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NFT Without Crypto: China's Policy, Regulation and Expectations of Digital Collectibles

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Abstract: China's NFT market is unique. Whereas in other parts of the world, NFTs are inseparable from cryptocurrency, NFTs as digital collectibles in China are fundamentally and deliberately segregated from cryptocurrency. Offering an authoritative account of the digital collectibles industry in China, this article demystifies NFTs within the Chinese context by analysing China's policy, regulation and expectations on NFTs. It discusses the reality of the current development and policy of digital collectibles in China and addresses the state's expectations for digital collectibles as they are positioned in the national strategy of preserving heritage, engaging younger audiences and enhancing the accessibility of cultural artefacts with the extensive use of technology in the digital economy. This article demonstrates that Chinese digital collectibles exemplify the vision of digital collectibles as vehicles for cultural preservation and economic innovation, distinct from the speculative models prevalent elsewhere.

Keywords: non-fungible tokens; nft; digital collectibles; cryptocurrency; China

1 Introduction

China's NFT market is markedly different from that of the rest of the world, but not much is written on its nuances. Known as 'digital collectibles', they are specifically regulated by the State in aspects such as their tradability. The purpose of this article is to demystify and position NFTs in the Chinese context by elucidating China's idiosyncratic policy, regulation and expectations surrounding digital collectibles. While digital collectibles in China share technological similarities with NFTs internationally, this article illustrates how Chinese law and policy together construct a unique framework in which digital collectibles function not as tradable assets but as

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tools for cultural digitisation and revitalisation, decoupled from the cryptocurrency infrastructure. The article makes two key contributions. First, it contextualises NFTs within China's regulatory and policy landscape by tracing the unique legal boundaries and expectations imposed on them. Second, it highlights the normative significance of digital collectibles in the State's broader digitalisation agenda, framing them not as speculative instruments, but as tools for cultural dissemination and public heritage engagement.

This article first briefly sets out the international picture of NFTs generally, which is then compared in the next section with the reality of NFTs in China, referring to the actual applications of digital collectibles in the Chinese market. It refers to some typical examples of how an NFT is created and transacted in the Chinese commercial environment to inform readers of the context and reality of the current state of NFTs in China. This part is necessary to demystify some of the commonly-held misconceptions concerning the development of NFTs so far in China. It then considers China's special policy on NFTs. It illustrates the State's law, policy and regulation on NFTs in China. Using China's authorities and industry's narrative, this article explains to the international audience how they fundamentally make the Chinese market of NFTs different from the rest of the world and how they contribute to shaping China's distinctive NFT setting. Specifically, one of the most significant restrictions on the NFT industry in China is that NFTs are not designed to be tradable as digital assets. Finally it discusses the characteristic expectations of digital collectibles in China. NFTs as digital collectibles are considered to have demonstrated tremendous potential in the realms of history and culture. The expectations are discussed from the State's perspective in light of China's unique policy of digital economy and cultural digitisation. They align with significant national strategies of promoting the digital economy and facilitating the digitisation and revitalisation of Chinese traditional cultures. In the final analysis, this article presents a critical view of how a distinctive space for NFTs as cultural and artistic digital commodities which emphasises collection rather than speculation is created in China.

2 The Global Picture of NFTs

The growth in the popularity of NFTs in China did not commence much later than the global trend. Before discussing the reality of NFTs in China, it is helpful to briefly state what an NFT is and the mechanisms for creating (minting) NFTs and transacting NFTs in the international scene. An NFT, or non-fungible token, is a digital asset with distinct characteristics that differentiate it from fungible crypto tokens, commonly known as cryptocurrencies, such as Bitcoin and Tether. Unlike fungible tokens, which intend to serve as interchangeable units of value similar to fiat currency, each

NFT is unique and typically confers digital ownership rights over a specific item, such as digital artwork (Zou et al. 2024). This uniqueness is explained by NFT's 'non-fungible' nature, meaning that they cannot be replaced or exchanged on a one-for-one basis like standard currency units or other fungible assets. NFTs are designed to be scarce and unique, characteristics that drive their appeal in the digital art, gaming, and collectibles sectors.

