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UTILITY NFT: LEGAL ISSUES OF DECENTRALIZED SERVICES

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ABSTRACT

With the popularity of metaverse, the number of questions about the legal framework of utility tokens has also grown. In this area, the application of blockchain allows us to generalize the experience of tokenization of services. A countertrend is the evolution of NFTs from digital image right authentication to a utility solution that allows consumers to benefit from the possession of rights in the community. A legal analysis of utility NFTs in the metaverse leads to the need to apply the provisions of securities law to tokenization services. However, possessing the features of digital rights, utility NFTs cannot always be the investment, which requires the exclusion of such tokens from the scope of regulation of the law on crowdfunding.

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1. INTRODUCTION

The mega-popularity of non-fungible tokens (NFTs) is now waning¹, leaving only the most optimistic investors in the industry with a general confidence that the market will not only survive but expand. At the same time, the law and legal order are still looking at the possibility of full legalization of investments in this type of entity. It seems that this discussion is still relevant in the legal community because the stability of the trend has just reached a plateau and it is possible to discuss what legal mechanisms are applicable to the formalization of relations regarding the issuance of tokens, and in particular, utility NFTs.

Residents of the metaverse can trade assets or goods with each other. We proceed from the concept of NFTs in the metaverse as the best digital asset to ensure the originality of goods and services in metaverse [3].

Metaverse NFTs are unique digital assets that can be bought and sold within the shared virtual space of the metaverse. The metaverse is a virtual shared space where users can interact with each other and digital objects in a seemingly real way. Its most basic definition refers to “the concept of a fully immersive virtual world where people gather to socialize play and work.” It is a simulated digital environment that combines augmented reality (AR), virtual reality (VR), blockchain, and social media principles to create areas for rich user interaction that imitate the real world [11].

NFTs play a significant role in the metaverse by providing a way to represent unique digital assets such as virtual real estate, in-game items, and collectibles on a blockchain. The use of NFTs and digital assets in the metaverse helps create a more dynamic and engaging virtual world by allowing users to own and interact with digital assets in a meaningful way [5].

¹ According to a report by DappRadar, a resource that analyzes the market for decentralized applications (dApps) in March 2023, NFT trading volume increased to \$2 billion for the first time since last May, up 117% from the previous month, with 6.3 million sales./ <https://dappradar.com/blog/category/dapp-industry-reports>.

2. THE EVOLUTION OF NFTS

According to popular perceptions, NFTs are just collectible pictures that are sold unnecessarily expensive on all sorts of dubious platforms, and yet in the vast majority of cases do not give collectors any rights beyond the possession of a virtual asset² [9].

Indeed, NFTs are often associated with digital assets of various types including video, text, animated GIFs, and audio and are the most popular, with NFTs - images - holding the palm [13]. Until recently, this sort of token has been emphasized. For example, museums, tokenizing works of art in their possession, followed the path of creating a digital copy of the picture with the possibility of transferring ownership of the token - the picture to the buyer at auction. In this case, the material object in which the work of art is expressed as well as the rights to the result of intellectual activity belonging to the museum were not transferred to anyone and had nothing to do with the token [8].

However, technological experiments and the involvement of more and more participants in the tokenization process have led to a significant expansion of the range of popular NFTs on well-known marketplaces and exchanges. Trading platforms have consistently identified five major segments of the NFT market, namely collectibles, metaverses, games, art, and utilities. Meanwhile, the 2021-2022 market studies show that utility NFTs are the main source of secondary effects and collectible NFTs are the main source of secondary effects for both yield and volatility [14]. It is also noted that in some jurisdictions, utility tokens have sometimes become the predominant form of tokens offered in ICOs³.

The market is now developing towards “strengthening” the tendency of tokening objects by providing the media file contained in the token with additional capabilities in the form of access rights to the service or content, subscription, or usage in a certain way. That is, in the context of issuing NFTs, a new social relation appears that requires a specific regulation.

² Sothebys. \$17 Million Realized in Sotheby's First NFT Sale with Digital Creator Pak. URL: <https://www.sothebys.com/en/articles/17-million-realized-in-sothebys-first-nft-sale-with-digital-creator-pak> (дата обращения: 17.07.2023).

