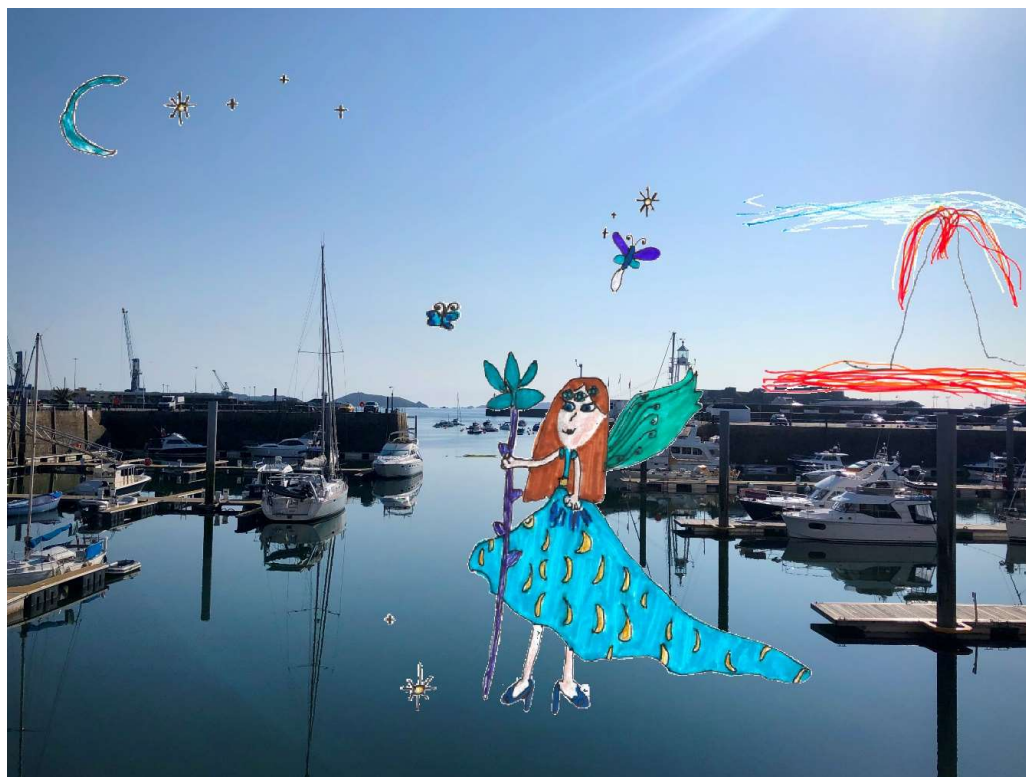
"a unique digital identifier that cannot be copied, substituted, or subdivided, that is recorded in a blockchain, and that is used to certify authenticity and ownership (as of a specific digital asset and specific rights relating to it)"

"NFTs transform digital works of art and other collectibles into one-of-a-kind, verifiable assets that are easy to trade on the blockchain"

What are NFTs? (2)

- **Non-Fungible Tokens**
- What does “token” mean here?
- What does “fungible” mean?
- What is a “fungible” token?
- So, finally, what is an NFT?

How are NFTs created? The Lady of St Peter Port (with Volcanos)



How are NFTs created? The Lady of St Peter Port (with Volcanos)

Comments

Most relevant 



Matthew Gilligan • 1st

6d ...

Associate Director at Saffery Champness Of...

What a bargain!

How are NFTs created? The Background (1)



How are NFTs created? The Lady (2)



