

[How NFTs Blew Up in 2020 - Decrypt](#)

How NFTs Blew Up in 2020

Non-fungible tokens, or NFTs, shot to prominence in 2020, impacting on everything from crypto art to DeFi.

By [Robert Stevens](#)

7 min read

Dec 25, 2020

In brief

- Non-fungible tokens (NFTs) are unique, non-replicable cryptocurrency tokens.
- Previously they've mostly been used to create unique crypto collectibles.
- In 2020, they rose to prominence in a number of applications, including crypto art, DeFi and gaming.

2020 brought with it many, *many* things, both bad and good. And while Bitcoin's bull run and the summer of [DeFi](#) grabbed the headlines, a quiet revolution was taking place in another corner of crypto: the world of [non-fungible tokens \(NFTs\)](#).

The top 5 crypto news & features in your inbox each day.

Get Daily Digest for the best of Decrypt. News, original features and more.

Join Now

NFTs have been around for a few years now, powering crypto collectibles like [CryptoKitties](#)—but they're little more than a proof of concept for the unique, non-replicable cryptocurrency tokens. This summer, NFTs came of age in the wake of the decentralized finance boom, and went on to take the gaming, finance and art worlds by storm.

NFTs and DeFi

Decentralized finance, or [DeFi](#), may just be the most important thing that happened to the NFT industry this year.

The premise of DeFi is simple, even though each project is its own [insanely complicated puzzle box](#): decentralized, non-custodial and open-source financial products for all the Internet to use, run on code and, theoretically ([but rarely in practice](#)) free from human meddling.

[Bitcoin Basics](#)

DeFi: The Ultimate Beginner's Guide to Decentralized Finance

Decentralized finance, or DeFi, sits at the white-hot center of 2020's crypto bull run. DeFi is crypto's big thing at the moment, a little like how Initial Coin Offerings (ICOs) were all the ...

LearnThe Landscape

Robert Stevens

Oct 1, 2020

[12 min read](#)

DeFi started off as an incredibly broad term; a catch-all reference to any novel financial project powered by crypto.

But in June, DeFi centred around one thing: [yield farming](#). That's when [Compound](#), a DeFi lending protocol, issued \$COMP tokens to anyone who used it. Within a few days, \$COMP was so valuable that people started taking out loans purely to farm the token. Other protocols followed suit and the summer of DeFi began.

The NFT industry followed suit, bringing two major innovations to the DeFi space...

NFT decentralized exchanges.

One of the most popular types of DeFi protocol is the decentralized exchange—a [cryptocurrency exchange](#) on which anything can be listed; since it's *decentralized*, regulators can't shut it down.

In early 2020, Alexei Falin and Alex Salnikov created Rarible, a decentralized exchange for NFTs. This “decentralized” bit is important; it's what sets Rarible apart from regular NFT exchanges, such as [OpenSea](#) or [SuperRare](#). Decentralized exchanges devolve governance (the running of the exchange) to anyone who holds so-called governance tokens, such as Compound's \$COMP.

[NFT Revolution](#)

NFTs: A Revolution for Digital Capitalists

When most people think about non-fungible tokens (NFTs)—cryptocurrency tokens that are provably unique—they conjure up images of virtual trading cards and digital art marketplaces. But it turns...

