

"Pixel Wars": Digital Collectibles Trading on the Internet

Heming Sun^{1,a,*}

¹*School of Policing Studies, Shanghai University of Political Science and Law, Shanghai, 201700, China*

a. suncong0717@outlook.com

**corresponding author*

Abstract: With the rise of Non-Fungible Tokens (NFT) internationally, digital collection trading in China has also emerged. In the trading practices of the digital collectibles market, consumers find themselves caught in the vortex of fraud, illegal fundraising, and pyramid schemes. Legal professionals are striving to assist consumers in protecting their rights, but they face significant challenges. An analysis of the crimes and misdemeanors in China's digital collectibles trading market reveals inadequate market regulation, ineffective regulatory enforcement, and numerous other persistent issues and challenges. In response to these issues, this paper will analyze the legal challenges encountered in digital collectibles trading and propose corresponding solutions: defining the scope of regulation, clarifying the flow of funds, and drawing on regulatory frameworks from NFT markets in other regions, among other approaches. It will also analyze the criminal elements under similar circumstances, clarify the distinction between criminal and non-criminal acts, and identify the subjects of regulation within digital collectibles trading. As digital collectible trading continues to evolve, laws and regulations will require ongoing improvement to keep pace with these developments.

Keywords: digital collectibles, criminal composition, market standardization.

1. Introduction

In recent years, digital collectibles have quietly become popular on the Internet as an emerging form of digital economy. China has weakened the financial attributes of Non-Fungible Tokens (NFT) products, which are more about the digital creation of artworks, and NFT has been localized to the term "digital collection". NFT digital collectibles are a typical application scenario for non-homogenized passes. In recent years, with the rapid development of blockchain technology, digital collectibles (NFT, Non-Fungible Token) have gradually become an emerging form of digital assets, which have been widely noticed and sought after. As a unique digital asset, NFT has a wide range of applications in the fields of culture and art, games and entertainment. However, due to the lagging legal system, there are many dilemmas in determining offences in the trading of digital collectibles. Many people don't know much about digital collectibles and fall into scams and illegal fundraising scams. When victims seek legal help, lawmakers are confronted with the current situation of ambiguous identification of the offence of fraud and illegal fund-raising in the field of NFT.

This paper will analyze and discuss the corresponding solutions to the current situation of difficulties and ambiguities in the identification of the crime of fraud and illegal fund-raising in digital collectibles trading, and the unimproved legal norms in the digital collectibles trading situation.

2. Current Status

In recent years, with the development of digital collectibles in China, many companies and investors have entered the digital collectibles market, injecting new vitality into it. However, the market for digital collectibles is also facing a number of challenges and problems in China. The first is the issue of legal and regulatory normality. As digital collectibles involve blockchain, cryptocurrency and other technologies, some applicable laws and regulations have not yet been fully established, and there are certain legal gaps and regulatory risks. In addition, speculation in the market was also evident, with some investors flooding the market in the hope of making quick profits, leading to price volatility and the risk of bubbles. In cases related to digital collectibles, fraud offences and civil fraud may be confused. While there are significant differences in the legal definitions of fraud and civil fraud, the two are often difficult to define clearly in the context of digital collectibles trading. The subject of both offences has subjective intent and the objective element of fraudulently obtaining another person's property. In addition, digital collectibles trading is highly virtual and anonymous, making it less costly to commit fraud and less likely to be detected. Nowadays, pyramid schemes and illegal fund-raising are in the trend of fusion, illegal fund-raising is carried out by means of pyramid schemes, and many pyramid schemes have become illegal fund-raising in the form of pyramid schemes, and illegal fund-raising become the hidden purpose of pyramid schemes, while the harm to the society is also increasing day by day.