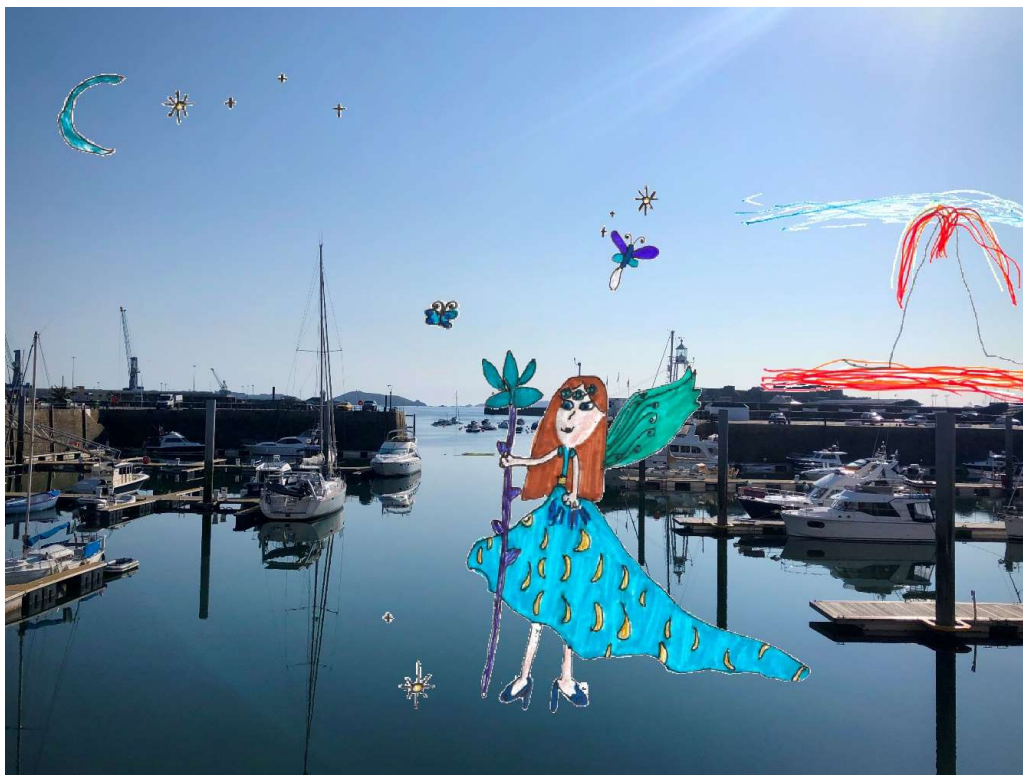
By Alice, aged 7

How are NFTs created? The Volcano (3)



By James, aged 4

How are NFTs created? The Finished Product (4)

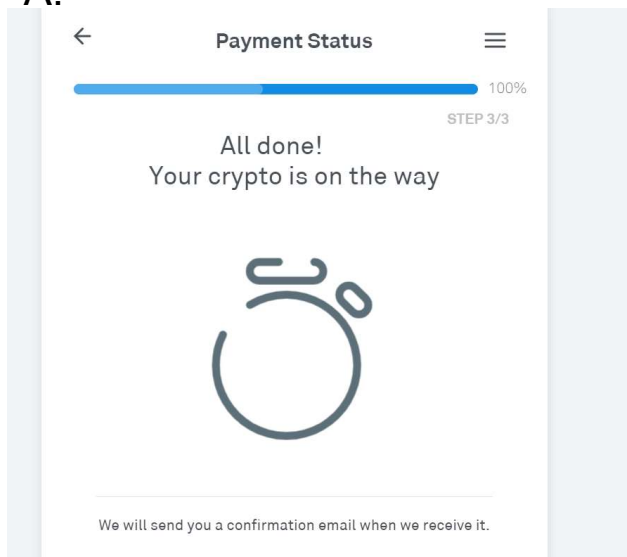


How are NFTs created? Overview of the Process (1)

- **Step 1:** Create and fund a crypto-wallet to pay for the creation of the NFT – **METAMASK**
- **Step 2:** Create a new item in an NFT creation system – **OPENSEA**
 - Upload your “digital art” – or a link to your other “digital asset”;
 - Give it a name;
 - Pick your blockchain (eg: Ethereum);
 - Click “create” [*this part requires you to have a working crypto wallet, which is why we did Step 1!*]
 - Add the NFT to a “collection” – and give that a name, if you want;
- **DONE** – you have created an NFT!
- It takes all of about 25 minutes, and less once you’ve done it once

