The University of Liverpool Management School has contributed to a new report by the government's Culture, Media and Sport Committee warning that the promotion of crypto assets in professional sport is putting fans at financial risk and potentially damaging the reputations of clubs.

The "NFTs and the Blockchain: The Risks to Sport and Culture" report
notes that while the Non Fungible Tokens (NFTs) market saw record sales last year, this emerging technology may not reach the same level of popularity in the future, raising concerns over legal protection for fans.

According to the report, the technical, volatile and largely unregulated nature of NFTs means that advertising such products comes with a significant risk of financial harm to consumers.

Senior Teacher in Accountancy at the University of Liverpool Management School, Kieran Maguire, who provided supporting evidence for the report, stated, "At present, in terms of the relationship between the football industry and the NFT and digital industry, the football clubs say, 'Thank you very much for the money,' and then they let the likes of Sorare (a cryptoasset-based fantasy sports game) and Socios (a sports cryptoassets marketplace) market their products. There is nothing inherently wrong with the products. I think that it is the marketing."

"Education is essential, as too many buyers of these products see them as investments but there is a real danger people could lose all money they spend on the tokens."

NFTs are becoming increasingly popular as promotional tools, as they allow brands to reach and engage consumers by providing extra benefits for those purchasing them.

Within professional sport, NFTs offer a new revenue stream for professional athletes, clubs, international teams and leagues at little cost.

However, while utility tokens give owners access to certain perks, such as being able to vote in fan polls or getting access to ticket ballot, the report states price volatility associated to NFTs has proven to be inherently risky for fans who invest in them.
In addition, the Committee heard criticisms that clubs are not delivering on promises of fan engagement and NFTs being marketed as equivalent to other legitimate club memberships.

Dame Caroline Dinenage MP, Chair of the CMS Committee, said, "In the world of sport, clubs are promoting volatile cryptoasset schemes to extract additional money from loyal supporters, often with promises of privileges and perks that fails to materialize. Fan token schemes must not be used as a substitute for meaningful engagement with supporters."

The report concludes with a recommendation to explicitly exclude the use of fan tokens from any measurement of fan engagement in sports, including in the forthcoming regulation of football.

Provided by University of Liverpool

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