The process of creating an NFT, commonly referred to as 'minting', involves recording the asset on a blockchain, which acts as an immutable ledger to establish provenance and confirm ownership. Minting typically takes place on a blockchain that supports NFTs, such as Ethereum. When an NFT is minted, a smart contract is generated, which includes unique metadata about the asset, such as its origin, ownership history and additional attributes that might affect its valuation. The smart contract is executed automatically on the blockchain which ensures that all parties adhere to predetermined conditions without the need for intermediaries (Liu et al. 2024). This metadata is stored on-chain, while the actual underlying asset may be stored off-chain.

In the international scene, NFTs often interact with fungible tokens, as many NFT marketplaces require users to buy and sell NFTs using cryptocurrencies such as Ether (ETH) (Fortnow and Terry 2021). This interaction allows NFT transactions to leverage the security and liquidity of the underlying blockchain network while maintaining the uniqueness of the NFT itself. The transference of an NFT from one owner to another is facilitated through blockchain-based marketplaces, which act as digital auction houses and enable users to bid, purchase, or sell NFTs in exchange for cryptocurrency (Fortnow and Terry 2021). Once an NFT is transferred, the transaction is permanently recorded on the blockchain which makes any change in ownership transparent and traceable. The combination of smart contracts, blockchain technology, and fungible cryptocurrency is the foundation of the operation of NFT marketplaces and creates an ecosystem where users can securely and verifiably transact digital ownership of unique assets. It offers an unprecedented framework for digital ownership which provides security, authenticity and provenance in the digital space (Zhang et al. 2024). NFTs are designed to be interoperable across compatible platforms and blockchain networks (Chi et al. 2023). The blockchain networks are public permissionless blockchain networks which have no access threshold and no access restriction such that participants can transact, send or receive crypto tokens freely on the networks without requiring any express permission (Zheng et al. 2023).

NFT transactions internationally are transacted on decentralised marketplaces such as OpenSea and SuperRare. Transactions in the marketplaces are mostly denominated in cryptocurrencies, with Ethereum being one of the most commonly used. For instance, high-value NFTs such as digital artworks by American digital artist Beeple have sold for upwards of 42,329 ET H (Crow and Ostroff 2021). Another example is a high-profile transaction on OpenSea, an NFT from the 'Bored Ape Yacht Club' collection sold for over 769 ET H (Grover 2022). Before purchasing an NFT on OpenSea or similar marketplaces, users must own or create a compatible crypto wallet such as MetaMask which connects directly to these decentralised platforms. This wallet serves as a secure repository for the NFTs purchased in the form of unique blockchain tokens. This reliance on cryptocurrency denominations reflects the decentralised and cross-border functionality of NFTs which in theory help holders to transact seamlessly across borders without the limitations of traditional fiat currencies. While crypto wallets are standard, some platforms have started offering alternative payment methods, including debit and credit card options for NFT purchases. In these cases, the platform usually converts the user's fiat payment into cryptocurrency on the backend such that the seller is paid in cryptocurrency. Although some purchases involve fiat payment methods, the NFTs themselves are still blockchain-based assets.

One of the purposes of this article is to illustrate how fundamentally different the Chinese digital collectibles market is from that of other jurisdictions, owing to China's unique policy, regulatory framework, and normative expectations surrounding NFTs. NFTs continue to be actively traded with cryptocurrencies and retain considerable popularity as of June 2025. According to Forbes, the global market capitalisation of NFTs is approximately USD 90 billion, with the trading volume at some 4.5 million per day (Forbes 2025). As a matter of law and regulation, NFTs are attracting increasing attention from financial regulators in the international environment. This is because NFTs, marketed as digital collectibles, can now function as speculative assets or instruments of investment and raise concerns such as consumer protection, money laundering and their potential use in circumventing existing securities and financial laws.