³ International Law Practicum Includes Chapter News. A publication of the International Section of the New York State Bar Association. 2018 | VOL. 31 | NO. 1 // <https://www.maldonadoleon.com/web/publicaciones/2018IPV1.pdf>

Utility NFTs (sometimes also call consumer tokens) «bring real value to the owner. The creator of such an NFT provides consumers with special privileges»⁴. For example, it could be a token that provides membership to a club, access to cloud storage, or a loyalty token that can be redeemed for a physical good such as a cup of coffee, or perhaps access to a specific content in a multiplayer online game. Services eticket4, Poniminalu, for instance, created utility tokens to sell tickets to concerts⁵. Chiliz Chain with brands introduces the benefits of blockchain technology to the sports and entertainment industry by minting fan tokens, NFTs, and other digital assets⁶. Utility tokens have been successfully used in the music industry⁷.

Utility tokens finance the development of their product or service, reward and incentivize early adopters and network promoters, align economic incentives between supply, demand, and the marketplace, and enhance network effects among all participants [2].

In the legal sphere, the qualification of such relations becomes very «painful». For example, when it comes to issuing tokens for a digital image, from a legal point of view, it is not the work that comes first but the corresponding rights protected in the token. The transfer of rights within a token is now the most bottleneck of legal regulation in different legal orders. The emergence of a serious market segment of utility NFTs raises the question of legalization of their circulation in Russia and abroad.

3. TOKEN VS DIGITAL RIGHTS

An NFT is essentially an immutable electronic file that verifies the ownership of a digital good and provides a statement of the origin, terms of ownership, and history of its transfer from the moment of issuance. In Russia, the legal analysis of token issuance is usually based on the notion of digital rights enshrined in Article 141.1. of the Civil Code of the Russian Federation: “As digital rights shall recognize obligation rights and other rights named as such in law whose content and terms of exercising are defined

⁴ What is Utility NFT: everything a crypto-enthusiast needs to know // <https://gq--blog-ru.turbopages.org/gq-blog.ru/s/bitcoin-invest/utility-nft/>.

⁵ <https://www.forbes.ru/tehnologii/341989-kontramarka-soseda-rossiyskie-startapy-hotyat-otkryt-vtorichnyy-rynok-biletov-na?ysclid=1k8bmq9cop602613323> (дата обращения: 17.07.2023).

⁶ The first Chiliz project served as a kind of bridge between sports teams and fans, primarily providing token holders access to information about players and events, souvenirs with team symbols, as well as selling NFT tickets to sporting events// <https://www.chiliz.com/company/>

⁷ Kings of Leon have pioneered the world of musical NFTs: they have release the album 'When You See Yourself' as an NFT series, which gives the holder access to the artwork, a super album cover and a 'Golden Ticket' that guarantees the holder four front row seats to one show of every major Kings Of Leon tour for the rest of life// <https://www.nme.com/news/music/kings-of-leon-have-generated-2million-from-nft-sales-of-their-new-album-2899349> (дата обращения: 17.07.2023).

in compliance with the rules of an information system having the features established by law. The exercise, disposal of a digital right, in particular the transfer, putting in pledge, encumbrance of a digital right in other ways, or the restriction of the disposal of a digital right, are only possible in an information system without addressing a third party.”.

This provision of the law has drawn criticism from lawyers and the industry.

How are tokens and digital law related? Is it possible to separate digital law from a token? A token exists as a mathematical algorithm that is used to verify the validity of ownership of an asset in a digital format. Creating digital rights requires some format for key information storage. A token is used for this purpose. The authentication function of a token in a distributed ledger network, such as a blockchain, is as important legally as the assignment of an asset to the corresponding token as a notional unit. Thus, the proactive offering of NFTs may not be at all the same as how the basic asset transfer relationship is regulated.

Utility NFTs provide opportunities for participation in the community of an ecosystem. For instance, by providing benefits to community members within projects, revenue sharing or pre-selling tokens. Also, examples with concert and match ticket sales demonstrate the prospects of integrating the NFT market with real world events. It is also important to remember that the items exchanged in the NFT market are organized into collections, certain sets of NFTs that in most cases have common features. Collections can range in nature from sets of trading cards, collections of artistic masterpieces, virtual spaces in online games, and of course collections of utility tokens are also in demand.

Consequently, the digital rights that accompany the transfer of a token must be capable of being measured against the beneficial effect of the token, be legally enforceable as an obligation, and be covered by specific digital rights legislation. Otherwise, the issuance and circulation of such rights fall outside the scope of direct legal regulation, often depriving the holders of adequate protection.