Currently, there is a general lag in the legal regulation of digital collectibles trading in countries around the world. Digital collectibles as a new thing, its development speed far exceeds the update speed of laws and regulations, resulting in the current legal system not having targeted and complete norms. For example, in China, there are insufficient clear provisions in the existing laws on the definition of NFT, trading rules, and information disclosure obligations, making law enforcement and judicial handling more uncertain. In addition, there are few international legal frameworks specifically for NFT transactions, and dilemmas in the application of the law in cross-border transactions arise frequently. The rapid growth of digital collectibles trading is beyond the scope of general industry regulation. Existing financial regulators and relevant departments have insufficient understanding and supervision of digital collectibles, resulting in a market in which many illegal behaviors cannot be investigated and dealt with in a timely and effective manner. Some trading platforms are negligent in self-regulation and even actively engage in illegal activities, further exacerbating market disruption and legal risks. The dilemma of determining offences in digital collectibles trading and the current state of the law's absence poses a serious challenge for lawmakers, regulators and investors. In the face of the many problems in the field of digital collectibles, there is still a need for the timely updating and improvement of the legal and regulatory system, as well as the joint efforts of relevant legal practitioners.

3. Problems Faced in Trading Digital Collections

3.1. Determination of the Offence of Fraud in Digital Collectibles Trading: The Difference with Civil Fraud

When one party to a transaction provides false information or conceals an important fact, resulting in damage to the rights and interests of the other party, how to distinguish the nature of their behavior as fraud or civil fraud has become a major challenge for legal practitioners. For example, certain trading platforms or sellers deliberately misrepresent the value of digital collectibles, inducing buyers

to invest large sums of money and then abscond with the money. The qualification of such acts in criminal law requires a comprehensive judgement taking into account multiple factors such as the background of the transaction and the flow of funds, which increases the difficulty of the judgement.

In digital collectibles, there're some particular forms of digital collectibles platforms, which promoting falsification: advertising a limited number of offerings, which are actually later increased in large numbers; Insider trading or rat trading, making use of linked accounts to build positions in advance and making investors lose money by manipulating back-office data; Modifying the backend data, which creates the illusion that the price of the collection is going up. Subjectively, the perpetrators all have the intention to deceive, with the intention of causing the other party to fall into a false understanding, in order to seek certain unlawful benefits. Objectively, they all use the means of fabricating facts, distorting facts and concealing the truth, and they all have the behavior of deceiving the other party; Both occur in the course of trading digital collectibles, and both take wrongful possession of the victim's property.

In the case of Zhao's opening of a space technology company, there were a number of differences of opinion in the characterization of the case, mainly in relation to the controversy over the offence of fraud and civil fraud. The first opinion is that Zhao constitutes the offence of fraud. In order to creating the false illusion of prosperity in the secondary market, so as to cause the victims to fall into a false sense of understanding, which lead them purchase digital collectibles, and then suffer property losses. Zhao Mou created the false illusion of prosperity in the secondary market developed the "Certain Space" mobile app, through some methods like carrying out false marketing and advertising, promising to buy back, opening up the secondary trading market, falsifying the number of people in the lottery, etc. It's obvious that Zhao has the purpose of illegal appropriation and the existence of subjective intent. Therefore, Zhao's behavior constitutes the crime of fraud and he should be held criminally liable for the crime of fraud.

The other opinion is that Zhao does not constitute the offence of fraud. Zhao used false propaganda, false marketing and other means of deception in the process of sales of digital collectible. However, a part of the legal practitioners had different opinion. They believed that Zhao use these means of deception without clear deception of the object, so Zhao's above behavior cannot be directly presumed to have a clear illegal possession of the purpose. He cannot be excluded from the existence of civil fraud reasonable doubt so as well. The victim voluntarily purchased the digital collectibles based on the expectation of future appreciation of the value of the digital collectibles, and did not dispose of the property based on a misconception and thus suffered a loss of property [1].

3.2. The Difference Between the Offence of Organizing and Leading Pyramid Selling Activities

In some cases, trading in digital collectibles has been used as a platform for illicit fundraising or pyramid schemes. The offences of fund-raising fraud and the offence of organizing or leading pyramid selling activities have different constituent elements in their legal definitions, but in actual practice, the distinction between the two types of offences is often not clear. For example, by setting up a trading platform for digital collectibles, certain unscrupulous elements attract a large number of investors to join them by using high returns as bait, and require investors to develop a downline to obtain more returns. This scam is both in the nature of a fund-raising scam and similar to a pyramid scheme. This has resulted in greater difficulty in judging the nature of cases in judicial practice, and the judiciary needs to clarify the criteria to be applied in order to improve the accuracy of the handling of cases.

