

Auction houses caught up in the wave of NFT

Major auction houses such as Christie's or Sotheby's have begun to sell more digital works to attract a group of customers who have become rich with cryptocurrency.

240 years ago, Christie's auctioned off masterpieces by Rembrandt and Rubens to Catherine the Great, but James Christie wouldn't have expected his auction house to one day offer cartoon ape drawings for him. a cryptocurrency company for over \$1 million.

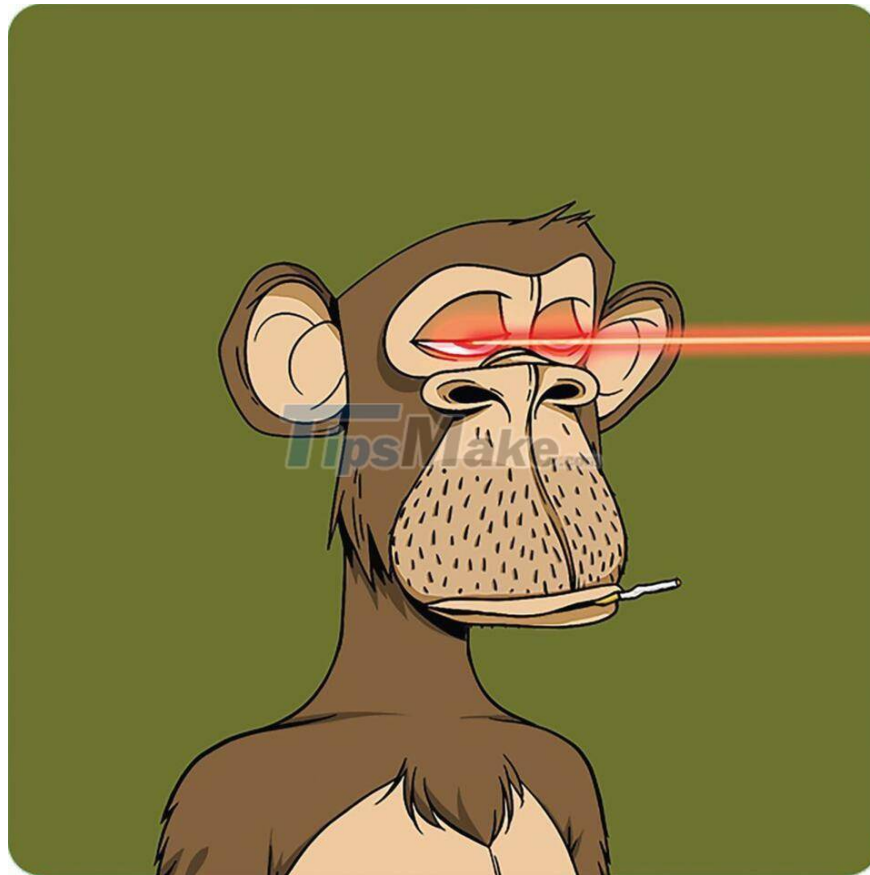


Similarly, Samuel Baker - founder of Sotheby's auction house sold hundreds of rare books for \$1,000 in 1744, but he probably couldn't imagine the day Sotheby's sold a copy of the source code of a website below. form of NFT (unique token), worth more than 5 million USD.

Times have changed. "Everybody wants to sell NFTs," said Cassandra Hatton, Sotheby's head of science and popular culture.

In 2021 alone, Sotheby's sold NFTs totaling \$65 million, while Christie's earned more than \$100 million from NFTs.

According to data from Art Market Research, income from NFT accounts for about 5.5% of contemporary art sales by auction houses, which is not a bad number, considering that NFT is a new trend. bloomed late last year.



Cartoon ape from the Bored Ape Yacht Club collection of 10,000 figures, each with its own value

The people who buy NFT from the auction are mainly a group of customers who got rich on cryptocurrency. In the online NFT auction held in June, which raised \$17.1 million, Sotheby's recorded that nearly 70% of auction participants were new customers.

For example, Kosta Kantchev - who runs the virtual currency lending platform Nexo, has just acquired a trio of cartoon ape NFTs for \$ 1.3 million in the largest live Christie's auction in Europe since the Covid-19 epidemic. - 19 begins.

Antoni Trenchev, who runs Nexo with Kantchev, describes the scene of the auction as follows: "There were people in suits standing at the front, and on the sides, there were people taking anonymous phone calls to bid anonymously. At the end are entrepreneurs and people working in the crypto industry, they don't come here wearing suits."

Market structure changes

The NFT wave has swept hundreds of years old auction houses into a new world. To entice a group of potential customers, they started using social media. Noah Davis - Christie's head of digital art often communicates and negotiates contracts with customers via Discord or Twitter. This is faster than traditional procedures, he told Reuters.

Auctioneers also often source NFTs directly from digital artists, sometimes unknown artists.

"The biggest surprise for me was that artists wanted to work directly with the auction house. We were always in the secondary market," said Rebekah Bowling, an expert on 20th-century art and contemporary art. , working at auction house Phillips said.



Risks from NFT

Auctioneers may face new risks when customers use crypto to buy NFTs. On the other hand, they must also ensure a Know Your Customer (KYC) process to verify customer identity and comply with anti-money laundering (AML) laws.

However, Sotheby's does not disclose their KYC and AML processes. Christie's says the KYC and AML processes it applies to selling NFTs are the same as when selling physical artwork.

Many other problems can arise when owning an NFT. In June of this year, a customer spent \$1.5 million to buy an animation called "Quantum", which Sotheby's calls the world's first NFT, which appeared in 2014. But then someone else claimed they owned the original of this NFT before Sotheby's put it up for sale, and demanded compensation from the auction house.

In early July, Sotheby's sold NFT of the World Wide Web source code for \$5.4 million, but some people discovered that the animated version of the source code was faulty. However, Sotheby's did not comment on the matter.

Despite many flaws, Pablo Rodriguez-Fraile - an art collector living in Miami (USA) still believes that auction houses are making very active efforts. "They're normalizing the ecosystem, I think soon, they'll find the right path," he said.

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