NFTS AND OPENSEA MARKETPLACE

Ocean Front
artist Mike Winkelmann
Beeple

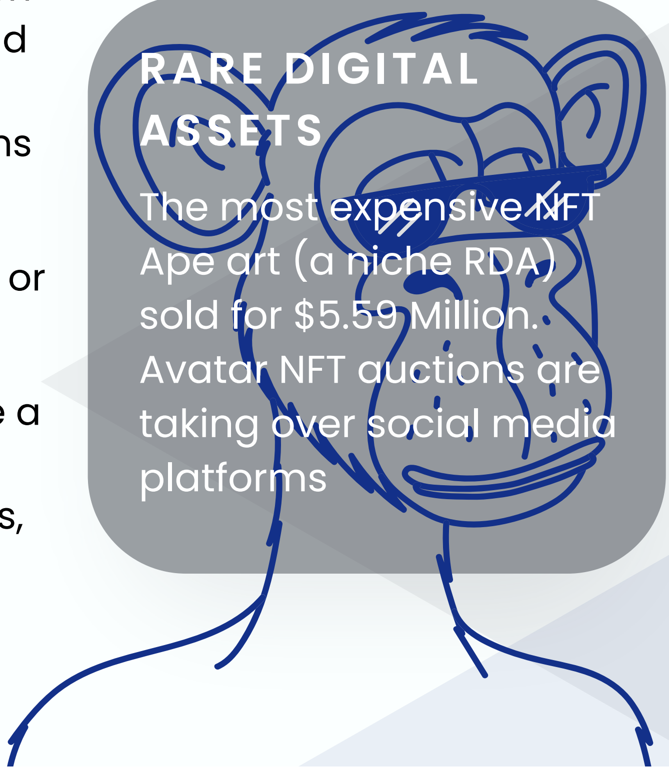
WWW.CRYPTOTRACK.US

WHAT ARE NFTS?

Non-Fungible Tokens are a special type of crypto asset that allows holders to prove their ownership of real or digital items. Examples of NFT items include digital real estate in video games, memes, music downloads and digital artwork. NFTs are unique because it authenticates digital ownership in a world where it is easy to screenshot, copy or download almost anything.

NFTs are tradable assets that contain information that basically says, "the owner is in control of this file stored". The Metadata uniquely identifies each NFT token, like trading cards with a serial number that distinguishes it from the others.

- NFTs are Assets that have been tokenized via a blockchain and assigned a unique ID with metadata to distinguish tokens
- NFTs can be traded and exchanged for money, crypto or other NFTs
- Marketplaces for NFTs include a wide range of assets: Art, domain names, gaming items, music, memes and more.



RARE DIGITAL ASSETS

The most expensive NFT Ape art (a niche RDA) sold for $5.59 Million. Avatar NFT auctions are taking over social media platforms

UNIQUE TOKENS

Fungible tokens are those that can be exchanged for another token. While NFTs are exchangeable (because you can buy and sell them) the unique traits of each NFT mean it has its own distinct worth and value. While it is a token, crypto and money are fungible and NFTs are nonfungible tokens.

VERIFYING AUTHENTICITY

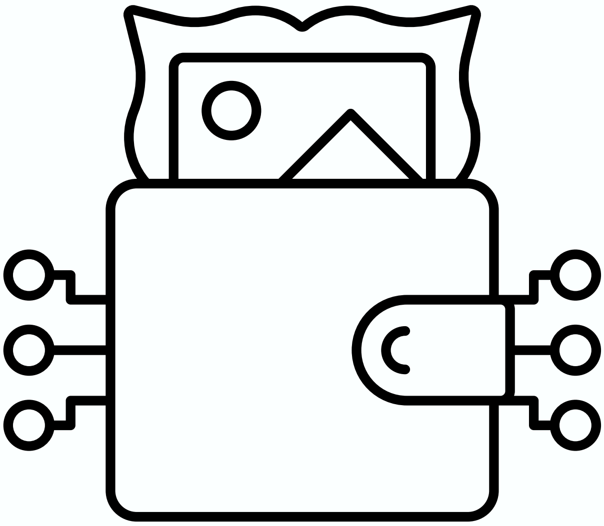
To prove ownership of something digital, there needs to be a transparent ledger that clearly provides a constant record of all NFTs, who owns them, and where they are kept.

Blockchain technology, because of its immutable nature, ensures the NFTs are publicly and transparently stored where anyone can check the authenticity of any NFT at any time. All actions are permanently recorded on the blockchain with a timestamp so all NFTs are able to be traced back to owner and verifying whether it is a genuine version of the NFT or not.

STORING NFTS

To secure and truly own NFTs, they should be stored on a hardware wallet, this adds the best security for digital assets. OpenSea marketplace has an automated function for connecting online wallets. After your tokens have been transferred to a hot wallet, it is important to send your NFTs to Cold Storage for a secure asset collection. A cold NFT collection is a safe collection ensures your NFTs are protected, keeping the tokens protected from cybercriminals.