4. THE LEGAL REGIME OF NFTS

The Swiss Financial Market Supervisory Authority's (FINMA) defines utility tokens as tokens that are designed to provide digital access to an application or service. Utility tokens are contrasted with payment tokens, which are synonymous with cryptocurrency and have no additional functions, and asset

tokens, which represent assets such as participation in real physical assets, companies, or earnings streams, or an entitlement to dividends or interest payments.

Russia has also created regulation of utility digital rights. Under Article 8 of the Crowdfunding Law⁸ (also known as Capital Raising Act), the utility rights named as such in the law relate to digital rights and may indirectly transfer of:

- 1) the right to demand the transfer of thing(s);
- 2) the right to demand the transfer of exclusive rights to the results of intellectual activity and (or) the right to use the results of intellectual activity;
- 3) the right to demand execution of work and (or) provision of services.

Russian law thus stipulates that utility digital rights include only claims, which in the framework of obligatory relations correlate with the debtor's obligation to transfer tokenized property or execute works/provide services.

Comparing the Russian approach with the foreign one allows some researchers to argue that the definition of utility digital assets in the legislation of European states and the United States is simpler by design. For example, “in Switzerland, utility tokens are defined as a unit based on distributed computing technology that provides the owner with digital access to an application or service. Here utility tokens are not a claim as in Russia» [9]. However, a reference to the Swiss Federal Council Report «Legal framework for distributed ledger technology and blockchain in Switzerland. An overview with a focus on the financial sector” shows that this is not entirely true. According to the Report, “utility tokens can frequently also be assumed to constitute claims. Even if a token is intended to provide access to a service, for example, it may still be regarded as the representation of a claim similar to a contract for work and services or an agency contract”⁹.

The Russian structure of token transfer through the sale of digital rights gives rise to two-level relations: first, a digital right “to the right to demand the transfer/execution of...” is acquired and then this right of demand itself is enforced. At the same time, the utility digital right is qualified under Article 128

⁸ The Federal Law "On the investment promotion using investment platforms" 02.08.2019 N 259-FZ

⁹ Legal framework for distributed ledger technology and blockchain in Switzerland An overview with a focus on the financial sector. Federal Council report. Bern, 14 December 2018// <https://www.news.admin.ch/news/message/attachments/55153.pdf>

of the Civil Code of the Russian Federation as a special type of civil rights object, while the law on crowdfunding defines its turnover on the basis of digital right sale and purchase transactions. The specifics of Russian legal regulation are that the statement of the law is understood to mean that “a utility digital right may become an object of civil turnover only if it provides a certain tangible or intangible good” [1] (Article 8 of the Crowdfunding Law).

Currently, in the vast majority of cases, Russian crowdfunding platforms are used to place applications for borrowing money for executing government procurement contracts. It seems to be true that the construct of utility digital rights is not suitable for the transfer of collectible NFTs. It in this sense that the statement that “NFT cannot be considered utility digital rights” [6] was correct. However, Russian law may still be relevant with respect to utility tokens.

As in Russia, foreign researchers support the idea of two steps to the transfer of a digital asset: first we sell the token and then we get the execution of the claim contained in the token.

It is argued that it is necessary to extend the rules of personal ownership and possession to NFTs, and since transactions with NFTs are made in the form of sale and purchase, the law on the sale and purchase of personal property should be applied.

Investigators agree on the need to extend personal property and ownership rules to NFTs. If transactions with NFTs are made in the form of sale and purchase, the law on sale and purchase of personal property should apply to them. “NFTs are expressly sold on the basis of narratives of ownership” [7]. For Russian law, the idea of «digital personal property» is very revolutionary and is not yet applicable. However, we can support the argument that applying the model of sale and purchase of things to token transfers will protect those who acquire scarce and valuable digital assets as true owners, not just users of platforms. It is also possible to minimally change the law. According to Article 8 of the Crowdfunding Law, the content and conditions for utility digital rights realization are determined in the investment platform. At the same time, participants of investment engagement are users of the platform. The platform dictates the terms of user agreements. Therefore, the interests of utility token holders become secondary to the business interests of platform operators.

