All the NFT TERMS

EXPLAINED!

All the NFT Terms Explained

The NFT market can be hard to navigate, especially with all its jargon. So in this special report, we list all the terms you will likely come across and a detailed explanation for each:

Decentralised Currency

Also known as “digital currency”, a decentralised currency is a bank-free method of transferring wealth or ownership of a commodity without needing a third party.

Decentralised Exchanges (DEX)

A decentralised exchange is a cryptocurrency exchange that allows peer-to-peer transactions. Uniswap is an example of a DEX. Users can buy and sell digital assets (NFTs and cryptocurrencies) without the use of an intermediary organisation to clear transactions.

DeFi

DeFi stands for “decentralised finance” and is often also referred to as “open finance”. It removes the middlemen—such as banks and financial institutions that charge you fees for using their services—from financial transactions. DeFi applications are not controlled or hosted by a central party such as banks.

Floor Price

The floor price of an NFT is the lowest price an NFT in a collection can be bought for. Since the price of NFTs fluctuates according to the demand for them, the floor price of an NFT can change all the time. When you look at an NFT collection on OpenSea.io, at the top of the page, you will be able to see the floor price of the NFT collection, which represents the lowest price at which you can purchase an NFT from that collection at that time. When you click on “Floor price”, you will be redirected to a page where you can find the cheapest NFTs you can purchase from that collection.

Gas fees

Gas fees are payments that NFT buyers have to make to compensate for the computation energy required to process transactions on the blockchain. These are like the processing fees that banks and credit cards may charge for transferring money to other accounts or for paying bills. Therefore, when you purchase an NFT or create an NFT, make sure you have enough Ethereum to cover the gas fees because gas fees are paid in Ethereum.

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Hard Wallet

A hard wallet is a physical device (like Trezor and Ledger wallets) used to access and manage the digital assets you have purchased (such as NFTs and cryptocurrencies). A hard wallet adds another layer of security because hackers cannot access them as easily as soft wallets.

Layer-One Blockchain

A layer-one blockchain is a foundational blockchain upon which many applications are built. There aren't many layer-one blockchains. Bitcoin, Ethereum and Solana are examples of widely deployed layer-one blockchains operating today.

Layer-Two Solutions

Layer-two solutions are a kind of protocol that blockchains like Ethereum use to reduce transaction fees by as much as 99.8%. This type of technology enables large reductions in the amount paid as gas fees.

Minting

Minting an NFT is the process of turning a digital asset, such as a video, song or picture, into an NFT. For example, if you come across the sentence "we have minted an additional 3,000 CryptoKitties", it means that an additional 3,000 NFTs from the CryptoKitty collection has been created.

NFT Drop

An NFT drop is the release of an NFT collection. An NFT drop also mentions the time and date the NFT collection is available for sale for the first time, as well as the mint price. In other words, the price of the NFT when it is just released. NFT drops are similar to the opening day of a business or a brand releasing a new product, such as Apple releasing its new iPhone. Buying NFTs when they have just dropped is a good way to purchase them at their lowest price. Because after the drop, if there is a lot of demand for them, their price will increase.

NFT Roadmap

The roadmap of an NFT is a document that outlines the goals and strategies of an NFT project in order to communicate its long-term value. Roadmaps can usually be found on the website of the NFT project, as well as on its social media profiles. NFT roadmaps usually include key milestones, goals, and plans for marketing and growth.

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Private Keys

Private keys are like a pin or secret number to secure your NFT wallet. They should be kept private, or else the assets stored in your wallet can be stolen. Only the person who has the private keys can access and manage the wallet. Private keys represent the final control and ownership of digital assets.

Public Keys

Your public key is a series of numbers that allows you to receive digital assets, like cryptocurrencies and NFTs. It's like an online address for your digital assets—the equivalent of your bank account number and branch number, so people can send you NFTs and cryptocurrencies. To access your public keys, you will need your private keys, which are like a pin number or password.

Rug-Pull

A rug-pull is when someone creates an NFT collection with the intention of making quick money and then quickly abandons the entire project. In other words, it's the equivalent of a scam. The sole intention of the NFT collection was for the creator to make some quick money.

Seed Phrase

Your seed phrase is a list of words that can be used to recover access to your wallet should you forget the login or access details. It is like the "master password" of your wallet. When you first set up a wallet, you will receive your unique seed phrase. It will never generate a new one, and if you lose your seed phrase, you will never be able to regain access to your wallet should you forget the access details.

Smart Contract

A smart contract is a program that runs on the Ethereum blockchain. Its code and data reside at a specific address on the Ethereum blockchain. NFTs are powered by smart contracts that take care of the asset's transferability and verify the ownership.

Soft Wallet

Soft wallets—such as MetaMask, for example—are typically desktop or mobile applications, but they can also be websites or browser extensions. The data in soft wallets is stored on a server. An internet connection is required to access and manage the assets (NFTs and cryptocurrencies) within these wallets. Soft wallets are considered less secure than hardware wallets.