In digital collectibles trading, both are crowd-funding offences, and both are publicly advertised to an unspecified audience to raise funds publicly. In addition, both are fraudulent. Illegal fund-raising fictitious concealment of the truth to defraud other people's property, pyramid schemes is to obtain

property for deception, more deceptive, fictitious digital collection of related projects "preferential" and "process", to take brainwashing means of concealing the truth.

The Minhang District People's Court in Shanghai has heard a case of fund-raising fraud involving digital collectibles [2]. Uninformed bidders are induced to make impulsive contributions and become receivers in the game of "drum roll". Not coincidentally, in March 2022, a similar situation also appeared in the Gansu Ganzhou District, the same is the use of platforms set up by the "special rules" for enrichment, the case in addition to the unique "old with new" in the marketing and so on [3]. In this case, apart from the unique features of pyramid schemes such as "old people bringing in new people", the rest of the objective elements were similar to those in the Minhang case in Shanghai.

In judicial practice, similar fund-raising scams and pyramid schemes for digital collectibles are common. However, although the two offences are different, in some cases, even if they are the same case, there are situations in which some defendants will be convicted of fund-raising fraud while others will be convicted of organizing and leading pyramid-selling activities. The same background of the case can lead to different judgements on different subjects in the same case.

3.3. The Much-Needed Legal Regulation in the Trading of Digital Collectibles

The rapid growth of digital collectibles trading has left traditional regulators with multiple challenges. The global spread of trading platforms and participants makes cross-border regulatory and judicial cooperation an essential but complex task. Currently, regulators in many countries lack in-depth knowledge of and familiarity with the digital collectibles market and have yet to establish effective regulatory mechanisms. For example, how to regulate misinformation and market manipulation in the trading of digital collectibles, and whether to include them in anti-trust and consumer protection regulations are issues yet to be resolved. In addition, there are differences in the legal systems and regulatory standards of different countries, making it difficult to coordinate and harmonize cross-border regulation.

4. Options for Responding to the Legal Aspects of Trading in Digital Collectibles

4.1. Clear Definition of Scope

In judicial practice, fraud offences are easily confused with civil fraud. The distinction between fraud offences and civil fraud can generally be defined in terms of the content of the deception, the extent of the deception and the results of the deception.

In 2022 Zhao's case, Zhao's conduct was a civil fraud rather than a fraud offence. In terms of the content of the deception, Zhao was using false propaganda to exaggerate the collection value of digital collectibles in the course of selling digital collectibles. Conducting false airdrops when conducting airdrops, opening up the secondary trading market, the number of people in the lucky draws, etc., in order to create the illusion of false prosperity in the secondary market, with the main purpose of attracting consumers to come and buy their digital collectibles, and as a civil fraudulent marketing technique prior to the sale. But the sale of goods is genuine and is a deception of an individual or part of the facts, not the whole of the facts or the whole.

In terms of the degree of deception, Zhao's deceptive behavior did not reach the level of causing the other party to fall into a false understanding and then deliver the property. The victim recognized that Zhao Mou sales are digital collectibles, belonging to its purchase of digital collectibles have full awareness. It is also based on the assumption that digital collectibles would gain in value in the future, increasing the price of the expected and making a decision to buy, despite the danger of a lack of necessary knowledge. In terms of the result of the deception, Zhao had the purpose of seeking an undue advantage, but it was through the payment of a consideration to the consumer. That is to say,

Zhao was carried out through civil acts and ways, not directly cheating the other party's property, but to achieve the result of making the other party deliver the property without consideration[1].

4.2. Distinguishing the Flow of Funds

In cases involving the trading of digital collectibles, the two major offences are the offences of fund-raising fraud and organizing and leading pyramid schemes, which are more prevalent in this field. As the promise of guaranteed interest payment may appear in the transaction process of digital collectibles, and the pyramid selling model of tiered rebates often appears in the promotion process. However, a common situation is that, for the defendant in the same case, there is partly identified as constituting the crime of fund-raising fraud, and partly identified as constituting the crime of organizing and leading pyramid selling activities.

