

Non-Fungible Tokens (NFT): An innovation that presents an opportunity for everyone seeking to tap digital assets?

To the uninitiated, crypto may seem complex and difficult to understand, whereas, an NFT is a limited-edition digital asset that is unique and offers a sense of community to holders, one that creators, collectors, curators, traditional institutions, and culture custodians in Nigeria should take advantage of.

"It's a bubble."

"These normies are wild."

"I can't wait for this bubble to burst."

Well, all bubbles burst and companies or projects survive bubbles. If NFTs, like crypto, will be the future then we should embrace it. NOW.

What about NFTs, really?

NFTs means Non-Fungible Tokens.

But you are probably wondering – what is a token? I would wonder too. A crypto token or token is a smart contract that could represent anything from tangible objects such as your diamond bracelet and real estate to intangible objects as well. Tokens can be fungible or non-

fungible. Tokens regarded as fungible are tradeable assets, such as your dogecoin, built on an existing blockchain like Ethereum – the most popular token platform. Fungible tokens, such as ERC-20 and BEP-20 tokens on Ethereum and Bitcoin respectively, can be traded in parts i.e. you can trade 1 bitcoin for another bitcoin or 100,000,000 satoshis (units of bitcoin) and you will have the exact value.

This opposite applies to NFTs, which are crypto tokens generated through hash methods, and linked to a digital asset like a video clip, JPEG or PNG or physical assets such as real estates, while leveraging on blockchain technology. An NFT is said to be unique unlike fungible tokens, because of its metadata - a digital 'title deed' associated with NFTs when minted. So, when an NFT, say an ERC721 token on Ethereum's



Image: Wardell "Steph" Curry's Bored Ape Yacht Club (BAYC) NFT. The NBA superstar and Golden State Warrior's point 'god' purchased this digital art for c.\$180,000 or 55 Ethereum, in August 2021.

blockchain, is minted, what is truly created and value-adding is not just the digital asset but the unique ERC721 token – the ‘title deed’ or artist’s signature, which is the original.

A good way to think about NFTs is that a digital asset seller/buyer creates a digital version of “original copy created/received by me”, which solves the issue of trackable provenance in the marketplace – blockchain. That is, every other version of the asset is counterfeit. A fugazi.

“An NFT is a digital certificate of ownership, which could be for any underlying asset.”

As the name implies, NFTs are ‘non-fungible’ and can not be replaced, inert-changed, sub-divided or sold in parts like fungible tokens. According to nonfungible.com, there are 6 popular types/use-cases of NFTs:

- Sports i.e. NBA Topshot
- Gaming i.e. Plasma Bears
- Art i.e. ArtBlocks
- Utility i.e. Ethereum Name Service
- Metaverse i.e. Decentraland
- Collectibles i.e. CryptoPunks, BAYC, Afrodriods

Why NFTs?

NFTs present a great investment opportunity and have numerous use cases as mentioned above. Although holders tend to peddle it as a status symbol by announcing a purchase and using NFTs as profile pictures on social media, NFTs represents more.

NFTs are cost and time friendly, with reduced hassle associated with valuation due to the existence of digital platforms to mint, sell, price, bid for NFTs. Also, it is impossible to sell a fake NFT because of its trackable origin and verifiable proof of history. NFTs can be authenticated online as records of ownership are updated on blockchain from the moment the art is minted, sold, and resold. Also, opportunities for fractional ownership offer buyers an opportunity for diversification.

Why are NFTs so expensive?

For the same reason a painting in the real world, say a Sotheby’s auction, is expensive. I know this answer is restricted to NFTs that are artworks or collectibles, and you are probably giving me the side-eye, just like Steph Curry’s BAYC NFT. You are worried that NFTs are so expensive.

The reasons why NFTs are expensive are simple yet complex. You and I can download Mona Lisa’s picture off google, but do we own the Mona Lisa painting?

Pretty much, no.

Hence, the price of NFTs, like any asset in the real world, is determined by the amount buyers are willing to forgo in exchange for the asset. In addition, only original NFT – with the artist signature, metadata, or title deed, is valuable. That is, the NFT image above is worth zero, because only the holder – Steph Curry has the original, with the unique metadata.

How to take advantage of NFTs

There are various ways creators, collectors, and institutions can take advantage of NFTs.

Institutions. Corporates can buy NFTs as an asset held for sale. Corporates can create NFTs for interesting projects in the digital world and offer fractional ownership to users. In addition, corporates will find NFTs extremely useful for Web 3.0 projects.

Collectors. Collectors can buy, hold, or engage in speculative trading / spread investing in NFTs.

Creators. Although there are several use cases, here are 6 ways creators, and traditional institutions can acquire NFTs.

1. As virtual real estates, traditional institutions like the Warri Kingdom can sell virtual lands/real estate within the kingdom to willing buyers.
2. As moments, traditional institutions can create virtual versions of various significant moments during a coronation such as the crowning of the King, key speech, etc.

3. As memorabilia/mementos, traditional institutions can create a digital image of the king's crown, traditional attires, statues, or what Yoruba people call 'shigidi', Benin bronzes, pictures of ancient kings, etc.
4. As digital images, creators can create virtual versions or a 3D render of actors in popular movies such as Laburu in King of Boys, Chief Omego in Living in Bondage.
5. As digital images, writers can bring main characters to life by creating virtual versions or a 3D render of relatable characters such as Odenigbo, Olanna and Kainene in Half a Yellow Sun.

So, what next?

The key to successfully create, mint, and sell NFTs is collaboration. While individual creators and collectors may navigate this more easily, corporates may find this difficult and as such, will require professionals.

For creators looking to mint and sell NFTs, check out platforms such as [Rarible](#) and [Open Sea](#). If you are looking to avoid paying a gas fee to mint for free, check out [Mintable](#). If you are interested in Nigerian NFT collectibles, check out Afrodruids, etc.

Finally, for readers who are not creators by trade with no links to any traditional institutions, I will leave you with these words from a friend, as my closing thought – "If your child loves to draw/paint, you should consider making all their artworks into NFTs and get them a metamask wallet. You preserve memories, or maybe someone would offer \$'millions for their silly childhood art when they grow up". You can learn more about this [here](#)

Joshua Okoduwa, the Author, is a Senior Associate (Strategy and Customer Solutions) in KPMG Nigeria. The author acknowledges the contribution of **Umeokafor Chimaobi**, the Editor and a Manager in the Technology Advisory Practice (KPMG Nigeria).