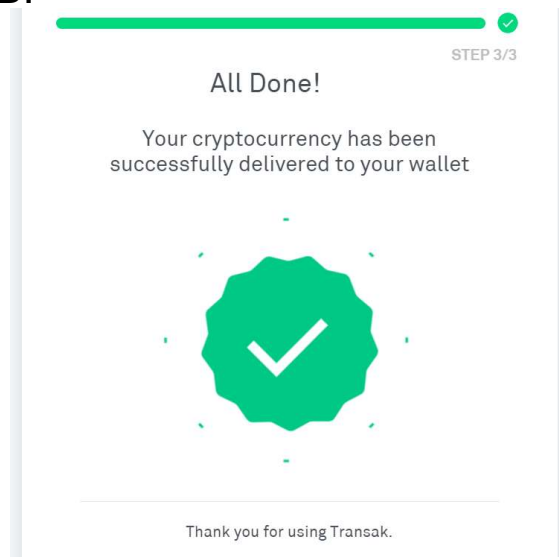
How are NFTs created? Create and Fund a crypto-wallet (2)

A.



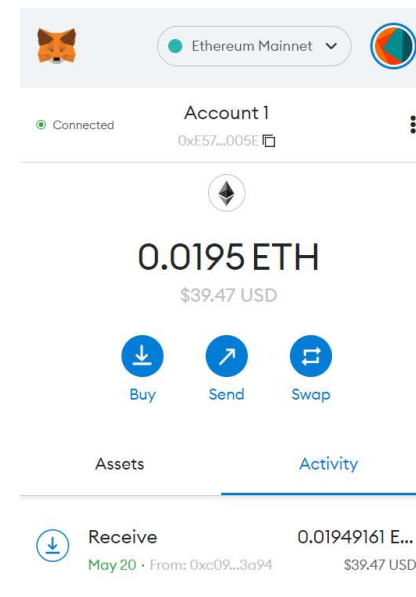
Purchase pending....

B.



Purchase complete....

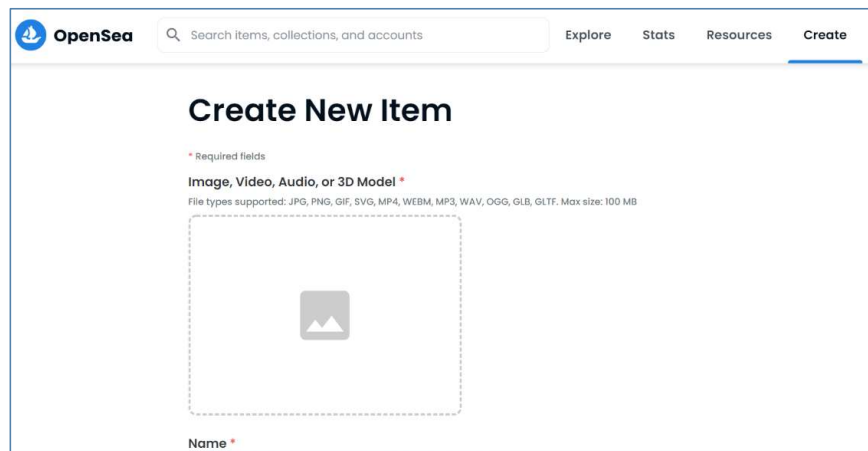
C.



Crypto in the wallet....

How are NFTs created? Create the NFT (3)

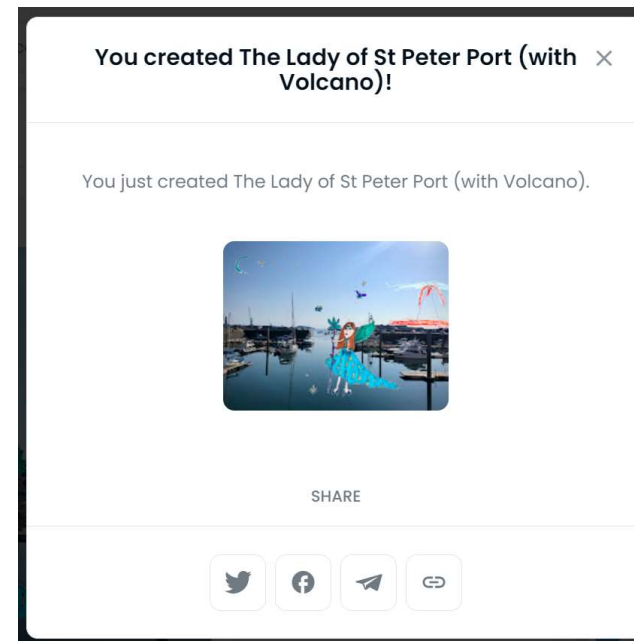
A.



