



tralised, peer-to-peer network that would facilitate the rise of cryptocurrencies.

Since going mainstream in 2017, cryptocurrency—a digital currency that has thousands of variants including Bitcoin—hasn't gone uncriticised. Sceptics are wary of its volatility, its security and its very existence. After all, a cryptocurrency has no tangible presence, no asset against which it is secured, and hacks and scams do happen. "Most things in life are real because a group of people agree that it is, or a power tells us that it is," says Richie Etwaru, author of *Blockchain Trust Companies* and founder of Hu-manity.co which empowers individuals to claim their data as their property. "Blockchains allow large amounts of humans to state and share agreements without the need for a pool of power to tell us that it's real. We've been using blockchains to agree on what the value and history of a virtual coin is, and what the balance of the wallets of everyone is who holds those coins. The more people who believe a cryptocurrency is real, the more real it is."

For Ato Gallery founder Carrie Eldridge, accepting payment via Bitcoin for the Katz artwork was an easy decision. "The buyer chose to remain anonymous and communicated to us via Signal [an end-to-end encrypted messenger service]," Eldridge explains. "We weren't nervous." It's a breakthrough for her. Ato Gallery was founded in 2016 with a vision to demystify art for an emerging generation of online investors looking to transact from their smartphones. "There's a demand to purchase art directly from a gallery without paying a fee to a third party," confirms Eldridge.

It's a sentiment echoed by Eleesa Dadiani

IN JUNE, Ato Gallery announced the record-breaking sale of an artwork by Benjamin Katz for 150 Bitcoin (USD1.25 million). That same month, London's Dadiani Fine Art launched the first global crypto-art auction in partnership with Maecenas. In July, Christie's hosted its *Art+Tech Summit*-themed around blockchain. Blockchain and cryptocurrency are disrupting the business of art.

What is the technology causing the disruption? In 2008, an unknown person (dubbed Satoshi Nakamoto) created blockchain—a virtual list of records, called 'blocks', linked via cryptography and marked with a timestamp and transaction data. Its purpose? Nakamoto wished to create a public transaction ledger for his cryptocurrency, Bitcoin, that required neither a government authority nor a central server. And so blockchain was born: a decen-

## BLOCKCHAIN, BITCOIN AND THE BUSINESS OF ART

*In today's age of smartphone-centric consumers and prohibitive forex processes, are blockchain and cryptocurrency the future of art? Sarah Browning-de Villiers investigates*



in London, whose gallery Dadiani Fine Art was the first in the UK to accept multiple cryptocurrencies, and who launched the first global crypto-art auction with Maecenas (a crypto-art investment platform). Using blockchain, the auction incorporates “smart contracts” for part ownership in the piece up for sale: *14 Small Electric Chairs* by Andy Warhol. Investors were bidding via Maecenas’ online platform for up to 49 per cent of the piece (Dadiani herself is retaining 51 per cent).

“We’re ‘unprivatising’ history,” says Dadiani. “Important works of art are democratised via a consensus; they no longer remain in private custody. *14 Small Electric Chairs* is the inaugural piece which will be placed in our joint fund: the world’s first tokenised art fund. It’s stateless: anybody with internet can participate.”

For Marc Garriga of Maecenas, “the fine art industry has lacked the technological innovation that would allow more transparency and reduced costs for buyers and sellers.” But Maecenas is promising to remove transaction fees levied by third parties. “Time and costs of transactions are reduced,” he says. “Blockchain can also guarantee the authenticity and provenance of the artwork.”

The power of blockchain to provide provenance is compelling. “There are tremendous benefits to using blockchain to gain consensus on who invented something, how many copies of something should exist, and who currently owns it,” adds Etwaru.

Artnome’s Jason Bailey (artnome.com), who moderated panel discussions at Christie’s summit, agrees. “Our records for our most important art and artists are abysmal. I’m hopeful companies like CodexProtocol will be able to leverage blockchain to better track our art and help reduce the damage that forgery and poor record-keeping are causing.”

Bailey adds how “there’s also an opportunity to rebuild the auction process using blockchain. Millennials are the fastest growing segment of art collectors. They’re more comfortable than previous generations in treating art like a financial asset. This amounts to a fast-growing segment of collectors with a desire for a more liquid art market.”

“We’ve been approached by clients asking to trade in cryptocurrencies,” say Elio D’Anna and Simonida Pavicevic, founders

of London’s The House of Fine Art, confirming the rise in demand. “We use Uphold—like a forex platform for crypto—so our rate is set, safeguarding against cryptocurrency volatility.”

