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NFTS and New Economic Opportunities along with Subsequent Legal Implications

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Non-fungible tokens (NFTs) are virtual assets that facilitate the information about who owns and how much something is worth about another virtual asset, such as an original piece of music, video, or image, using smart contracts and blockchain technology. They are often hazardous instruments to invest in, subject to sharp drops or rises and cyber security risks, making them unstable assets to purchase and retain. Since finding and identifying the original work owner on virtual platforms may be challenging, NFTs are primarily used to confirm ownership. This prevents work from being easily replicated. Decentralization, ownership monitoring, and value storage are thus goals of NFTs. However, the legitimacy of these virtual assets is a significant issue. As no explicit laws restrict or forbid Indians from dealing in NFTs, concerns have been raised about the legitimacy and legal status of such tokens, particularly in India. Even after the legal implications revolving around the legitimacy of NFTs, it brings unconventional economic opportunities and investment opportunities due to their decentralized and autonomous nature, unlike fiat currency. The author tries to unravel legal complications around NFTs while analyzing new economic opportunities offered by NFTs.

Keywords: *nfts, blockchain, virtual economy.*

INTRODUCTION

Non-fungible tokens (NFT) are unique piece of cryptographically encrypted data in the virtual world that holds the power to create value in the real world, the same way unique pieces of items and real estate do. They are stored on a blockchain or a digital ledger. The emergence of decentralized ledger technology (blockchain) has led to the introduction of a new category of digital assets called NFTs. They are assigned unique identification codes and metadata to distinguish them from other tokens. NFTs can be traded and exchanged for money, cryptocurrencies, or other NFTs—it all depends on the value the market and owners have placed on them.

The critical difference between NFT & Cryptocurrency is that two cryptocurrencies from an identical blockchain are interchangeable. At the same time, two NFTs from the same blockchains can look similar and are not interchangeable.[1] Legal policies around the world all acknowledge that NFTs are eligible to be considered property. Recently Amitabh Bachchan sold his NFT collection of poetry recitals from his father's famous poem, Madhushala, with autographed movie posters, for USD 900,000.[2] However, the lawmakers in India have not concluded their Legal status.

LEGAL PERSPECTIVE ON THE TRADE OF NON-FUNGIBLE TOKENS CONCERNING INDIAN LAW

Blockchains provide a platform where these unique pieces of encrypted data can be traced back to their original owner, although the digital files containing them might be infinitely reproducible. NFTs can be tracked on their respective blockchains, which in turn provide the users with proof of ownership. In short, the buyers pay for this very proof of ownership. While understanding the bizarre craze over NFTs in this new era of digital provocation, we need to

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[1] 'What is an NFT? How does it work?' *(Economic Times,* 03 June 2022) <https://economictimes.indiatimes.com/news/international/us/what-is-an-nft-how-does-it-work/articleshow/91623986.cms> accessed 11 March 2023

[2] Ankita Chakravarti, 'Amitabh Bachchan's NFT collection auctioned for Rs 7 crore' (*India Today*, 06 November 2021) <https://www.indiatoday.in/technology/news/story/amitabh-bachchan-s-nft-collection-auctioned-for-rs-7-crore-1873724-2021-11-06> accessed 11 March 2023

understand the concept of the Veblen effect. Unlike the following idea of the Utility of commodities in economics, the Veblen effect ruling NFTs goes against it. The Veblen effect creates an abnormal economic situation wherein there is an absence of fall in demand for a commodity, ignoring the rise in its price, which means the higher the cost of the NFT, the higher its market demand.[3] This leading to the increased interest in the market for NFTs has led to increased speculation. Thus, the investors previously investing in cryptocurrency are now trading in Non-Fungible Tokens. Concerning the fungibility of NFTs, in simple terms, it refers to the lack of interchangeability. Their uniqueness of them is what makes these assets programmable and provides for increased liquidity as well as security.