The screenshot shows the OpenSea 'Create New Item' interface. At the top, there's a search bar and navigation links: Explore, Stats, Resources, and Create. The main heading is 'Create New Item'. Below it, a section for 'Required fields' specifies 'Image, Video, Audio, or 3D Model *'. It lists supported file types (JPG, PNG, GIF, SVG, MP4, WEBM, MP3, WAV, OGG, GLB, GLTF) and a maximum size of 100 MB. A large dashed box contains a placeholder image icon. At the bottom, there is a 'Name *' label.

Creating....

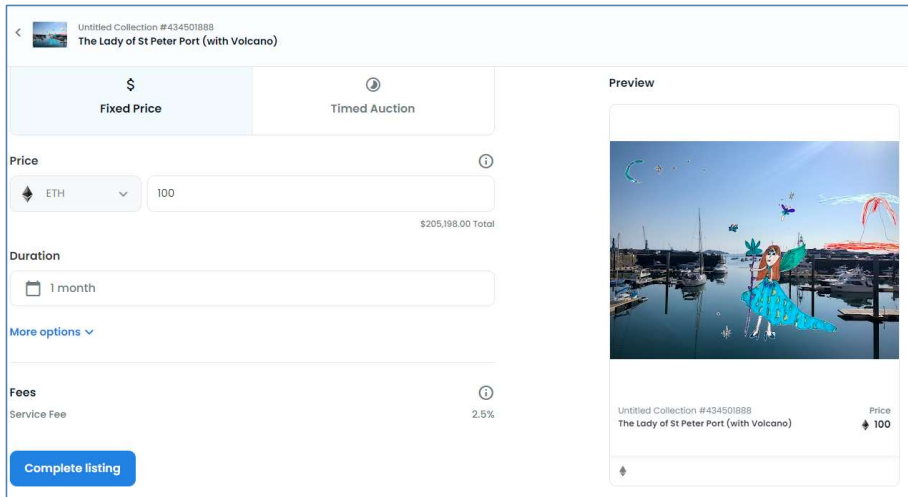
B.



Created...

How are NFTs bought and sold? Listing for Sale (1)

A.



Untitled Collection #434501888
The Lady of St Peter Port (with Volcano)

Fixed Price Timed Auction

Price
ETH 100 \$205,188.00 Total

Duration
1 month

More options

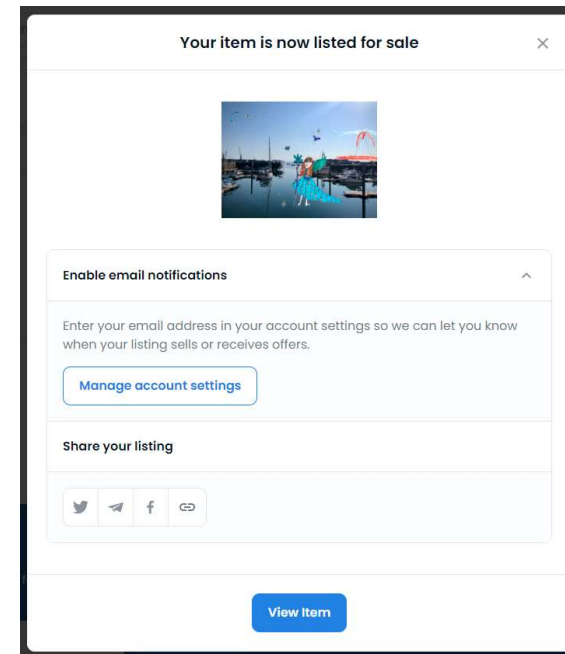
Fees
Service Fee 2.5%

Complete listing

Preview
The Lady of St Peter Port (with Volcano)
Price 100

Listing...

B.