Yet a decentralised way of doing business has its drawbacks: the ability to evade government regulation and retain anonymity opens the door—ironically—to a complete lack of transparency. “That fear is not wrong,” acknowledges blockchain expert Etwaru. But Dadiani disagrees. “Blockchain allows for as much transparency and privacy as it’s designed to serve. Companies documenting the provenance of art are structured on transparency while clients wanting to remain private can remain so. If the origin of funds is not

## “BLOCKCHAIN CAN ALSO GUARANTEE THE AUTHENTICITY AND PROVENANCE OF THE ARTWORK”

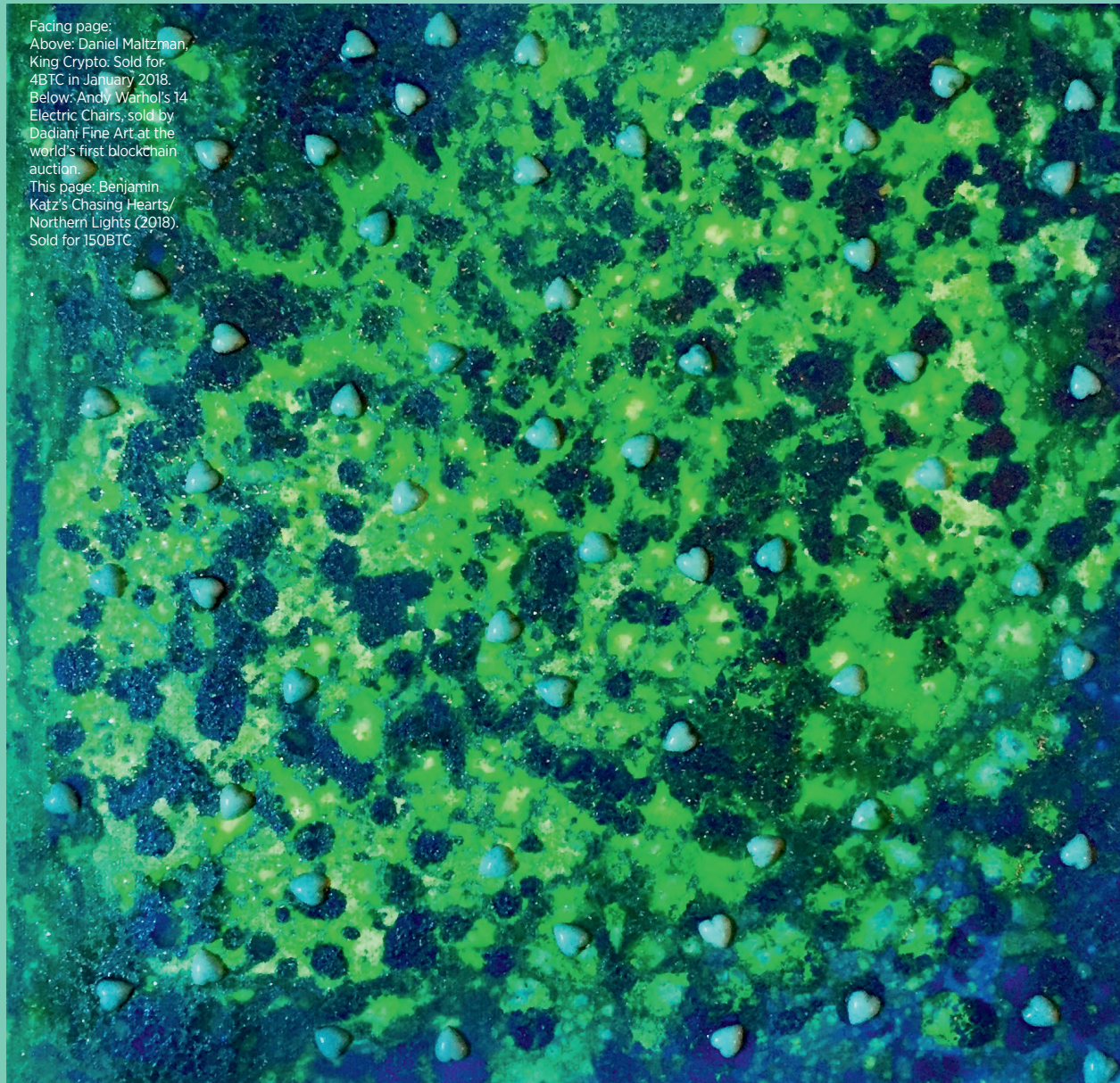
*Marc Garriga*

volunteered or cannot be traced, we have to decline such custom.”

In the UAE, while the UAE Central Bank prohibited virtual currency transactions in 2017, it’s become clear this is under review. This isn’t only due to the launch of the UAE Blockchain Strategy 2021, which aims to conduct 50 per cent of government transactions using blockchain technology by 2021.

“There’s going to be opiated doubt as we’re in a transformative stage,” considers Eldridge. “It’s the evolution of our culture that will determine the next phase of how we share, consume, and remember art.” Dadiani couldn’t agree more, “We’re standing at the precipice of something beautiful.” ■

*Dadianifineart.com, Atogallery.com, Maecenas.co*



Facing page:  
Above: Daniel Maltzman,  
King Crypto. Sold for  
4BTC in January 2018.  
Below: Andy Warhol's  
*14 Electric Chairs*, sold by  
Dadiani Fine Art at the  
world's first blockchain  
auction.  
This page: Benjamin  
Katz's *Chasing Hearts/  
Northern Lights* (2018).  
Sold for 150BTC.