Securities Contract Regulation Act 1956: According to section 2(ac) of the Securities Contract (Regulation) Act, 1956,[4] a derivative includes a contract whose value is derived from the prices, index of fees, or lying securities. Section 18(a) of the Securities Control Regulation Act further states that for derivative contracts to be legal, they must be exchanged on a recognized stock exchange platform.[5] For this to be applicable, thus the mechanism through which non-fungible tokens are exchanged must apply to the Union Government for recognition as a Stock Exchange.

Because NFTs are yet to be classified as either a contract or a derivative, there is uncertainty about whether or not they would come under the ambit of a derivative under the SCRA. Thus, its trading is considered illegal in India. What distinguishes NFTs is their non-fungible nature. Therefore, if an NFT is simply a reference to an existing asset as proof of its authenticity, it would not be considered a security or a derivative. NFTs are digital assets owned solely by one individual at a time, much like cryptocurrencies. NFTs are created using smart contracts, which are also used to assign ownership of the token. The smart contract automatically designates the creator as the owner whenever a new non-fungible token is created.[6] As a result, it would be erroneous to define an NFT as a security (derivative) if it is only a reference to an existing asset

[3] Laurie Simon Bagwell and B. Douglas Bernheim, 'Veblen Effects in a Theory of Conspicuous Consumption' (1996) 86(3) The American Economic Review <https://www.jstor.org/stable/2118201> accessed 11 March 2023
[4] Securities Contract (Regulation) Act 1956, s 2(ac)
[5] Securities Contract (Regulation) Act 1956, s 18(a)
[6] EU Blockchain Observatory & Forum, 'NFT – Legal Token Classification' (*Publications Office of the European Union*, 2020) <https://op.europa.eu/en/publication-detail/-/publication/31a8aa5f-84c9-11ea-aea8-01aa75ed71a1/language-en> accessed 11 March 2023

that is offered as evidence of its authenticity. Instead, it ought to follow general contract requirements. In addition, if a return on investment is promised, NFTs would seem to be 'hypothetical investments' rather than digital collections. As a result, they would be categorized as securities in India and subject to regulatory frameworks.

Indian Contract Act 1872: An NFT Smart contract would consist of all the legal elements to be classified as a contract under Indian law, i.e., it consists of a form of offer, acceptance, and consideration.[7] However, when discussing consideration, most of the time, NFTs are paid for through cryptocurrency. The ambiguity, in this case, arises as a result. It would be erroneous to define an NFT as a security (derivative) if it is only a reference to an existing asset that is offered as evidence of its authenticity. Instead, it ought to follow general contract requirements. In addition, if a return on investment is promised, NFTs are *hypothetical investments* rather than digital collections. As a result, they would be categorized as securities in India and subject to regulatory framework due to the legality of cryptocurrency, in this case, the consideration for the smart contract being in question. Smart contracts often accompany the sale of an NFT. It is an agreement written in code between the parties involved in the sale and which is stored in the blockchain. NFTs are stored in a blockchain to help their tracking by creating a digital signature that allows their tracking. Most transactions dealing with non-Fungible tokens involve smart contracts, through which conditions such as automatic payments of royalties during the resale of NFTs, limitations on the usage of copyright, licensing requirements, and tracking the subsequent purchase of an NFT. Therefore, an NFT smart contract or electronic contract would fall under the Information Technology Act of 2000 and the Contract Act of 1872.

Copyrights Act 1957: Although NFTs could be related to an attempt to establish the right to ownership, the same does not entail transferring ownership of a work of art represented by an NFT. Therefore, whenever an NFT is purchased, the owner does not automatically get the copyright to the given underlying piece of art represented by the non-Fungible token. Unlike

[7] India Contract Act 1872, s 10

the sale of an original work of art, when it comes to Non-Fungible tokens, the right to purchase does not automatically get transferred to the buyer of the Non-Fungible token.

According to Section 2(d)(vi) of the Copyright Act of 1957,[8] an author is defined as any literary, dramatic, musical, or artistic work which is computer generated or the person who causes such a work to be developed. A person is considered to be the sole author of a particular piece of art unless the work is shared with a said co-author, which in such a case would mean that both of them would jointly own the outcome. A person can also not be referred to as a sole author if another person has created a work of art under underemployment.

