

Non Fungible Token

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In News: The sales of non-fungible token (NFTs) surged \$25 billion in 2021.

What are non-fungible tokens?

- A non-fungible token (NFT) is a cryptographic token that represents something unique, and has an individual characteristic that sets it apart.
- Everything from drawings, photos, videos, GIF, music, in-game items, selfies, and even a tweet can be turned into an NFT, which can then be traded online using cryptocurrency.
- NFTs are unique from other digital forms as it is **backed by Blockchain technology**.
- Blockchain is a distributed ledger where all transactions are recorded.
- These **transactions are transparent and can be seen by anyone and cannot be changed or modified** once recorded.
- **Terra Nulius** was the first NFT on Ethereum Blockchain, although this project was merely an idea which only allowed to customize a short message which was then recorded on blockchain.
- Then **Curio Cards, Crypto Punks and Crypto Cats** came in 2017, then expanding into mainstream adoption in early 2021.
- When NFT is listed on a marketplace, transaction fee is paid for using the Blockchain.
- A particular drawing or music is then recorded on Blockchain, mentioning who own the particular NFT.
- This gives one the full ownership which cannot be edited or modified by anyone, including the marketplace owner.
- NFTs can have **only one owner at a time**.
- Apart from **exclusive ownership**, NFT owners can also digitally sign their artwork and store specific

information in their NFTs metadata.

- **Anyone who holds a cryptocurrency wallet can buy an NFT.**

How is an NFT different from cryptocurrency?

Though both are built on Blockchain, Cryptocurrency is a currency and is fungible, meaning that it is interchangeable. But NFTs are non-fungible, that means the value of one NFT is not equal to another. E.g. every art is different from other, making it non fungible, and unique.

Risks associated with buying NFTs:

- Several incidents of NFT scams have been reported including emergence of fake marketplaces, unverified sellers often impersonating real artists and selling copies of their artworks for half prices.
- Recently, people complained about a potential phishing link shared by the pop culture icon Ozzy Osbourne's NFT collection Crypto Batz, that was draining their crypto wallets. At least 1,330 people had visited the fake NFT project.
- NFTs unquestionably have negative impact on the environment. In order to validate transactions, crypto mining is done, which requires high powered computers that run at a very high capacity, affecting the environment ultimately.

Note- Sapio Analytics, an artificial intelligence-based government support organization has joined hands with WazirX NFT marketplace to launch digital collectibles of rare artwork from ancient India. This would be the first when ancient Indian artwork would to be converted into a NFT.