In the United States, the Securities Act of 1933 requires that any offering or sale of securities using interstate commerce be registered with the Securities and Exchange Commission (SEC), unless the offering qualifies for an exemption.[1] When assessing whether a digital asset, including NFTs, constitutes a security, the important consideration is whether it falls within the category of an 'investment contract'. This determination is guided by the four-part test set out in *SEC v Howey*, which considers whether there is: (i) an investment of money or other value; (ii) in a common enterprise; (iii) with a reasonable expectation of profits; (iv) the expectation of profits is from the essential entrepreneurial efforts of others.[2] Applying the *Howey* test, it appears that NFTs, especially those that are non-fractionalised and acquired as

1 See Securities Act of 1933 15 U.S.C. § 77.

2 *S.E.C v. WJ Howey Co.*, 328 U.S. 293 (1946).

unique digital collectibles, are unlikely to satisfy the third and fourth prongs of the test (Elzweig and Trautman, 2022). Although purchasers may hope the value of their NFT will appreciate, such hope is often grounded in general market forces rather than on the actions of a central promoter or developer. This is similar to an individual buying a rare painting in the hope that its price will rise due to increased demand, rather than due to any business efforts of the artist or a managing entity. Another way of possibly regulating NFT is to consider them as commodities so that some aspects of their trading could be regulated under the Commodities Exchange Act by the Commodities Futures Trading Commission (CFTC) as in the US context.[3] Since NFTs also possess value and are capable of being bought, sold or exchanged, it is conceivable that they could be viewed as commodities. But because NFTs are inherently non-fungible and individually unique, it remains unclear whether they could be meaningfully integrated into standardised futures markets (Goforth 2022).

Recent developments in the US also do not give a conclusive answer. Dapper Labs, as the issuer of NBA Top Shot 'Moments' NFTs was sued and the US District Court for the Southern District of New York refused to dismiss a securities class action against Dapper Labs which essentially suggested that NFTs may be an investment contract under the *Howey* test.[4] But the case was eventually settled without a final court judgment on this issue (Barash 2024). More recently, the US District Court for the District of Massachusetts refused to dismiss a class action claim brought against DraftKings which offered NFTs which similarly involved the claim that the NFTs on DraftKings Marketplace are securities under US law. The court accepted that the plaintiffs had plausibly alleged the NFTs were securities under this test, at least sufficiently to proceed to the next stage of litigation. Specifically, the court found it plausible that the value of the NFTs depended on DraftKings' efforts to maintain scarcity and interest in the platform, which could increase their prices.[5] As it was not a final ruling, it remains an open question of whether and if so, how US securities law would apply to NFTs.

Elsewhere, for example, in English law, there is currently no dedicated regulatory framework specifically for NFTs. However, the Financial Services and Markets Act 2023 introduces a statutory definition of 'cryptoassets', which captures different types of crypto tokens, including NFTs.[6] It appears that the regulatory authority acknowledges that NFTs can represent a wide range of different underlying assets, not all of which qualify as financial products. Where an NFT shares typical features of other financial products, such as interchangeability, it may fall within the scope of

3 Commodity Exchange Act 7 U.S.C. § 1.

4 *Friel v. Dapper Labs, Inc.*, 657 F. Supp. 3d 422, 433 (S.D.N.Y. 2023).

5 *Dufoe v. DraftKings Inc.*, 1:23-cv-10524, (D. Mass.).

6 Section 69, Financial Services and Markets Act 2023.

existing financial regulations, informed by the token's specific function and economic substance (Kerrigan 2023).