Your item is now listed for sale

Enable email notifications
Enter your email address in your account settings so we can let you know when your listing sells or receives offers.
Manage account settings

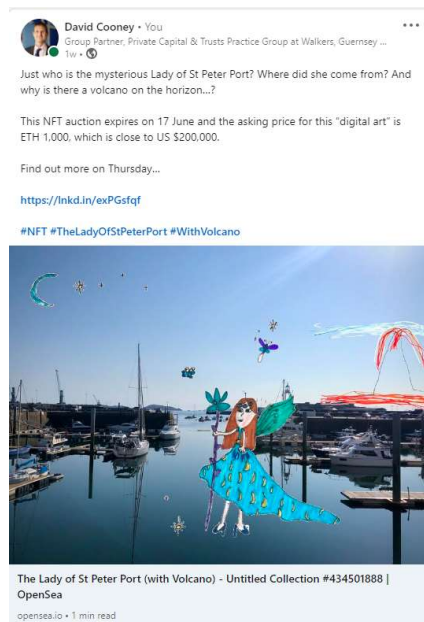
Share your listing
Twitter Telegram Facebook Link

View Item

Listed...

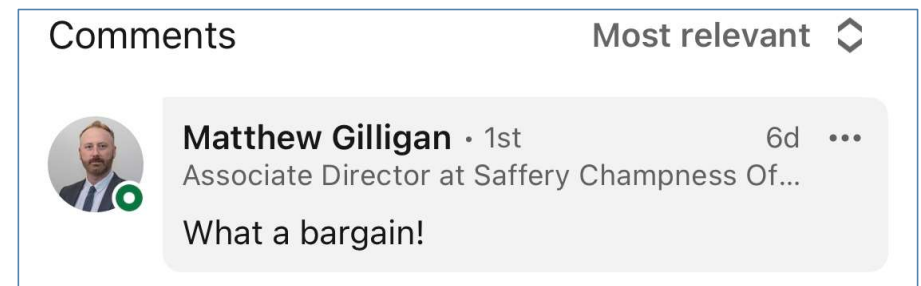
How are NFTs bought and sold? Shouting about it on LinkedIn (2)

A.



The first post...

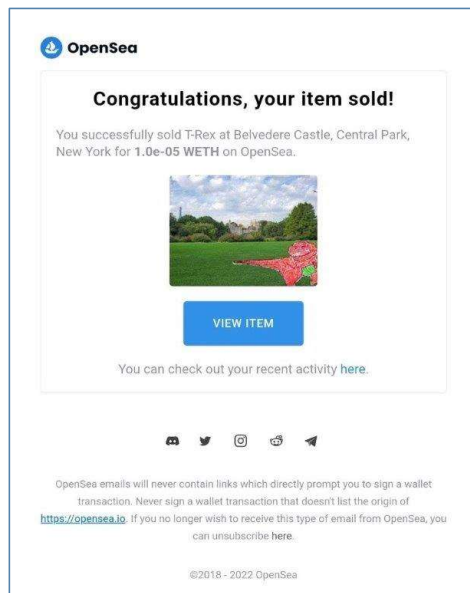
B.



Interest-levels increasing...

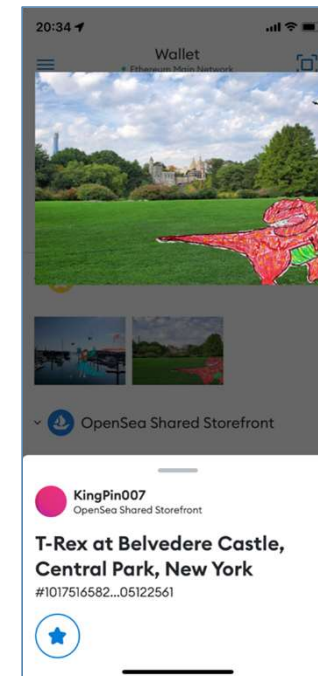
How are NFTs bought and sold? Buying an NFT (3)

A.



The Seller's wallet...

B.



The NFT in my wallet...