Further, Section 19 of the Copyright Act, 1957 deals with the Mode of assignment of copyright and clearly states that assignment of copyright in no case shall be valid unless it has been given in a written document signed by either the assignor or by his authorized agent[9]. Therefore, explicit copyright assignment needs to be present to set the copyright transfer in action. A buyer would fail to have full ownership rights unless these have been explicitly transferred to him, the owner. For the Indian copyright act, copyright, as in the authorization to reproduce, adapt, make copies, etc., of the artwork, would be prohibited. When it comes to Section 14's ownership and non-Fungible tokens,[10] this will refer to the minting of NFTs as it would directly involve the right to mint NFTs. To mint an NFT, digital data must be transformed into cryptographic holdings or other digital assets stored on a blockchain. The digital goods or files will be kept in a decentralized database or distributed ledger and cannot be changed, altered, or removed. When it comes to NFTs, the ownership lies with the person who mints it. Therefore it is not necessary that the owner of a given NFT would be the author of the said NFTs, which would mean that the copyright would still lie with the original author of the NFT unless such rights have been explicitly transferred through a written document. The sale of NFTs does not usually involve the sale of rights as well, in case they do. The same can be done under Section 149(c) of the Indian Copyright Act, 1957.[11]

[8] Copyright Act 1957, s 2(d)(vi)
[9] Copyright Act 1957, s 19
[10] Copyright Act 1957, s 14
[11] Copyright Act 1957, s 149(c)

The terms and conditions or a separate assignment/license agreement between the NFT vendor and buyer should specify the transfer of the right if one exists. Although the nature of the rights linked to an NFT makes it exceedingly restrictive depending on what the right owner decides to sell, the buyer's usage of the underlying Work can occasionally be unlimited with minor restrictions. In conclusion, Indian copyright laws create NFTs the same way as any artwork. The copyright owner has the exclusive right to create copies, distribute, or prepare other works concerning the given NFT.

Income Tax Act 1961: Taxation of an NFT would depend on the nature of the underlying asset it has been classified as. The Centre, in the 2022 budget, introduced regulations to tax income generated from VDAs or Virtual Digital Assets, which would also consist of crypto assets, NFTs, or any other similar token.[12] The government recently declared all digital assets, including non-Fungible tokens, to be subject to a 30% tax by the central government. According to the 2022-2023 Budget, a 30 % levy of IT plus cess and surcharges on transactions would be dealt with.[13] Goods under the Central Goods and Services Tax Act of 2017 cover movable property other than securities and money, services, on the other hand, include anything other than goods.[14] Therefore, it is more likely that GST would be applicable based on what non-Fungible tokens represent.

To levy tax on crypto assets and non-Fungible tokens, section 2(47A) of the Income Tax Act[15] has been amended in such a way as to include crypto assets, NFTs, and other tokens of similar nature. In addition to the 30% tax, TDS (Tax Deducted at Source) at the rate of 1% would also be levied whenever there is a sale or transfer of crypto assets. Through the notification date of June 30, 2022, the government provided clarity on the kind of NFTs that would qualify as VDA. NFTs

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[12] Shaveta Dua, 'Tax on Crypto, Virtual Assets decode' (*The Economics Times*, 24 June 2022) <https://economictimes.indiatimes.com/wealth/tax/tax-on-crypto-virtual-assets-decoded/what-does-the-law-on-tds-on-vda-crypto-say/slideshow/92429435.cms> accessed 11 March 2023

[13] Sunainaa Chadha, '30% tax on income from digital assets: All you need to know'(*Times of India*, 01 February 2022) <https://timesofindia.indiatimes.com/business/india-business/30-tax-on-digital-assets-all-you-need-to-know/articleshow/89267925.cms> accessed 11 March 2023

[14] Central Goods and Services Tax Act 2017, s 2(52)

[15] Income Tax Act 1961, s 2(47A)

that represent ownership in underlying digital assets shall qualify as VDA.[16] For an NFT to be covered under the ambit of the VDA definition, it needs to fulfill the following conditions, it needs to be a digital representation of value exchanged with or without consideration, with the promise or representation that it has inherent value, or functions as a store of value or a unit of account (including, but not limited to, its use in any financial transaction or investment) is any information, code, number, or token generated through cryptographic methods or otherwise, and it can be transferred, stored, or traded electronically.