The global reality of NFTs being traded frequently on open markets has led financial regulators in many jurisdictions to consider whether NFTs should be treated as financial instruments or investment products subject to oversight. The emphasis in these regulatory responses is often placed on containing speculative activity and mitigating consumer risk, rather than on the classification of NFTs as digital collectibles or cultural assets. There are also increasing concerns of the potential use of NFTs in money laundering schemes which is for example, recognised by the UK government in its economic crime strategies (HM Treasury 2024). There is a growing international trend toward recognising the financial risks associated with NFTs and the need to regulate them accordingly either under existing or forthcoming regulatory frameworks. As to be explained later, the Chinese approach fundamentally differs as it aims to remove the speculative elements of NFTs fundamentally by restricting their transferability and firmly prescribing them as digital collectibles.

3 The Reality of NFTs in China

In China, NFTs are developed and managed differently. Tech giants made early moves in the NFT space as far back as late 2021. In May 2021, Alibaba's Taobao held a special NFT digital art auction which showcased digital artworks by several artists. In June, Alipay released two limited-edition NFT payment code skins on the AntChain platform featuring themes from the Dunhuang culture and the animated series Scissor Seven. The limited-edition themed skins on Alipay sold out within seconds and quickly appeared on Xianyu, Alibaba's second-hand market with resale prices reaching as high as 1.5 million yuan. Tencent was also quite active in the NFT space. In August 2021, Tencent launched its own NFT platform, Huanhe, which debuted with a limited release of 300 audio NFTs of *Thirteen Invitations*, a digital art collectible (Chen and Hinnant 2021). Tencent Music has similarly released its TME Digital Collectibles, which include video and audio clips, vinyl records, and merchandise of popular celebrities (Shen 2021).

Alibaba's NFT platform, now known as Jingtan, premised on the AntChain following the release of the NFTs, made clear that the NFTs differ from NFTs in overseas markets. It was emphasised that 'they are strictly for viewing, collecting, and displaying within a limited scope and cannot be traded like goods or cryptocurrency on secondary markets' (Lin 2021). Similarly, Tencent's Huanhe platform operates on the Zhixin Chain, a consortium blockchain co-developed by Tencent which enables NFTs to be non-transferable by design at the source. When Huanhe announced participation requirements for purchasing NFT products, it emphasised that all NFTs on the platform are non-transferable and cannot be resold. A consortium blockchain is a blockchain that has an access mechanism for multiple institutions for collaboration among the institutions (Chen et al. 2020). It is a type of permissioned blockchain alongside a private blockchain which is typically used only for internal purposes such as management and record-keeping (Wang et al. 2019). At the time, Tencent's representative told reporters that 'we believe NFTs issued on a consortium chain can be compliant as payments on consortium chains are made in fiat currency' – issuing NFTs on consortium chains allows for the removal of their currency-like attributes which should align with the regulatory focus on financial stability and reducing the financial attributes of NFTs to a minimum (Hou 2021). To conform with regulatory requirements, platforms in China would deliberately avoid using the term 'NFT' despite some initial reference to the term in the very early days. Most would use the term 'digital collectible' to describe the non-fungible tokens. As a matter of terminology and for better comparison, further on in this article the term 'digital collectible' is used to refer to the NFT-like assets premised on Chinese domestic platforms. When the term 'NFT' is used, it refers to the international standard non-fungible crypto tokens, while 'digital collectible' refers to the distinct version adapted within China's domestic market.

But in August 2022 Tencent announced its intention to exit the NFT market which although has captured excitement is subject to much regulatory uncertainty in China. As per the announcement, Tencent's platform Huanhe will cease issuing new digital collectibles and will offer refunds upon user request. Returned collectibles will also be 'destroyed' according to a statement on the Huanhe app, which cited the decision as a strategic pivot toward Tencent's core business areas (South China Morning Post 2022). The Huanhe platform would remain accessible which should allow existing users to view, download and share their purchased the collectibles, but new issuance will end (Feng 2022a). Huanhe's cessation of new releases of digital collectibles is to be viewed in the context that while it became one of China's largest digital collectible platforms and publicly promoted anti-speculation measures, an insider suggested the end of issuance was related to 'the degree of marketability' (Fan 2022). The move to retreat from China's market was amid the time when NFTs were highly speculative in the secondary market globally (Shenzhen Daily 2022).

