

# Fractional Ownership of NFTs: How It Works and Why It Matters

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Fractional ownership of non-fungible tokens allows multiple people to hold a share of a single NFT, making high-value digital assets accessible to a broader range of buyers. Instead of one wallet holding the entire token, the NFT is locked in a smart contract that issues a fixed supply of fungible tokens — often ERC-20 tokens on Ethereum — each representing a percentage of ownership. Platforms such as Fractional.art (now Tessera) and Unicly pioneered this model starting around 2021.

## How Fractionalization Works

The process begins when an NFT owner deposits their token into a vaulting smart contract. The contract then mints a predetermined number of fractional tokens — for example, one million ERC-20 tokens representing 100% of a single CryptoPunk or Bored Ape. These fractions can be sold on decentralized exchanges like Uniswap, where price is determined by market demand. The original NFT remains locked until a buyout threshold is triggered: if someone acquires enough fractional tokens and initiates a buyout at a set price, the vault can be dissolved and the NFT transferred to the new owner. Remaining fraction holders receive their proportional share of the buyout price in ETH or another currency.

### **Economic Implications**

Fractionalization addresses the liquidity problem that plagues high-value NFTs. A single CryptoPunk might be priced at hundreds of thousands of dollars, limiting buyers to a small, wealthy pool. By splitting ownership, the asset gains price discovery through continuous trading rather than infrequent auctions. This also enables smaller investors to gain exposure to blue-chip NFT collections without committing large capital. However, fractional tokens introduce volatility: their price can diverge significantly from the implied valuation of the underlying NFT, and thin liquidity in fractional token markets can lead to rapid price swings.

### **Legal and Regulatory Risks**

The Securities and Exchange Commission in the United States has flagged fractional NFTs as potentially qualifying as securities under the Howey Test. When investors buy fractional tokens expecting profits derived from the efforts of others — such as the reputation management of a collection — those tokens may be classified as investment contracts. This regulatory ambiguity has slowed institutional adoption and caused some platforms to restrict access for U.S. users. No clear federal framework existed as of early 2025, leaving projects to navigate compliance on a case-by-case basis with legal counsel.

### **Current Use Cases and Limitations**

Beyond speculative trading, fractional ownership has practical applications in digital art, virtual real estate, and intellectual property licensing. Decentraland parcels and other metaverse land assets have been fractionalized to allow shared governance over virtual spaces. Some projects distribute royalty rights tied to NFT-linked music or video content through fractional tokens, giving holders a stream of income from usage fees. The main limitations remain smart contract risk, the complexity of coordinating among many co-owners for decisions like licensing, and the challenge of reconstructing full ownership once an asset is fractionalized. These structural issues continue to shape how the model evolves.

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The following pages list 44 example seed phrases assembled from the 2048-word BIP39 dictionary.

- 1) hello setup enemy insane giraffe nothing fiber side shop mask memory neither
- 2) few differ opinion genius erosion across crush bubble asthma tennis parrot fossil
- 3) bitter forget phone seek discover coyote huge undo cotton enter rice traffic
- 4) price fiber stadium snap slender indoor soldier salad clap piece stable one
- 5) verb brick mandate range salt pencil hospital resource glue normal client frequent
- 6) father script police silver loud pelican trouble trust ribbon rug tired flavor
- 7) tuition remain tail arena genre bundle rule stable mention impulse final sport
- 8) decrease honey amateur push gaze logic hen genuine loan tenant ticket giggle
- 9) argue bronze cup net prepare middle depth bench young child army sting
- 10) frown hurt model speak chase suggest carbon anchor alert mom knee warm
- 11) soda festival anger speak jeans control narrow muscle penalty ugly world daring
- 12) bright stove mean polar injury credit puzzle weather sentence beach sick vocal
- 13) safe orbit boring debris rib giant spell favorite diary fly father diary
- 14) fragile want nurse pyramid patient tired canoe inform mountain magic cupboard power
- 15) pitch program mimic inhale danger reflect shoot expire disagree relax clip eternal
- 16) chef hope reflect garden scare scrap transfer firm apart remember pumpkin minimum
- 17) switch enemy betray hurdle update stool agree float local total stadium wish
- 18) canvas pave regret diamond coyote cement grace gift habit hero glide remain
- 19) grit arrange hamster reopen holiday order know walnut donate grant enable used
- 20) jewel program erosion lady catch vintage blast multiply weird foot version walk
- 21) fabric endless own attract sell auto congress example ozone collect cargo build
- 22) puzzle invest pencil return test gather bacon private chase brief tomorrow confirm
- 23) measure used win brave into public wool arrest salute warrior gaze edit
- 24) cabin foil virtual unfair fold expect toy hope error top old attract

Section 3 • 4 total

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- 25) aspect retire afraid unknown kick payment demise put dismiss wink file fix
- 26) focus burst bridge rebuild position knife private fatigue snow reunion try alpha
- 27) much range laundry vivid clap shallow medal crane return online friend choose
- 28) panel author case depth modify prefer then offer wreck cloth erase can
- 29) frame curious cliff destroy place unknown jar follow runway noodle nut access
- 30) finger home attract noise screen delay custom there pretty roof dilemma wild
- 31) undo lobster kit warm sting coyote ball sentence spell prison give miracle
- 32) exercise grow sunset have heart spatial obvious buzz avoid maid give tree
- 33) wire success struggle east payment normal various image school stadium inmate goat
- 34) cluster hamster spend object convince endless abandon book pottery palace student tip
- 35) torch soup bomb witness shed advice output collect upset shove almost stone
- 36) matter vapor spy lecture injury family chaos spoil barrel left paddle jeans
- 37) main beach day master polar under uncover have shine cram wage legal
- 38) panel mention casual flower tooth unit noble good artist click melt advance
- 39) robot order frog world search all airport tilt thing kangaroo cancel slim
- 40) mother girl mention ability hurt blade engage brick check father step laugh
- 41) wolf win entire number purse october sight broom mimic dance umbrella ball
- 42) rather comic cabbage cinnamon worth crisp tourist between reduce fringe return hat
- 43) goddess lobster green midnight donkey claim civil unhappy message radio vital despair
- 44) ship dream memory guilt meadow renew predict raven swing puppy verify draft

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- [what-is-infura-bip39-phrase\\_2025-11-12.pdf](#) (bip39-phrase\_2025-11)
- [seed-phrases-2025-05-14-en.pdf](#) (2025-05-14)

Educational examples only. Randomly generated, not valid wallet phrases - never use them to store funds. Details:

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Section 4 • 4 total