

Isenberg Innovation Consultants

<u>Team Member Name</u>	<u>Year</u>	<u>Major</u>
Malcolm Olendzki	2022	Operations & Information Management
Fiana Herscovici	2024	Operations & Information Management
Paulette Palomares	2024	Marketing
William Andersen	2024	Finance
Riley Linden	2024	Finance

Advisor(s): Professor Jennifer Merton

Topic: Into the 4th Industrial Revolution: Non-Fungible Tokens (NFTs)

Audience: Senior Management of OpenSea

Executive Summary

Non-fungible tokens, NFTs, have given a new meaning to investment and revolutionized the art industry. To provide context, a fungible asset is “divisible and non-unique”. One dollar, or one Bitcoin, are both fungible tokens because they are mutually interchangeable. That is, each of them has the same value as every other dollar or Bitcoin. On the other hand, non-fungible assets are “unique and non-divisible”, such as plane tickets or Van Gogh’s *Starry Night*. These assets contain specific data that make them impossible to replicate. Thus, a non-fungible *token* represents a unique item on the blockchain such as a picture, gif, or a png of a rock. So, while fungible tokens store some kind of value, non-fungible tokens store data connected to a digital asset. In addition, cryptocurrency, like Bitcoin, refers to payment coins that have their own blockchains, while crypto tokens are created on another blockchain and represent digital units of value developed on existing blockchain networks, such as Ethereum.

At the intersection of traditional, centralized finance and decentralized finance lies NFTs. NFTs have allowed artists the opportunity to monetize their artwork without an agent, but this unique method of investment also presents unique ethical, financial, and legal challenges. The buying and selling of NFTs has given rise to intellectual property violations and the lack of governmental regulation around these innovative products has shrouded NFTs in a gray uncertainty. In addition, the ethical complications of NFTs call into question the rights of the artists whose works have come to be worth millions of dollars on NFT exchange sites, such as OpenSea, but can be copied in an instant by other users in the metaverse.

While NFTs have brought their own host of regulatory challenges and many nations have banned the mining and use of cryptocurrency altogether, the Isenberg Innovation Consultants believe that the ethical, financial, and legal questions surrounding NFTs serve as a catalyst for change. By advocating for the balanced regulation of NFTs by the SEC and other financial agencies, implementing strategies to adapt copyright law to the needs of these digital transactions, and pledging dedication to improving the sustainability of NFT blockchains, OpenSea can be the bridge between the metaverse and reality.