The distinction between the two categories of accused with completely different characterizations remain difficult. The relationship between the offence of organizing and leading pyramid selling activities and the offence of fund-raising and fraud has been the subject of extensive attention in the academic community, and there is even no lack of famous scholars who have written books on this issue. For example, Professor Chen Xingliang argues that the offences of organizing and leading pyramid selling activities and fund-raising fraud are special provisions in relation to ordinary fraud offences [4]. On the other hand, Professor Zhang Mingkai is of the view that if the amount of money involved meets the incrimination standards for both the offence of fund-raising fraud and the offence of ordinary fraud, then these two offences will be dealt with, otherwise, the offence of organizing or leading pyramid selling activities will be dealt with[5,6]

However, in judicial practice, when distinguishing between the two offences, in addition to examining the subjective knowledge of the perpetrator, will also focus on examining the perpetrator's ability to dominate the absorbed funds, as well as the specific circumstances of possession, use and transformation. For example, in a case in Shanghai, Zhang and Liu set up the Tonggu platform, by guiding users to repurchase specific "digital collectibles", guaranteeing dividends, inducing users to consume to obtain membership rights and interests, and setting up special rules to fake consumers in their market transactions have gained an advantageous position, and finally "ran away". They took the absorbed public funds for themselves in such a way that users are unable to withdraw them. Obviously, in this case, Zhang Mou, Liu Mou for the dominant ability to absorb funds, and has the possession, use and transformation of funds behavior performance. In such cases, it is often the initiator of the project and the actual controller who absorbs the funds that are more likely to be found guilty of fund-raising fraud, while the organizers and leaders of pyramid schemes other than this are found guilty of organizing and leading pyramid schemes. The underlying logic is the distinction based on the disposition and use of funds.

It can be said that the domination and use of the absorbed funds has its own importance in distinguishing between the offence of fund-raising fraud, and the offence of organizing and leading pyramid selling activities in the case of the issuance of digital collectibles.

First, the project initiator and the actual controller of the funds are the actors who actually hold the right to dispose of the funds, and the manner in which they use the funds determines whether or not it constitutes the offence of fund-raising fraud. In cases such as the issuance of digital collectibles, victims of fund-raising fraud do not need to obtain prior membership. The subjective purpose of fund-raising fraud is to illegally take possession of other people's property, that is, to cheat money, and for this purpose, the perpetrators of illegal fund-raising will not set up a membership qualification as a threshold for joining the organization in advance [7]. In addition, the subjective aspect of the offence of fund-raising fraud is the unlawful appropriation of public or private property. According to Article 7, paragraph 2, of the Interpretation on Several Issues Concerning the Specific Application of Law in the Trial of Criminal Cases of Illegal Fund Raising (as amended in 2022, hereinafter referred to as

the "Fund Raising Interpretation"), it is stated that, "If the money are utilized for reasons unrelated to manufacturing and company operations rather than for those purposes, the funds can be regarded as 'illegally appropriated for the purpose' "[8]. Therefore, in practice, the question of whether or not to use the absorbed funds for "production and business activities" can be used by analogy to differentiate between the offence of fund-raising fraud and the offence of pyramid selling. At the same time, in accordance with the provisions of the Summary of the Work Symposium of the National Courts on the Trial of Financial Crime Cases, funds used for production and business operations accounted for most of the funds, while those used for personal consumption accounted for a small proportion of the funds, so that it could not be directly assumed that the perpetrator had the purpose of illegal occupation [9].