On Huanhe's suspension, a commentary suggested that 'the developmental direction of digital collectibles remains unclear, and any risk event within the industry could have significant negative impacts on Tencent. The decision to shut down Huanhe a year after its launch likely reflects a comprehensive evaluation of Huanhe's performance, regulatory stance, market opportunities, and Tencent's broader strategy' (Yu 2022). The issues such as speculation and financialisation led to risks including fraud, pyramid schemes, money laundering, and illegal fundraising. At the time, while Jingtan and Huanhe attempted to restrict trading, for many buyers, the appeal was largely in secondary market trading rather than genuine collection. Statistics showed that of the 998 Chinese digital collectible platforms, 301 had made secondary markets available and 181 platforms have linked with highly liquid over-the-counter trading platforms to improve liquidity (Wei and Guo 2022). Whilst regulatory constraints led to the reality that digital collectibles cannot currently be traded on secondary markets, many lost interest in them such that the market necessarily domestic had reached a ceiling due to the liquidity limitations.

Tencent's exit from the market was suggested to be countered by the establishment of a 'state-backed NFT marketplace' (Greenhouse 2023). It was a widely held belief that the China Digital Asset Exchange Platform, launched with a ceremony on 1 January 2023, was the first compliant national-approved secondary trading platform for digital assets of NFTs (Greenhouse 2023). When the platform was first announced to the public, the focus was on its ability to 'further protect intellectual rights and promote digital innovation to boost the country's digital economy' (Global Times 2023). This platform was reportedly co-developed by the China Technology Exchange, the China Cultural Relics Exchange Centre, and the Huaban Digital Copyright Services. As the China Technology Exchange was co-established by the Ministry of Science and Technology, the National Intellectual Property Administration, the Chinese Academy of Sciences, and the Beijing Municipal Government, at the time, it was expected to leverage its status to develop a comprehensive trading system and reliable infrastructure to support digital asset trading (Feng 2022b). This was considered within the industry as a major advancement – often referred to as the 'arrival of the national team' (Xu 2022). However, this perception turned out to be false. On 16 March 2023 an official statement from the China Technology Exchange made clear that it had not participated in the development of the 'China Digital Asset Exchange Platform' nor authorised any organisation to use its name in its promotional materials. Following this announcement, the platform's website was left only with the words 'under maintenance'.

While the 'China Digital Asset Trading Platform' attracted significant media attention, it is the 'China Digital Cultural Collectibles' platform founded in 2022 that resembles more of the concept of the 'national team'. Developed by the China Digital Culture Group, China Unicom and the China Cultural Relics Exchange Centre, this platform is built on the China Digital Culture Chain blockchain. On the official website, it states that: 'The platform focuses on high-quality digital collectibles, including cultural heritage, fine arts, and intangible cultural assets. It offers a comprehensive, secure, and professional digital collectibles platform, catering to institutions, artists, collectors, and the broader public with a one-stop service for minting, showcasing, distributing, collecting, and socialising around digital collectibles. The platform integrates a robust copyright management system and a structured pricing and issuance framework for various digital collectibles' (2022). As announced on the Ministry of Culture and Tourism of the People's Republic of China's website, 'the initiative aims to advance the strategic vision for national cultural digitisation, as highlighted in the Party's 20th National Congress. It also aims to seize new opportunities at the intersection of cultural and technological innovation, particularly in digital culture consumption' (Ministry of Culture and Tourism of the People's Republic of China 2022).

Much of the emphasis of the initiative is on the promotion of the Chinese culture and the proper regulation of the digital collectibles. The China Digital Cultural Collectibles platform describes itself as 'deeply rooted in Chinese cultural heritage and aims to support the creation of digital collectibles and the preservation of Chinese culture through blockchain technology'; 'the China Digital Culture Chain sets itself apart from other platforms by offering the distinctive feature of state-regulated oversight to secure the value and reliability of digital collectibles' (2022). While the qualities appear to establish the platform as a trusted entity, its popularity has waned since 2023.

