

A second coming for NFTs?

BY MALEEN BALQISH SALLEH

N

on-fungible tokens (NFTs) first took off in the tech industry as a form of digital art. It was made popular by the Rare Pepe digital collectibles in 2016, but the wave only hit Malaysian shores in late 2021.

2022 was supposed to be the year NFTs went mainstream but the market is not going through its best moment currently, mainly caused by the plunge in cryptocurrency prices this year, says Khalid Gibran, CEO of Meta Universe Solutions. "[This year] was supposed to be the year of the NFT rather than the year of the Tiger."

Nevertheless, several milestones were achieved. This year, Malaysia hosted its first NFT conference, called M1nted ConFest, inviting distinguished names from the NFT arts, music and gaming industry in August.

The hype around NFTs was such that major household brands like AEON and KFC Malaysia released exclusive digital collectibles as part of their marketing strategy. Similar to the famous Bored Ape Yacht Club, local fan clubs such as RoachPunk and Punks Malaysia were set up to draw the local community of collectors.

But since the crash in cryptocurrency prices, overall NFT transaction volume fell by 97% between January and September this year, from US\$17 billion (RM75 billion) to US\$466 million (RM2.06 billion), according to data provided by Dune Analytics, an Ethereum analytics platform.

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Meta Universe Solutions uses NFTs as a form of loyalty tokens, where they craft solutions to help businesses manage access to exclusive content, assets or events for their community. As these solutions open up a whole new revenue stream, Khalid is optimistic about the potential and value of NFTs.

Citing a report by global consulting and research firm Verified Market Research, in which the value of the NFT market is expected to rise to US\$231 billion by 2030, he believes that the growth of the digital asset will be astronomical.

Chung Ying Lai, chief strategy officer at TokoCrypto, says the value of NFTs, especially digital collectibles such as artworks, highly depends on each individual's perception.

"If I were a National Basketball Association (NBA) fan, I might spend two to three million dollars on my favourite players' digital collectibles. However, people



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who are not NBA fanatics will think that's crazy [to spend that much]."

He also points out that it seems misleading to value an NFT based on the asset it is attached to. That is because an NFT is a form of technology that supports a digital asset via its smart contract system for authenticity, not the item itself.

LOOKING FORWARD

As the market recalibrates, there will be more adoption of NFTs next year, says Meta Universe's Khalid. These can be used to power industries such as healthcare, music and gaming. For instance, NFTs can be used in medical recordkeeping to avoid reassessments every time a patient visits a healthcare facility for treatment.

TokoCrypto's Chung is more conservative in his view. He believes the NFT market will remain slow, just as any investment tool, due to inflation globally. The same can be said about his views on the adoption rate



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of NFTs, which has a long way to go.

But Chung foresees traction for soul-bound tokens (SBTs), which are non-transferable digital tokens that represent characteristics or reputation of a person or entity in a decentralised society.

Ethereum co-founder Vitalik Buterin, economist Eric Glen Weyl and lawyer Puja Ohlhaver in their research paper, "Decentralized Society: Finding Web3's Soul", which was published in May, believe that SBTs can help solve problems of decentralised finance such as scams and theft.

"These [SBTs] are good for digital certification, whereby the government can issue a digital identity to your blockchain wallet," says Chung, adding that SBTs can be adopted for employee identification too.

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