HOW TO STORE NFTS



- Create your seed phrase
- Link your hot wallet if NFT Marketplace doesn't accept a cold wallet
- Connect to NFT Marketplace
- Send your NFTs to cold storage

OPENSEA MARKETPLACE

NFTs are a form of cryptocurrency that cannot be listed, bought or sold on centralized or decentralized exchanges. Users must use the NFT marketplaces to list or trade these assets. OpenSea is considered the first and one of the most popular marketplaces built on the Ethereum blockchain. You can use OpenSea to buy, sell or create NFT collections.

IDEAL FOR BEGINNERS

Users do not need to know how to code to create NFTs on OpenSea. There are no technical requirements for using or trading.

PEER TO PEER

This marketplace is tailor-made for NFT users and provides all the infrastructure needed to mint and trade NFTs.

SECURITY

OpenSea is reliable and because it depends on the use of blockchain technology. The transactions are done directly on the Ethereum network between buyer and seller.

MINTING

Users can mint and access NFTs on specific blockchains.
Minting work allows creators to establish provable scarcity and verified ownership.

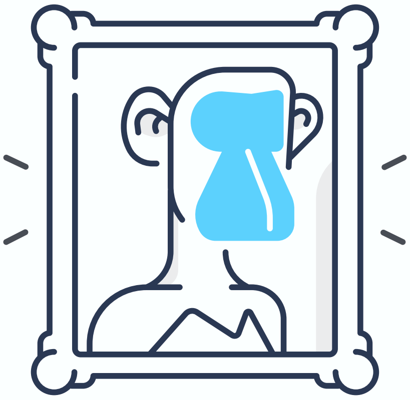
OpenSea marketplace has been considered the eBay for purchasing digital assets. OpenSea accounts for the highest NFT sales, this is likely because it is simple to use, free to use and charges low fees on NFT sales.

NFT MONEY LAUNDERING RISKS

The risks around NFT money laundering are still emerging. These are the primary risks:

TRADE-BASED MONEY LAUNDERING

Value comes from being verified. Trade-based money laundering is detected if the price of the transaction is not in line with the fair market value of the item. This becomes tricky because the NFT market is volatile, and discerning a reasonable price for NFT tokens can be tricky.



WASHING ASSETS

Wash Trading is when the seller is on both sides of the trade to misrepresent the value of the item or it's liquidity. This happens because many trading platforms allow users to trade by simply connecting their wallets to the platform with a level of anonymity that is difficult to trace.

OTHER RISKS

NFTs could be used to facilitate money laundering and tax evasion for the wealthy. Other scenarios could involve Phishing, forgeries and identity fraud as well as virus attacks. Because there is so much anonymity, users are at risk. Until there are policies in place to authenticate consumers and register stolen or fraudulent NFTs (similar to traditional art loss/fraud) it may be difficult to mitigate.

SCANDAL IN THE NFT MARKETPLACE

Former Employee of NFT Marketplace Charged in First Ever Digital Asset Insider Trading Scheme

Nathaniel Chastain, a former product manager at OpenSea, has been charged with wire fraud and money laundering in connection with a scheme to commit insider trading in NFTs. Using confidential information about what NFTs were going to be featured on the homepage of OpenSea for his own personal gain.

Chastain used his expertise to exploit OpenSea. He was responsible for selecting NFTs to be featured on OpenSea's homepage. OpenSea keeps confidential the identity of featured NFTs and after an NFT was featured on the homepage, the price buyers were willing to pay for that NFT, as well as others made by the same creator, typically increased substantially.

For over 3 months Chastain used confidential business information to secretly purchase dozens of NFTs shortly before they were featured. After they were featured, Chastain sold them at a profit while concealing the fraud with anonymous digital wallets and anonymous accounts on OpenSea.

According to U.S. Attorney Damian Williams, "NFT's might be new, but this type of criminal scheme is not. Nathaniel Chastain betrayed OpenSea by using its confidential business information to make money for himself...demonstrat[ing] the commitment of this Office to stamping out insider trading - whether it occurs on the stock market or blockchain. "

INSIDER TRADING

Former Employee of NFT Marketplace Charged in First Ever Digital Asset Insider Trading Scheme

As part of his employment, Chastain was responsible for selecting the NFTs to be featured. The identity of the homepage was to be kept confidential. From at least June 2021 until September 2021, Chastain misappropriated OpenSea's confidential business dealings about the homepage, and secretly purchased dozens of NFTs then sold them at a profit after they were featured. Nathaniel Chastain knowingly devised a scheme to defraud by obtaining money and property by means of false and fraudulent pretenses, representations and promises. Chastain misappropriated OpenSea's confidential business information by purchasing NFTs he knew would be featured on the homepage and profited by reselling the NFTs after they had been featured and appreciated in value.
In violation of the duties of trust and confidence he owed to his employer, OpenSea, Chastain exploited his advanced knowledge of what NFTs would be featured on the home page for his own financial gain.

Nathaniel Chastain was charged with 1 count of wire fraud and 1 count of money laundering. Both have a max sentence of 20 years each. Sentencing to be determined by a judge.

Chastain was to forfeit to the United States, any and all property, real and personal, that constitutes or is derived from proceeds traceable to the commission of said offense, including but not limited to a sum of money in Untied States currency representing the amount of proceeds traceable to the commission of said offense.