

Short notes on:

WHAT IS A NFT, AND IS THIS EVEN LEGAL

Introduction

We find ourselves in a digital age where information is being shared rapidly. This, coupled with the rising number of new technological advances and the emergence of cryptocurrency and Blockchain, can be challenging to keep up with the latest trends, inventions and how all of this is regulated.

A popular development that has been receiving a lot of attention lately is NFTs. Although all of this can be exciting, it can also be very overwhelming when you are unsure what it is and how it can affect you.

What is an NFT?

The abbreviation NFT stands for Non-Fungible Token. Firstly, to understand what a Non-Fungible Token is, we need to unpack what are Fungible and Non-Fungible items. An example of a Fungible item is a hundred rand note. This is something that is not unique, its previous owners are not relevant, and it has the same value as another hundred note. The hundred rand note has the same value as 10 ten rand notes or two fifty rand notes.

Alternatively, Non-Fungible items hold their value in their uniqueness, which will not have the same value as a similar. An example of a Non-Fungible item would be a famous painting or the title deed to a specific property. Although many versions of them may exist, these items derive their value from the fact that it is the original version, there is only one of its kind, or there is a specific benefit that can be derived from it that cannot be obtained through any other source.

How are NFTs used, and How is this Regulated?

The result of NFTs being difficult to replicate creates the opportunity for people to attach a specific item of value that can be traded through the means of buying and selling the NFT attached to the item. The record of these transactions are then kept on the digital ledger known as the Blockchain. An example of this would be where someone creates an NFT attached to a valuable piece of artwork. The owner of the NFT essentially has the ownership rights to the artwork. The perceived value of ownership rights over the specific artwork ultimately determines the value of the NFT itself.

This technology is new and rapidly developing. The result is that various legal systems across the world may not have developed legislation to regulate the sale and use of NFTs within their specific country. This means that NFTs, from a legal perspective, are still very unregulated and thus could cause many legal disputes.

Conclusion

In conclusion, it is crucial to know how to share, obtain and process digital transactions correctly and will not necessarily result in financial loss or legal issues. Therefore, consult with a legal professional before entering into any transactions on any online platform and put measures in place to make sure you comply with the law and protect yourself and others.

Contact an attorney at SchoemanLaw for your legal needs!