COLLECTIVE INVESTMENT SCHEMES

An arrangement or scheme satisfies the conditions referred to in Section 11AA(2) of the SEBI Act.[17] A Collective investment scheme would include any such arrangement made or offered by a company under which contributions or payments made by the investors are utilized to receive income, profits, property, or produce. It is further managed by investors who do not have day-to-day control over the management and operation of such schemes or arrangements. CIS can be in two forms- investment funds or mutual funds.

Whether or not an NFT can be determined as a financial instrument or not, the non-Fungibility of the token would not have any effect, factors that would determine whether an NFT is a financial instrument would include its qualities, such as rights granted to purchasers. If an NFT's main goal is to give the ability to sell, purchase or retain an asset, it would most likely be categorized as a utility or an exchange token.

As per the rules set by the Securities Exchange Board of India (SEBI), issuing a non-Fungible token that qualifies as a Collective Investment Schemes unit would require acquiring and registering a collective investment undertaking license. If an existing Collective Investment Scheme does not apply for registration, is denied provisional registration, or is in non-

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[16] Preeti Motiani, 'How TDS on crypto and virtual digital assets will work from today' (*The Economic Times*, 01 July 2022) <https://economictimes.indiatimes.com/wealth/tax/how-tds-on-crypto-virtual-digital-assets-will-work-from-july-1-2022/articleshow/92409625.cms?from=mdr> accessed 11 March 2023

[17] Security and Exchange Board of India Act 1992, s 11AA(2)

compliance with the SEBI rules after being granted such registration, it would lead to its winding up, followed by the imposition of other penal provisions as specified under the SEBI Act.

Foreign Exchange Management Act Regulations

In addition to the 30% tax levy, the 2020 Finance Act has provided for a 2% equalization levy which would levy a 2% tax on foreign firms which operate in India. Suppose a marketplace has been categorized as an e-commerce operator under the Finance Act 2020. In that case,[18] the equalization tax of 2% may apply to either the gross value of the non-Fungible token, the cost of gas levied by these marketplaces, or, in some cases, both.

Cross-border or transnational transactions of NFTs may be subjected to the Foreign Exchange Management Act of 1999.[19] Like the rule applied under the Income-tax Act, the way FEMA would apply to NFTs would depend on the kind of underlying assets and value. The major problem faced here is that it is almost impossible to pinpoint or locate the exact location of an NFT, which as a result, may cause NFT exchanges and holders to try and avoid the Foreign Exchange Management Act's regulations wholistically. Therefore, assets transferred through NFT, whether physical or digital, would be subjected to FEMA and regulations regarding cross-border transactions under the same, although there is certain ambiguity whether non-Fungible tokens can be classified as intangible assets and, in turn, be governed under the intellectual property and software sections of FEMA, the main issue would still be to pinpoint the exact location of an NFT. Since they are supported by *"global ledgers"*, the data is logged, exchanged, and synced across data storage, pinpointing their position is crucial.

MONEY LAUNDERING AND NON-FUNGIBLE TOKENS

Money laundering, according to the Financial Action Taskforce, can be defined as the process through which criminals cover up or proceed to disguise their illegal origins, it is a critical process to elevate terrorism by allowing criminals to enjoy profits of terrorist activities without endangering the source of the said profits. To combat the increasing concern over money

[18] Finance Act, 2020, s 194-O
[19] Foreign Exchange Management Act 1999, s 2(e)

laundering, the Financial Action Task Force was established in 1989 during the G-7 Summit in Paris to create a coordinated and collective response against money laundering.[20] This innovation might raise questions regarding financial crime and money laundering, known as *"The Pixel."* This NFT was produced by an artist named Pax and sold at a Sotheby's auction in April 2021 for roughly $1.3 million.[21] A person who wants to "clean" dirty money may theoretically construct an anonymous NFT, put it up for sale on the blockchain, buy it from themselves from an unregulated, anonymous digital wallet, and then recognize the money as real currency from the sale of the artwork.