The now most popular digital collectibles platform is Alibaba's Jingtan as referred to earlier. Jingtan describes itself as a platform 'using AntChain blockchain technology to assign unique digital identifiers to specific works, artworks, and items, including but not limited to digital paintings, images, music, videos, and 3D models' (2023). It originated as a section within Alipay and has since evolved into an independent application. The prices of digital collectibles on Jingtan range from 8 yuan to 168 yuan. Jingtan operates on a limited-release model. It can be divided into single-edition sales where one unique piece of the artwork is sold and limited-edition sales where multiple copies of the same artwork are available in restricted quantities. As of November 2024, collections available for purchase on the mobile app include themes such as The Bronze Gods, The Lacquerware Legend of Zenghouyi, Famous Generals of the Three Kingdoms and some anime-style collectibles. Most of the items are closely linked to elements of Chinese cultural heritage. To buy a digital collectible, users are required to link their Alipay account for identity verification, and then complete the purchase using Alipay. After the purchase, users on the platform are typically entitled to enjoy services such as browsing, purchasing, sharing, viewing, admiring and showcasing their digital collectibles via the specific online community.

On Jingtan there is no function for reselling digital collectibles. It is possible to gift digital collectibles. As per the user guidelines and the user agreement, while Jingtan supports users sharing items with friends and currently provide an unpaid gifting feature to meet the demand for sharing and giving collectibles as presents, it does not support any form of reselling digital collectibles as they consider 'reselling is a commercial activity that can easily lead to harmful speculation and goes against the purpose of digital collectibles' (AntDigital 2023). Clause 3.2 of the user agreement stipulates that users are only allowed to transfer a digital collectible after holding it for 180 days, and it can only be given to a mainland Chinese resident of at least 14 years old (Alipay 2023). To prevent speculation, the recipient must hold the item for 2 years before gifting it again, and both parties are required to complete real-name verification on the platform. Further, Clause 4.1.10 explicitly states: ‘We strictly prohibit any person from engaging in the resale, speculation, off-platform transactions, fraud, or any other illegal use of digital collectibles’ (Alipay 2023).

There are some important observations that the author wishes to highlight in this section’s discussion of the reality of the practice of digital collectibles in China. First, although digital collectibles and NFTs are, by nature, unique tokens that serve as traceable proof of ownership for digital art on a blockchain, Chinese digital collectibles fundamentally lack a secondary market. This contrasts with internationally recognised non-fungible crypto tokens, which can be resold and traded on open platforms. In China, as to be explained further later, the hundreds of digital collectible platforms now have policies to firmly ensure that the acts of interacting with digital collectibles are restricted to initial issuance, purchase, and collection rather than investment and speculation.

Second, while digital collectibles in China and NFTs, act as guaranteed certificates of digital ownership, Chinese digital collectibles remain confined to the native blockchain of their issuing platform. In contrast, international NFTs follow unified standards such as Ethereum’s ERC721, which individually and atomically tracks ownership of each asset on compatible networks and is commonly used for NFTs together with ERC1155 (Tan et al. 2024). On global NFT exchanges like OpenSea, assets stay in the seller’s wallet until sold and then transfer directly to the buyer’s wallet. Transactions are either instant sales or auction-based. This level of interoperability and decentralised exchange is absent in China’s ecosystem of digital collectibles.

Third, in China, the digital collectible platform functions as the technology provider of the blockchain technology and as the marketplace which manages the issuance and sale of the digital collectibles which would not otherwise exist without their own permissioned blockchain network. Chinese platforms, unlike their international counterparts, do not operate on public permissionless blockchains. Instead, transactions and users’ interaction with the digital collectibles must conform to the user agreements stipulated by each platform which define terms for ownership and transfer. This contrasts sharply with international decentralised applications of NFTs where the quality enabling users to implement transfers directly among themselves on the blockchain after linking with their crypto wallets is absent in Chinese platforms.