5. LEGAL UNDERSTANDING OF NONFUNGIBILITY

The non fungibility of a token as one of its key characteristics implies the representation of a unique digital asset that cannot be equally exchanged or traded for another NFT of the same type. Nonfungibility means that their perceptive value depends on their individual characteristics. The concept of nonfungibility creates a digital certificate of authenticity that cannot be reproduced.

In distributed ledger technology, a record of a token's ownership is always available, immutable, and ensures that it can have only one owner at any given time. From the legal perspective, the non fungibility of a token raises the question of extending to it the rules on an individually defined thing. Russian arbitration practice has long established the position that individually defined things may include those “that can be identified and distinguished among other things” (Ruling of the Arbitration Court of the Volgo-Vyatsky District of 17.04.2019 N F01-918/2019 in case N A79-5617/2018). Can this approach be extended to utilitarian NFTs?

Tokens, as digital units existing in a registry, are always identified and in that sense unique.

In the general division of the High Court of the Republic of Singapore [2022] sghc 264 is specified: «tokens, as digital units existing in a registry, are always identified and in that sense unique. In a case involving an injunction against NFT Bored Ape, the Supreme Court of the Republic of Singapore explained: “With respect to the technical aspects of such NFTs, each NFT in the BAYC collection was minted on the Ethereum blockchain with an individual and unique hash number recorded on the blockchain along with a unique token identifier that served as publicly verifiable proof of origin. NFT Bored Ape had the following hash number recorded in the blockchain: 11c6ce8133ae11a9008557dd1c0bdd4b81d88b9d1609ab4dac2716a4b3f14465.”¹⁰

However, it seems that the nonfungibility of tokens is primarily due to the uniqueness of the object of tokenization. The term “fungible” comes from the economics and accounting literature. In the context

¹⁰ BAYC is a collection of 10,000 NFT Bored Ape - unique digital collectibles that live on the Ethereum blockchain. Bored Ape doubles as your Yacht Club membership card and grants access to members-only benefits, the first of which is access to THE BATHROOM, a collaborative graffiti board.” The Bathroom “contains a canvas accessible only to wallets containing at least one ape. Like any good dive bar bathroom, this is the place to draw, scrawl, or write expletives. Each ape-holder will be able to paint a pixel on the bathroom wall every fifteen minutes. A members-only canvas for the discerning minds of crypto Twitter// <https://nfts.wtf/bored-ape-yacht-club-goes-boom/>

of economics, the term “fungibility” refers to the ability of a good or asset to be exchanged with other individual goods or assets of the same type. Fungible assets simplify the processes of exchange and trade because fungibility implies equal value of the assets. An NFT is an individually defined item.

NFTs are essentially a certificate of uniqueness of a digital object - a digital cryptographic certificate (digital asset). Thus, in *Nike v. StockX*, which pointed out that according to StockX, its NFTs are merely «claim tickets» to access physical shoes stored in a “vault” after a buyer purchases them and provide proof of ownership and authenticity ¹¹.

The qualification of a token depends on the purpose of its issuance and the functions it should fulfil in circulation. At the same time, the emergence of tokens is expressed in the possibility of changing their characteristics. We can make the standard NFT usable by simply adding some "utility" to it.

You don't even need to create separate NFT to do this. It is possible to add a set of utilities to a particular NFT or collection in various ways. Formally, Russia allows the issuance of digital rights that simultaneously meet the attributes of digital utilitarian right and a digital financial asset. Given the insufficient experience of Russian business in implementing projects of this sort, the legislator considered applying the relevant rules even into tax legislation:

“Property-Related Tax Deductions for amounts received by the taxpayer in the tax period from the sale of other property (except for securities and property obtained as a result of the redemption of digital financial assets and (or) digital rights, including simultaneously digital financial assets and utilitarian digital rights)” (subparagraph 1, paragraph 1, Article 220 of the Tax Code of the Russian Federation).