However, in terms of the offence of organizing and leading pyramid-selling activities, the offence is committed under the cover of business activities such as selling goods and providing services, but the actual purpose is to obtain property by deception. In that case, there are no real "production and business activities". Part of the project to push digital collections is the appropriation of other people's paintings and photographs, that seems to be the case as well. If the promoter of the project, the actual controller of the funds, issues so-called digital collections, investing all or most of the absorbed funds in the costs invested to sustain the pyramid scheme, and only a small amount of the funds is used for personal consumption or other purposes, it should be held that the act constitutes the offence of organizing and leading pyramid selling activities rather than the offence of fund-raising fraud. On the contrary, if the initiator of the project or the person in actual control of the funds uses all or most of the funds for personal squandering or for other purposes as stipulated in Article 7(2) of the Interpretation of the Crowdfunding Law, he shall be deemed to have committed the offence of fund-raising fraud. Secondly, pyramid-selling organizations and leaders who are only engaged in pyramid-selling activities and do not have the right to dispose of funds only constitute the crime of organizing or leading pyramid-selling activities because they have not been involved in the process of transforming and possessing funds.

The organizational hierarchy of a pyramid scheme is generally a pyramid structure. In a case in Ganzhou District, Gansu Province, the defendants Liu, Gou, Yao and others publicly advertised and promoted the virtual financial products released by the "Meta works" investment platform of the Yishang United Community in their studios or on other occasions. By adopting the registered account sign to issue red packets, referrals recommended to join the issuance of recommended incentive payments and regular draw blind boxes, carousel draws and other forms of attraction to encourage investors to buy the platform-released virtual financial products. The number of individuals who are developed directly or indirectly is used to calculate remuneration and refunds, incentivizing participants to continue to develop others to participate, thereby achieving the goal of obtaining property by deceit. The flow of funds for its pyramid-selling activities is similar to the hierarchical structure of its organization, i.e., the pyramid-selling funds are transmitted upwards through the pyramid-selling participants (Liu, Gou, Yao, etc.) layer by layer of the absorbed funds, which are ultimately brought together at the tip of the pyramid and to the actual controllers of the funds. As a result, the participant absorbs a large amount of money without being in control of the funds absorbed or having the right to dispose of them.

It follows that even if the actual controller of the funds has squandered the funds and converted most of them into personal private property or used them for other purposes such as investment. Since the cascading rebates for downline development are the only proceeds available to pyramid scheme participants, they are not involved in the process of using, squandering, transforming and possessing funds. As a result, they won't receive any benefits from this process. And naturally, the participants in pyramid schemes should not be held responsible for these acts of unlawful appropriation of

property, or else they will be in violation of the basic principle of criminal law that criminal responsibility and punishment should be appropriate to each other.

In conclusion, if core persons, such as the project promoter and the actual controller of the funds, who are not involved in the process of conversion and appropriation of funds. In that case, they should only constitute the crime of organizing and leading pyramid selling activities, rather than the crime of fund-raising fraud [10].

5. Improving Legal Norms in the Trading of Digital Collectibles

In order to circumvent the use of NFT trading platforms for speculation, money laundering and illegal financial activities using digital artefacts, China's mainland has imposed strict controls on the secondary trading function of digital artefacts.

Numerous domestic businesses or organizations have an online digital collectibles' trading platform and a digital collectibles industry structure. The majority of these platforms merely facilitate personal collection and transfer functions and do not open the secondary trading market; Some of the platforms with so-called "secondary markets" are in breach of the law. In the face of the regulatory problems in the trading of digital collectibles, China can now learn from the practice of the European Union, the United Kingdom and Hong Kong in digital assets.

5.1. Establishment of a Harmonized Regulatory System

In recent years, the European continents have encountered a surge in virtual asset activity. In contrast to the "siloe" approach to regulation, the EU builds significant emphasis on the creation of standardized regulations for virtual assets. The European Supervisory Authority (ESA) adopted the Markets in Crypto-assets Regulation (Markets in Crypto-assets, "MiCA") on 20 April 2023 [11]. When MiCA is put into effect, it will directly affect the law in EU member states and apply to any individual or entity that issues or provides crypto-asset services within the EU. "Crypto-assets" are defined as "digital representations of value or rights that may be transmitted and kept electronically using distributed ledger technology or similar technology" in Article 3 of the MiCA draft. They are further divided into three categories for particular uses [12]. (1) asset-referenced tokens, (2) e-money tokens and (3) other crypto-assets, other than asset-referenced tokens, not covered by existing EU law (crypto-assets), such as utility tokens.