How are NFTs bought and sold? My New Purchase (4)



By Henry, aged 4

How are NFTs bought and sold? Buying an NFT...your turn! (4)



Scan to offer on “the Lady”



Scan to offer on “the T-Rex”

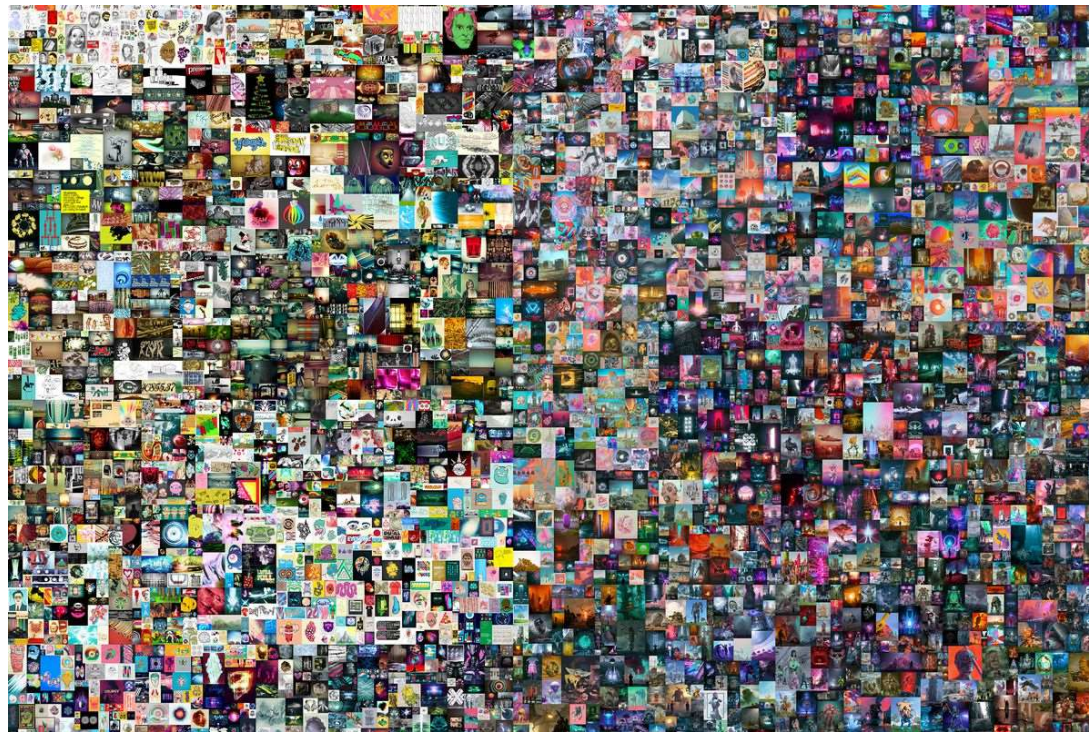
Why might trustees need to know about them?

- Clients might want to buy / hold “digital art” NFTs in structures
- Clients might want to buy / hold other NFTs in structures
- Some clients might be NFT creators, through structures
- Some clients will invest in the infrastructure behind NFTs, possibly through structures
- In the future:
 - NFTs as digital identity tokens?
 - NFTs to own real-world assets, fractionally?
 - Who knows what else!

Some high profile NFTs

- Beeple's "Everydays – The First 5000 Days" - Sold for US \$69m (through Christie's)
- Bored Ape Yacht Club - series
- First ever Tweet – it's not just "digital art" – Sold for US \$2.9m (re-sale attempt received offers of only US \$10,000); What did it say? "just setting up my twttr". It's hardly "One Small Step..."
- CryptoPunks – various!
- Melania Trump got in on the act too – I'll leave you to look into that yourselves!
- Want to get **really** meta? The NFT of the Merriam-Webster definition of NFT is owned by AOI, which is a foundation for emerging art and technology ([AOI - Profile | OpenSea](#))

Some high profile NFTs - Beeple's "Everydays – The First 5000 Days"



Some high profile NFTs – Bored Ape Yacht Club



A little bit of law...

- NFTs as Property? Lavinia Deborah Osbourne v (1) Individuals Unknown (2) Ozone Networks Inc. (trading as Opensea):
 - English High Court recognises NFTs as **property** (and therefore capable of being frozen).
 - Case involved the “theft” of NFTs from the claimant’s digital wallet.
 - High Court granted a proprietary freezing injunction in respect of the NFTs.
- Intellectual Property Rights:
 - **Lots** of issues here! NFT owner can prove ownership of the NFT, but what about the relevant IP rights?
 - Copyright in the thing to which the NFT relates does not usually transfer with an NFT (eg: first Tweet)
 - License IP rights from the IP rights owner, in parallel to NFT purchase?
 - Without IP rights, what rights does an NFT owner really have? “Bragging rights” only?



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