WASH-TRADING

Traditional works of art, due to their ease of transportation and opacity in transactional processes, often attract money laundering-related illicit activities. Non-Fungible tokens can be categorized as digital works of art with the same characteristics as traditional art pieces. Therefore, often show similar problems that the art market faces concerning money laundering. Round tripping or Wash trading refers to an illegal practice wherein the same trader buys and sells the same financial instruments within a short period on different exchanges to illegally manipulate or influence the market in his favor. They do so to paint a misleading picture about the liquidity or value of the non-Fungible token by increasing its value through a series of repetitive speculative behavior. When it comes to NFTs, wash trading is as easy as many NFT Platforms, allowing users to link their wallets to the platform without having to identify themselves, this way criminals can easily hide their identity by using a cryptocurrency wallet not requiring any verification during the process of money laundering. This way, large funds can easily be transferred from one digital wallet to another without revealing the identity of the traders.[22]

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[20] 'Anti-Money Laundering/Combating the Financing of Terrorism' (*International Monetary Fund*) <https://www.imf.org/external/np/leg/amlcft/eng/aml1.htm> accessed 11 March 2023

[21] Richard Drew, 'Pricey pixel: Digital artist Pak's NFTs auctioned off for $16.8M' (*Aljazeera,* 14 April 2021) <https://www.aljazeera.com/economy/2021/4/14/pricey-pixel-digital-artist-paks-nfts-auctioned-off-for-16-8m> accessed 11 March 2023

[22] Amanda Hetler, 'NFT wash trading explained' (*TechTarget*, 27 July 2022) <https://www.techtarget.com/whatis/feature/NFT-wash-trading-

ECONOMIC OPPORTUNITIES OFFERED BY NFTS

Non-fungible tokens are a recent addition to the economy and are a recent addition to the economy and are a type of virtual asset. According to the report, the market worth of Non-Fungible Tokens (NFTs) increased dramatically from just $100 million in 2020 to over $231 billion, the expected net worth of the NFT market in 2030.[23] Despite huge interest in the growth and collapse of this market, there are relatively few fundamental understandings of the economic principles underlying this ecosystem. NFTs are in higher demand because of their wide range of applications in various markets, including games, music, film, and sports. The NFT market is expected to generate an average of US$70.46 per user in 2023.[24] the NFT markets have already contributed to developing new finance and investment models. A remarkable illustration would be the NFT drop announced in January 2022 of the Antara movie NFT which allowed a buyer to virtually own certain rights in a Hollywood movie. This will facilitate the owners to take a share in revenue collected by the movie at the box office. Another spectacular instance of the NFT business model is that the band Kings of Leon just issued its NFT, which stands for the key to digital files, along with a brand-new album. These NFTs have computer code that entitles purchasers to front-row tickets for the next Kings of Leon show[25]. It would not be wrong to say that the foundation of NFT ecosystems, blockchain technology, offers participants security and autonomy. NFTs are programmable as per the need. NFTs can have an impact on practically every industry. It is uncertain how and what part they will likely play in the future of our economy.

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explained#:~:text=What%20is%20NFT%20wash%20trading,publicly%20report%20the%20first%20sale> accessed 15 March 2023

[23] Global Non-Fungible Tokens Market Size By Product Type (Personal, Commercial), By End User (Media And Entertainment, Gaming), By Geographic Scope And Forecast ' (*Verified Market Research*, June 2022) <https://www.verifiedmarketresearch.com/product/non-fungible-tokens-market/#:~:text=Non%2DFungible%20Tokens%20Market%20size%20was%20valued%20at%20USD%2011.32,and%20transparency%2C%20among%20other%20characteristics.> accessed 15 March 2023