The primary laws and regulatory framework for NFTs in the UK are complicated and dispersed across several industries and domains. The Financial Conduct Authority ("FCA") has defined "crypto assets" in its 209 Guidance on Crypto Assets. "The main categories of crypto assets are: (1) Electronic money tokens (E-money tokens); (2) Securities tokens; and (3) Unregulated tokens: these consist mainly of tokens used to purchase services and tokens used as means of exchange [13]. It is evident that an NFT's kind and function determine whether or not it is regulated by the UK Financial Conduct Authority. NFT's function and intended application must be taken into consideration when determining which particular token group it falls under. Instead of treating all NFTs as the same legal entity, the idea behind the regulation of NFTs in the UK and the EU is to evaluate and classify them according to their fundamental traits and functional purposes. China can learn from the EU's regulatory strategy and establish a unified regulatory policy. Achieving a balance between regulatory goals and market interests, this will safeguard the NFT market's innovation and growth while preventing dangers and malpractices.

5.2. Clarify the Characterization and Legal Attributes of the Transaction

Hong Kong has also made choices regarding the regulatory thinking of NFT that are in line with its realities: The existence of financialized NFTs is acknowledged in Hong Kong; They are separated

macroscopically into non-financial securities (NFTs) and financial securities (NFTs) (specific categorization criteria are not yet available) [14]. The Hong Kong Securities and Futures Commission (SFC), which had held already in June 2022, noticed the risk of NFT and issued a risk alert notice on its official website under the heading "Reminding Investors of the Risks Associated with Irreplaceable Tokens" [15]. The Hong Kong Securities and Futures Commission (SFC) said that, like other virtual assets, NFTs face higher risks, including illiquidity in the secondary market, volatility, opaque pricing, hacking and fraud. Investors should be aware of these risks and should not invest in NFT if they are unable to fully understand and bear the potential losses. The SFC will determine whether an NFT falls within the definition of "securities" or "collective investment scheme" based on its substantive features and functions. If NFT has financialization characteristics, then the SFC in Hong Kong will regulate it accordingly to protect investors and maintain market order.

In addition to warning of the risks, the SFC has also clarified the types of NFTs that need to be regulated in its announcement: One is that if the NFT is a true digital representation of a collection, its associated activities are not subject to Hong Kong's SFC regulation. Secondly, the promotion or distribution of the NFT may be considered a regulated activity if it is a fund-raising interest. Unless an exemption applies, parties involved in the regulated activity, whether in Hong Kong or for investors from Hong Kong, must get a license from the SFC. Thirdly, the SFO's authorization requirements might also be activated, if the NFT arrangements include an invitation to the Hong Kong public to take part in a fund-raising activity.

In terms of practice, NFTChina.hk was officially launched in February this year. In order to provide non-cryptocurrency public chain services for enterprises, NFTChina.hk is based on an open and transparent public blockchain infrastructure (BSNS component of a Network) that complies with international blockchain standards [16]. Through NFTChina.hk, users will be able to move their assets to any blockchain game or marketplace, including Ether, Open Sea, and Sandbox. Even mainland Chinese users can be converted to public chain users within the compliance of Chinese regulatory regulations. As you can see, with its sizable and quickly growing user base and a more welcoming Hong Kong environment, NFTChina.hk has produced a more open and inclusive NFT platform [17].

6. Prospects and Development: Building a Secure and Transparent Trading Rule System

The rapid growth of digital collectibles trading is beyond the scope of general industry regulation. Existing financial regulators and relevant departments have insufficient understanding and supervision of digital collectibles, resulting in a market in which many illegal behaviors cannot be investigated and dealt with in a timely and effective manner. Some trading platforms are negligent in self-regulation and even actively engage in illegal activities, further exacerbating market disruption and legal risks.

The dilemma of determining offences in digital collectibles trading and the current state of the law's absence poses a serious challenge for lawmakers, regulators and investors. In the face of the many problems in the field of digital collectibles, there is still a need for the timely updating and improvement of the legal and regulatory system, as well as the joint efforts of relevant legal practitioners.