Finally, digital collectibles in China are collectibles per se. The development is predominantly related to the collection of digital cultural creations and art pieces and excludes other non-fungible crypto token types which could tokenise other types of real-world property such as real estate (Chow and Tan 2022). Digital collectibles in China are largely oriented towards personal collection rather than wider asset-related uses. As its name suggests, the clear focus in China is on the personal collecting and enjoyment of digital collectibles.

4 The Chinese Policy and Regulation on Digital Collectibles

This section examines China's policy on digital collectibles through an analysis of the relevant official documents issued by the authorities, courts, and self-discipline industry groups. To establish the context, it first explores why digital collectibles in China, despite being based on blockchain technology, albeit private blockchains, do not utilise fungible crypto tokens for transactions. This aids the discussion on how Chinese policy deliberately distinguishes digital collectibles from fungible crypto tokens, thereby preventing the former from becoming a mere extension of the latter. In essence, evaluating China's prescriptively restrictive approach to fungible crypto tokens informs the understanding of the formulation of its policy on digital collectibles.

The regulation of fungible crypto tokens in China is addressed in several official documents, with the most recent and significant being the Notice on Further Preventing and Resolving the Risks of Virtual Currency Trading and Speculation (People's Bank of China et al. 2021). This Notice, issued on 15 September 2021 by the People's Bank of China (PBOC) in collaboration with nine other governmental agencies, focuses on the financial risks associated with virtual currencies. For the purposes of the Notice and other official documents on crypto tokens, the term 'virtual currencies' refers to fungible crypto tokens such as Bitcoin (Cheng 2024). For ease of understanding, the more common term 'cryptocurrency' is used instead of 'virtual currency' except in direct quotations. As stated in its first paragraph, 'trading and speculative activities on virtual currencies have been on the rise recently, which have been disruptive to the economy and the financial market'; this measure was introduced to 'take the prevention and resolution of the risks of virtual currency trading and speculation to the next level and duly safeguard national security and social stability'. The Notice represented a significant step by the Chinese authorities in curbing the speculative activities involving fungible crypto tokens.

The 2021 Notice, among other things, made clear that cryptocurrencies are not legal tender and that 'virtual currency-related activities are illegal financial activities' such as 'exchanging legal tender for virtual currencies or vice versa'. While some suggest that the Notice was motivated by concerns such as capital flight and competition with the digital yuan and they are relevant (Xi 2022), a more straightforward explanation is the significant risks cryptocurrencies pose to China's financial stability. Unlike traditional financial markets, where volatility is viewed negatively, the cryptocurrency market attracts investors who see high volatility as an opportunity for greater profits (Nadler and Guo 2020). However, Chinese financial markets are uniquely structured to discourage speculation. One of the aims of regulating the Chinese financial markets is to minimise speculative activities as financial risks can escalate into wider social risks. The same logic should be applied to the emerging market of cryptocurrencies.

Since 2017, financial stability has become a top national priority in China. In April 2017 Xi stated the importance of financial security during a group study session attended by members of the Political Bureau of the CPC Central Committee. Xi emphasised that financial security is a critical component of national security and a fundamental pillar for the stable and healthy development of the economy. In his words, 'financial vitality will lead to economic vitality, and financial stability is of vital importance to economic stability' (Xinhua News Agency 2017). Xi further stated that maintaining financial stability should be regarded as a core task in state governance, highlighted the necessity of robust financial sector management to underpin sustainable economic growth, and stressed the importance of accurately assessing potential financial risks as a precondition for ensuring national financial security (Xinhua News Agency 2017).