[24] 'NFT – Worldwide' (*Statista*, March 2023) <https://www.statista.com/outlook/dmo/fintech/digital-assets/nft/worldwide#users> accessed 15 March 2023

[25] Vijay Pravin Maharajan, 'NFTs are providing new economic opportunities - Who is investing and why?' (*The Economic Times*, 05 November 2022) <https://economictimes.indiatimes.com/markets/cryptocurrency/nfts-are-providing-new-economic-opportunities-who-is-investing-and-why/articleshow/95308175.cms> accessed 15 March 2023

ECONOMIC SCOPE

The popularity of the NFT industry has rapidly increased with the growth of blockchain and cryptocurrencies. Numerous luxury companies have introduced their online stores where NFTs are sold, including Louis Vuitton and D&G. Others are now testing the waters and looking at new possibilities in this industry, such as Prada and Bulgari[26]. NFTs can be utilized to create a new kind of money and serve as digital keys for online areas. This makes it possible for token holders and brands to communicate directly. NFTs, for instance, can serve as tickets or membership cards that provide holders access to exclusive goods and exceptional prices. NFTs can also be used to create loans without the use of dependable middlemen, thanks to the rising number of decentralized financial apps built on blockchains. NFTs may be used to buy non-portable works of art as well. For instance, a graffiti artist known as *PANT1* published a Graffiti Collection on Nifty Gateway in return for NFTs. For artists who want to advertise their work, this offers a new, non-portable market[27].

Several artists use the blockchain to publish collections of their works, allowing them to sell them to more people for more money. Additionally, NFTs are altering how we now own digital material. Now, customers may use NFTs to buy tattoos, digital graphics, and video clips. This technology will transform how we consume entertainment shortly and lead to the development of new business models. Putting up a public display of your work is one approach to get more people to notice it at NFTs. The primary draw for workers and visitors to most businesses is art. Similar in appeal to digital art, paintings are a popular choice for business presentations. Nearly 76% of respondents said they had bought artwork or photos for their workplaces.[28] Additionally popular among responders were photography and video art. NFTs offer chances for community building for artists as well. These locations allow artists a platform to build a brand and give

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[26] Leiorre Shimron, 'NFT 2022 Year End Review' (*Forbes*, 21 December 2022) <https://www.forbes.com/sites/leeorshimron/2022/12/21/nft-2022-year-end-review/?sh=51654d1a5c14> accessed 15 March 2023

[27] Jack Cheng, 'NFTs Will Change Our Economy, But Not Yet: Beyond the Hype' (*NASDAQ*, 25 April 2021) <https://www.nasdaq.com/articles/beyond-the-hype%3A-nfts-will-change-our-economy-but-not-yet-2021-04-06> accessed 15 March 2023

[28] Vivian wang and Dali wang, 'The Impact of the Increasing Popularity of Digital Art on the Current Job Market for Artists'(2021) 9(3) Art and Design Review < https://doi.org/10.4236/adr.2021.93019> accessed 15 March 2023

them direct access to collectors. Many individuals purchase NFT art due to its authenticity, while others do it to get to know the artists who created it. These groups may frequently be found on Discord, and they encourage artists to interact with their followers to build a personal brand. The accessibility of a decentralized market is one of the numerous advantages of NFTs for artists. Artists may sell their products directly to customers, avoiding intermediaries and wasting time and money. These platforms also assist musicians in connecting with new audiences and increasing their fan base.

INVESTMENT

Non-Fungible Tokens (NFTs) may only be bought with a certain currency, such as Ethereum. Digital artwork is the most prevalent type of NFT. Some artists charge hundreds of thousands of dollars for their NFTs. NFTs have become extremely viral on the Internet, from Crypto Kitties to Crypto Punks to Bored Ape Yacht Club, as the starting point where massive amounts of money are entrusted already. NFTs can be used to assert ownership rights for tangible things and be employed in digital business activities. This will increase their trading value and open up new investment possibilities. NFTs' economic influence will increase as the digital platform economy develops. For instance, Facebook, the dominant social media platform, might have been more successful if customers could own stock in the business. Due to this, Facebook advertisements would not have been necessary for hundreds of thousands of new companies.