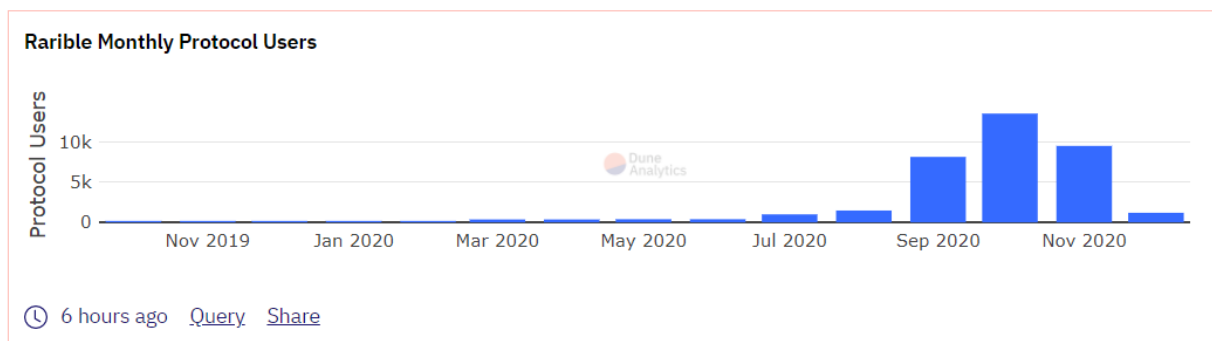
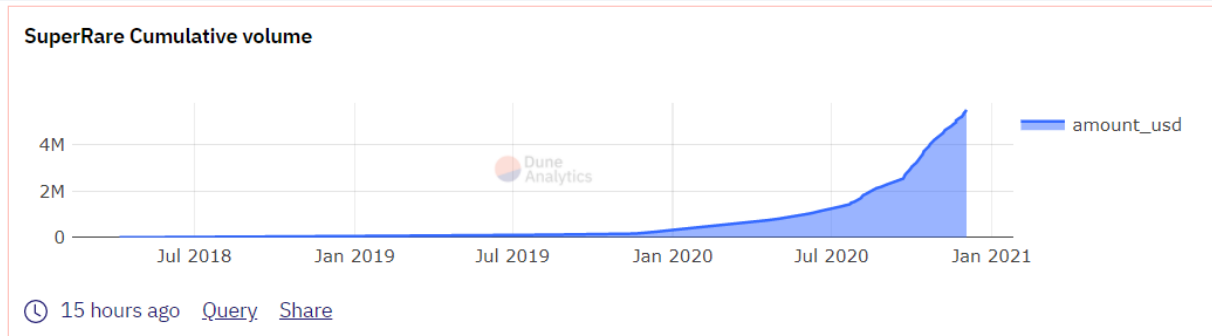
FeaturesLong Reads

Robert Stevens

5 min read

And the only way to earn these governance tokens was to buy them on crypto exchanges or to use the platform. Though they're *supposed* to be used for governance, in practice many holders simply use them to make money from using the exchange.

Two things happened: The first is that Rarible's token price increased from \$0.63 in late July to \$8.54 in early September. (As of December 2020, it's settled at around \$2). The second is that initiatives like this kickstarted the NFT industry, which skyrocketed in volume.



Fractionalized NFTs

The NFT also solved a problem that previously prevented investors from snapping them up.

It used to be that you could only buy a whole NFT. In that respect, they're like physical objects: you can't auction off one of [Picasso's brush strokes](#) or a single paint pot lobbed by Jackson Pollock.

But several NFT developers thought that shouldn't apply to digital art, so they took to DeFi to build tools that [cut NFTs up](#) into tiny little pieces, which were then tradable on popular decentralized exchanges such as [Uniswap](#).

The whole point of this is to extract liquidity (eke out more money) from NFTs that otherwise sit idle in collectors' wallets until they're sold.

But if you can convert an NFT to thousands of regular, fungible [ERC-20](#) tokens, you can then plug those tokens into DeFi smart contracts to sip up those sweet, sweet yields. Great examples of this in 2020 were Singapore-based [NIFTEX](#) and [Polyient Games](#).

NFTs and Gaming

[Video game developers](#) got into non-fungible tokens in 2020 in a big way. For games developers, the attraction of NFTs is obvious; each token can represent a digital sword, virtual piece of armor or [soccer player](#), ready for use in a video game.

Crypto videogames took off—admittedly, most were little more than browser games based solely around micro-transactions, something long considered [the scourge of the videogame industry](#).

But they *did* take off, inasmuch as they started to attract big names, a whole lot of money and tons of users.

[Gods Unchained](#), a blockchain-based [trading card game](#) similar to [Hearthstone](#), whose cards are [all represented by NFTs](#), now has a market cap of \$10 million.



Axie Infinity, an Ethereum-based crypto-collectibles game based around battling monsters, raised \$860,000 [from a token sale in November](#).