6.1. Introduction of a Real-Name System for Transactions

Anonymized trading of NFT digital collections is more common. This transaction scenario enables users to conceal their identity and create many accounts on the platform that are hard to link to a single entity. This makes relief difficult to achieve when damage occurs in a transaction. In order to limit vulnerability to money laundering and corruption, the US Congress passed the Bank Secrecy

Act (BSA/AML) in the 1970s, which required transparency for a variety of cash transactions [18]. It involves "requirements for reporting, customer identification and due diligence, record keeping, and the establishment and maintenance of a BSA/AML compliance program." Understanding the user is at the heart of these measures [19]. The implementation of real-name management and the traceability of some of the user's information can, to a certain extent, reduce the incidence of money laundering, illegal fund-raising and other illegal and criminal acts, and weaken their pernicious effects.

6.2. Strengthening Contractual Reviews to Enhance Openness and Transparency

To ensure the healthy development of the digital collectibles market, all contracts should be scrutinized. The focus of the contractual review shall include, but not be limited to, the fairness and compliance of the contractual terms and the presence of potential risks. Through this measure, market participants' understanding of the content of the contract can be enhanced and transactions can be made more open and transparent, thereby reducing disputes and risks arising from information asymmetry. In addition, it is recommended that review reports be published on a regular basis so that all participants can be informed of the specific contents of the contracts and the results of the risk assessment, thus further enhancing trust in the market [20].

6.3. Enhanced Seller Verification for Fairness in Transactions

Strict identity verification of all sellers to ensure the fairness of digital collection transactions. Seller verification should include confirmation of true identity, review of transaction history, and assessment of reputation scores. This measure prevents fraudulent behavior and protects buyers' rights. At the same time, with transparent seller-verified information, buyers can better assess the seller's credibility and make more informed purchasing decisions. The platform can also establish a detailed seller vetting mechanism and regularly update the seller's reputation score to ensure fair and equitable market transactions.

6.4. Platforms Take Responsibility for Regulating and Being Regulated

As a hub for trading digital collectibles, platforms must take on the dual responsibility of both regulator and regulated. First, the platform should establish a sound regulatory mechanism to monitor the behavior of buyers and sellers in real-time and take necessary interventions to prevent illegal transactions and other misconduct. Secondly, the platforms themselves need to be subject to regular external review and supervision to ensure the transparency and legitimacy of their operations. At the same time, by assuming the obligation to regulate and be regulated, the platform improves the credibility of the platform, enhances users' trust in it, and promotes the healthy and sustainable development of the digital collections market.

7. Conclusion

When faced with the mixed quality of digital collections in the market today, and with the many tricks and traps of the trade, both consumers and lawmakers are experiencing a pixel war first hand. Digital collections, as an emerging economic form of the digital economy, have a long road ahead of them. In the face of cases involving the trading of digital collectibles, it is important to strengthen the analysis of crimes and non-crimes, and to respond flexibly and pragmatically on the basis of strict adherence to the law. At the same time, in regulating the trading of digital collectibles, China can refer to and learn from other countries' systems and policies for NFT. To synthesize cases involving digital collections trading in various regions, to improve the study of crimes and misdemeanors in digital collections trading at the present stage, based on China's national conditions and in the light

of China's actual situation; As the digital collectibles economy becomes more active, the relevant laws and regulations should also be improved in parallel to clarify the object of jurisdiction and the role that market regulation should play in different types of digital collectibles transactions. At the same time, the allocation and arrangement of regulatory responsibilities in different trading situations need to be further clarified. The relevant responsible person shall not have any interest relationship with the parties concerned, so as to avoid the situation of "monitoring and stealing" by the relevant subject, thus promoting the healthy and sustainable development of the digital collectibles trading market and creating a safe and favorable trading environment for consumers. With the development of digital collectibles in the future, new issues and challenges will still emerge in the field, and all parties should work together to keep pace with the times and promote the healthy and orderly development of digital collectibles.

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