FINANCIAL SYSTEM

NFTs may have a significant effect on the world financial system. It may contribute to developing a more resilient financial system and provide possibilities for those previously kept out of it. They could also hasten the shift to a green economy towards sustainability. Future carbon credits and another environmental asset trading could be viable using NFTs. In recent years, the financial sector has seen an unparalleled shift. Neo banks' ascent, the digitization of banking, and the emergence of cryptocurrencies have all fueled this industry's expansion. The trendiest asset in finance at the moment is virtual assets.[29] Like NFT, virtual assets are also becoming popular. As a sign of its rising popularity, the British Collins dictionary even named the word "NFT" as word of the year. However, this new technology's effect on the world financial system is still uncertain. NFTs have the power to transform trade finance and international trade. Due to their decentralized nature, they may be used to tokenize a wide range of assets, including physical currencies and digital assets. Additionally, using NFTs makes it possible for trade finance instruments to travel safely through a blockchain, promoting easy settlement and enhanced liquidity.

They also have smart contracts, which can take on the majority of financial functions, including custodian roles. They are made to do away with middlemen, lessen counterparty risk, and maintain the deliverables' integrity.[30] NFTs increase interoperability throughout the system while enhancing financial institutions' capacity to service consumers. These developments can simplify users' ability to conduct transactions and deals by providing APIs that enable them to connect to other platforms. This results in more competition and cheaper costs for end consumers.

RARITY IN NFT

The valuation of NFTs depends considerably on scarcity, the perception of owners and buyers, and distribution channel availability. Scarcity is the most common value component in NFTs. When something is in short supply, its value is inversely correlated with its demand. For instance, the rarest elements, only traded in minuscule amounts, can theoretically be worth $1BN per gram. As a result, the rules of supply and demand apply to the economy. Consequently, we see that traders frequently purchase and sell items from the same collection. This framework depicts the organizational structure of a network. Regarding NFTs, dealers

[29] 'Global Financial Stability Report 70' (*IMF*, 2022) <https://www.imf.org/en/Publications/GFSR/Issues/2022/04/06/global-financial-stability-report-april-2022> accessed 15 March 2023

[30] Gretchen Andrew, 'NFTs use 'smart' contracts—but what exactly are they?' (*The art newspaper*, 17 August 2022) <https://www.theartnewspaper.com/2022/08/17/nfts-use-smart-contractsbut-what-exactly-are-they> accessed 15 March 2023

frequently purchase NFTs from one another before selling them to other traders who concentrate on the same kind of collection.

Even if the NFT market is prone to speculation, a careful examination will show that higher-quality NFTs are more expensive. NFTs' economic potential has been acknowledged across several industries, including fashion. For instance, Nike has made special NFT trainers available in the Metaverse and sold those sneakers for $134,000.[31] It was one such instance of the NFT economy producing millions of dollars in sales.

CONCLUDING REMARKS

There has been a lot of buzz surrounding the advent of NFTs since they may significantly influence the economy. We'll be able to realize the full potential of these ground-breaking technologies when more people use them. The future of digital ownership is NFTs. These brand-new, safe assets are revolutionizing the world of digital ownership. They are creating entirely new digital marketplaces and ecosystems. The possibilities are astounding.

While there is no unique legal framework in India for NFTs. Most buyers and enthusiasts seek to make quick returns from NFTs, and of late, interest in them has dwindled. As a result, the sale and purchase of tokenized artwork raise questions about its legality and other legal issues like NFT holders' rights, creator and holder liability, and the applicability of various other intersecting laws. Because of this lack of standardization, NFTs are unable to allow transactions at all levels of the market and are unlikely to emerge into a new unregulated currency system. The middle ground appears to be a strict regulation of NFTs rather than a complete prohibition.

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[31] Allex Williams, 'Nike Sold an NFT Sneaker for $134,000' (*The New York times*, 26 May 2022) <https://www.nytimes.com/2022/05/26/style/nike-nft-sneaker.html> accessed 15 March 2023