6. UTILITY NFTs ON THE INVESTMENT MARKET

Under the Crowdfunding Law, utility NFTs may be put out only if the digital rights they embody are mentioned in the law and are traded on one of the platforms in Russian jurisdiction. The Crowdfunding Law sets out the conditions under which utility digital rights become an object of civil turnover. The person attracting investments must, in accordance with the rules of the investment platform, establish the

¹¹ Online reseller StockX LLC said in a court filing Thursday that images of Nike sneakers it sells as non-fungible tokens do not violate Nike Inc trademarks, arguing that Nike had shown a "fundamental misunderstanding" of NFTs by suing StockX last month// <https://www.reuters.com/legal/litigation/stockx-strikes-back-nike-nft-lawsuit-2022-03-31/>. In July 2023, the case is still unsettled and an examination is underway (<https://storage.courtlistener.com/recap/gov.uscourts.nysd.574411/gov.uscourts.nysd.574411.153.0.pdf>). The prospects for the suit are controversial.

content and conditions for exercising utility digital rights (the substance of the right (claim); the procedure for exercising the utility digital rights; the number of utility digital rights offered).

The primary purpose of the adoption of this law was to regulate relations arising in connection with investing and attracting investments using investment platforms. Article 5 of the Crowdfunding Law establishes that the purchase of utility digital rights is one of the options for investment.

The question arises, in all cases, should NFT be issued within the framework of digital platforms controlled by the Central Bank of Russia? That is, the sale of NFT - concert tickets ¹² formally falls under the law on crowdfunding as a method of investment.

As noted above, not all tokens are initially conceived as investment assets. Since tokens may change their purpose, acquire utility as they become more widely circulated, and due to possible hybridity, NFTs issued in the Russian jurisdiction are potentially subject to the legal regime established by the Crowdfunding Law.

All companies offering NFTs in jurisdictions where regulation in this area has been applied have faced a similar problem. It is known that crypto companies in the U.S. planning to put out tokens are afraid of getting under the control of the U.S. Securities and Exchange Commission (SEC) often considers tokens as securities. The entire crypto industry is now watching the dispute between the largest NFT marketplace Coinbase and the SEC.

According to the SEC lawsuit, Coinbase made available for trading assets that are offered and sold as securities formalized as investment contracts. In particular, they included crypto assets with trading symbols of SOL (Solana), ADA (Cardano), MATIC (Polygon), FIL (Filcoin), SAND (Sandbox), AXS (Axie Infinity), CHZ (Chiliz), FLOW (Flow), ICP (Internet Computer), NEAR (NEAR Protocol), VGX (Voyager VGX), DASH (Dash), NEXO (NEXO) ¹³. Coinbase's objections are based on the fact that the mentioned tokens are not investment securities. The marketplace emphasizes that "Coinbase does not list securities or offer products to our customers that are securities"¹⁴. For example, as mentioned above, CHZ tokens from Chiliz are not designed to generate passive income.

¹² <https://teamring.org/en/cashback/stores/view/id/69>.

¹³ <https://storage.courtlistener.com/recap/gov.uscourts.nysd.599908/gov.uscourts.nysd.599908.1.0.pdf>

¹⁴ <https://www.coinbase.com/blog/we-asked-the-sec-for-reasonable-crypto-rules-for-americans-we-got-legal>.

In general, the distinction of tokens into cryptocurrencies, tokens-commodities, and tokens-securities is still very controversial. Coinbase's position in the above dispute also relies heavily on the evolving (still possible appeal) process of Ripple Labs. On July 13, 2023, Ripple Labs obtained a judgement in the United States District Court for the Southern District of New York, ruling partially in favor of the company.

According to the SEC complaint, Ripple; Christian Larsen, the company's co-founder, executive chairman of its board, and former CEO; and Bradley Garlinghouse, the company's current CEO, raised capital to finance the company's business. The complaint alleges that Ripple raised funds beginning in 2013 through the sale of digital assets known as XRP in an unregistered securities offering to investors in the U.S. and worldwide. Ripple also allegedly distributed billions of XRP in exchange for noncash considerations, such as labor and market-making services¹⁵. Since 2021, Ripple has insisted in objections to the case that the XRP token has currency value and utility. The XRP token is traded as a Ripple cryptocurrency token that is used to transfer funds across borders at a low cost - securely and instantly. It is used as an intermediate currency to offer financial institutions a more economical way to exchange both cryptocurrency and fiat currency¹⁶. Ripple argues that assets of this nature should be considered commodities rather than securities, on par with commodities and their derivatives.