And Animoca Brands, a licensing company, signed the [Care Bears](#), Shaun the Sheep, [The Smurfs](#) and [Bratz](#). As part of the licensing deals, the brands will [hold plots of land](#) in Animoca's upcoming virtual second-life imitation, [The Sandbox](#), which is due to launch in public beta this month.

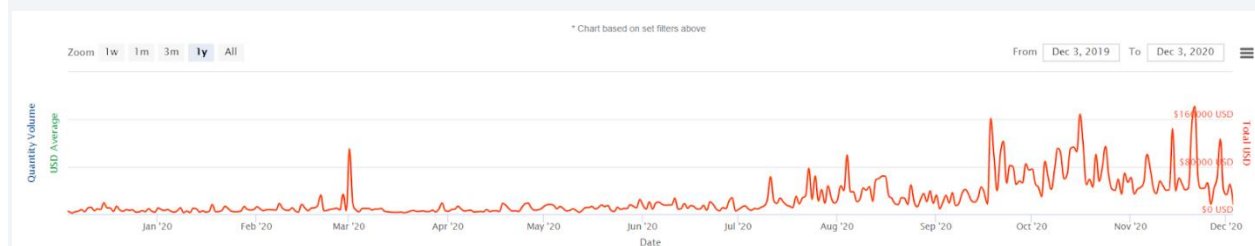
Large gaming studios, such as French gaming house [Ubisoft](#), also gave NFTs a go. Ubisoft created an NFT-based game for Raving Rabbids; small, terrifying cartoon bunnies that star in their own games franchise. The game, [Rabbids Tokens](#), involved “stealing” NFTs from other users.

Lots of these NFTs go for crazy amounts of money. In December, a collector bought a virtual [Monaco racing circuit for \\$223,000](#). A *virtual* one—and the game’s not even in 3D. (Nor is it, and please be quiet about this, [very good at all](#) at present!)

NFTs and Art

All NFT roads eventually lead to crypto art. This is where crypto’s creative and rebellious streak comes into its own. Artists have flocked to NFTs in droves to take advantage of their offering of true digital ownership, meaning that people finally have reason to pay money for digital art.

[Nonfungible.com](#), a metrics site that tracks the NFT industry, shows that things picked up for crypto art in the latter half of the year—when the DeFi boom came to market, and later [Bitcoin’s](#) bull run.



But while NFT technology unites artists, that’s about it—the NFT art world is about as wacky as they come, and in 2020 things got even stranger. Some people got into crypto art to make art out of

money, while others found in NFTs an audience willing them to pay eye-melting, spleen-rupturing amounts of money.

In October, the artist Ben Gentilli [sold an NFT-linked artwork](#) for \$131,250 at Sotheby's, an influential art auction. Called *Block 21*, it depicted a [“digital portrait”](#) of Bitcoin creator Satoshi Nakamoto. The circular panel, one of 40, contains hundreds of thousands of digits that make up Bitcoin's original code.

Connected to the panel is an NFT that displays the coordinates for the piece. Currently, it's in New York.

Among other high profile artists that joined the NFT fray this year are José Delbo, an 87-year-old Argentinian comic book artist who sold one of his pieces—a collaboration with Canadian crypto artist Trevor Jones—for \$111,377 in [ETH](#).

The runaway star of the NFT art scene, however, is [Beeple](#)—the pseudonym of Mike Winkelmann, a famous digital artist who's created a [music video for Flying Lotus](#) and [concert visuals](#) for Nicki Minaj, Justin Bieber and others. Ahead of the US election, he sold an NFT that [bore an animation of Donald Trump and Joe Biden in utero](#) for \$66,666.60. The NFT was dynamic—it would mutate following the outcome.

In December, a sale of Beeple's work on Gemini-backed art marketplace Nifty Gateway racked up an astonishing [\\$582,000 in five minutes](#). And a few short days later, one investor made a [last-second bid of \\$777,777](#) for a Beeple artwork; in total, the auction racked up more than \$3.5 million in sales.

One thing's for certain: NFTs have well and truly arrived in 2020.