On July 13, Judge Analisa Torres handed down a long-awaited decision in *SEC v. Ripple*. Ripple. The judge, after analyzing the term “investment contract”, a term recognized as a security under the Howey doctrine. The opinion answered the first question by analyzing the term “investment contract” found throughout the securities laws under the Howey doctrine because investment contracts are definitionally a security. Investment contracts do not require a literal contract, and instead apply to transactions or schemes where there is an «investment of money» in a «common enterprise» with the «expectation of profits», «solely through the efforts of another». The opinion does this by attempting to draw a distinction between sales of XRP through literal investment contracts and sales not involving actual contracts. For example, the opinion held that the “efforts of another” part of the test was missing because some programmatic buyers, as opposed to the institutional buyers, could not have known whether their funds would go directly to fund Ripple’s efforts. The judge issued a verdict that neither sales nor other forms of

¹⁵ <https://www.sec.gov/news/press-release/2020-338>

¹⁶ <https://ripple.com/xrp/>

offering of XRP tokens issued by the company nor sales of those tokens to private investors amounted to investment contract transactions, meaning that XRP tokens were not actually recognized as securities.

The Ripple case reminds us of other cases where crypto assets have been tried to be equated with securities. Telegram's story issuing Gram tokens also raised the question of the coins' utility. Since Telegram created a scheme to maximize profits by allowing the original investors to resell the tokens on the secondary market and to receive profits from the investment, the SEC and then the court recognized as securities transactions the sale of tokens in which investors were promised a return on their investment. The SEC has previously made it clear that Ethereum also started out as a security, as the Ethereum Foundation used it to raise money. But even now, the coins can earn the equivalent of interest, which again raises the question of applying securities laws to the circulation of this type of asset. At the same time, when excluding Ethereum from the circle of securities, the SEC pointed to the decentralized distribution of crypto-assets. Thus, decentralized crypto assets that are not intended to generate income from investing in them may eventually be exempted from securities regulations.

In European countries, the same debates develop. In 2022, the Malta Financial Services Authority (MFSA) justified in its Guidelines on Virtual Financial Assets¹⁷ that the European Markets in Crypto Assets Regulation (MiCA) may not be extended to NFTs. MFSA proposes to remove NFTs from the virtual financial asset framework because they are unique and nonfungible and therefore cannot be used as payments for goods and services or for investment purposes. A utility token does not fall under the MiCA regulations. However, a crypto-asset may be recognized as an investment asset if it is intended to be used in part for investment.

The researchers also insist that NFTs cannot qualify as securities and do not fall under securities legislation as long as their sole purpose is to provide digital rights to access [4]. Utility tokens, which constitute access to a blockchain application or service, are not inherently securities, but the way they are marketed, sold, or even transferred may look like a securities offering. Of course, some tokens cannot be categorized in any one way. However, financial market regulation should not be imposed on tokens that are in fact utility tokens, i.e., tokens only for consumers and not available as financial instruments [12].

¹⁷ The Virtual Financial Assets Framework: Non-Fungible Tokens. GUIDELINES// <https://www.mfsa.mt/wp-content/uploads/2023/06/The-Virtual-Financial-Assets-Framework-Non-Fungible-Tokens-Guidelines.pdf>

The Russian law does not take into account that trading in utility tokens can be conducted both at Russian digital financial asset exchange operators and on foreign platforms that are not subject to Russian law. In this regard, against the background of the emerging trend in Russia, it is necessary to consider the fact that separate independent rules for regulating the turnover of utility tokens, different from the legislation on attracting investments, are required. A possible step, in our opinion, would be to distinguish between utilitarian digital rights issued and traded under the rules of the Crowdfunding Law and other utilitarian tokens not related to tokenization of claims for investment purposes. In general, the purchase of utility tokens giving the right to service or participation in a concert does not pursue investment purposes as the main goal, and therefore it is not logical to require from the person issuing them, for example, the preparation of an investment proposal, disclosure of information in the prescribed amount, etc. As a first step, we propose to specify in the law on crowdfunding itself that tokens issued not for the purpose of attracting investment but for tokenization of the service are not subject to this law.

7. CONCLUSIONS

Experience in implementing NFT technology in various business areas shows that distributed ledger technology offers a standardized infrastructure for tokenizing physical objects and services, creating digital versions of them so that such tokens (“fungible or non fungible”) can be owned, exchanged and shared digitally. Many companies have already realized the opportunities for development and customer acquisition through the issuance of NFTs. The Russian jurisdiction is following the general trend, but in order to attract new issuers to Russian platforms, work will need to be done to improve the mechanisms for regulating the circulation of NFTs.

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