In the same year, the Financial Stability and Development Committee was established in November as a financial regulatory body under the State Council. The Committee's mandate was to strengthen the People's Bank of China's macro-prudential regulation and systemic risk prevention functions and safeguard the safe and stable development of China's financial sector (Yang 2023). Today, the committee has been assimilated into the Central Financial Commission (CFC), a body under the direct supervision of the CCP's highest decision-making organ, the CCP Central Committee, created in 2023. It centralises the different financial regulatory aspects and unifies them into one state organ. The CFC now serves as the principal strategist for China's financial system which was considered a response to increasing concerns of financial stability in China such as the 'potential threats to the country's financial stability with a particularly close eye on systemic risks' which the leadership views as 'a red line which cannot be breached' (SCMP Reporter 2023).

A reading of the 2021 Notice and earlier related official documents also clearly reveals that China's prohibition on cryptocurrency was primarily driven by concerns about financial stability and national financial security. The 2013 Notice on Preventing Bitcoin Risks explicitly begins by stating its purpose: 'to protect the property rights of the public, safeguard the legal currency status of the renminbi, prevent money laundering risks, and maintain financial stability' (People's Bank of China et al. 2013). The 2017 Announcement on Preventing Risks of Initial Coin Offerings stated in its second sentence that the Notice was issued to 'implement the spirit of the National Financial Work Conference, protect the legitimate rights and interests of investors, and prevent and resolve financial risks' (People's Bank of China et al. 2017). The 2021 Notice, as its title suggests, was an official document which aimed to 'further prevent and resolve the risks of virtual currency trading and speculation'. There was an escalation in addressing the associated risks. The second sentence of the document explicitly states that the Notice was issued to 'further prevent and resolve the risks of virtual currency trading and speculation and effectively safeguard national security and social stability' (People's Bank of China et al. 2021). This shows how the risks associated with cryptocurrency speculation have increasingly been perceived as extending beyond mere financial stability to cover broader concerns of national security and social order. The escalation is a reflection of the State's growing apprehension about the systemic and destabilising effects of speculative activities in cryptocurrencies.

It was in this context that the Chinese authorities essentially tried to prohibit the use and circulation of cryptocurrencies within the country. For NFTs to have a space for development in China, they had to be firmly separated from cryptocurrencies and defined as distinct entities. Consequently, NFTs were almost obligatorily developed as digital collectibles, much distinct from financial instruments. This spirit was reflected when industry giants like Tencent and AntChain entered the digital collectibles space. They jointly issued the Digital Cultural and Creative Industry Self-Regulation Convention in October 2021. It aimed to curb speculation and the financialisation of digital collectibles, as reflected in Principles 9 and 10. Principle 9, titled 'Root out virtual currencies', emphasises the need to firmly resist any behaviour that uses digital cultural and creative works as a pretext for issuing or speculating on virtual currencies, explicitly prohibiting the issuance and trading of such works from being settled in virtual currencies. Principle 10 focuses on 'Preventing speculative and financialisation risks' and firmly opposes malicious price manipulation of digital cultural and creative works. It prohibits, except for licensed institutions, trading or any methods organising the trading of creative works, and the issuance of financial products through fractionalisation or standardised contract trading. As the first industry convention in China specifically targeting the digital cultural and creative field, this agreement, jointly issued by the leading participants, set forth 11 key principles as their consensus. It shows the industry's early awareness of the critical need for self-discipline. Although the Convention is not specifically on digital collectibles, industry stakeholders recognised early on that crossing regulatory boundaries could jeopardise the survival of their sector entirely.

The self-regulatory tenor became more pronounced with the publication of the joint initiative by the China Internet Finance Association, the China Banking

Association, and the China Securities Association on 13 April 2022 which aimed at 'preventing the financial risks related to NFTs' (China Internet Finance Association et al. 2022). The statement jointly published by the major industry associations was intended to keep industry standards in line with the government's increasingly cautious stance towards the field. In the joint statement it is stated that 'to prevent financial risks, protecting consumers' legal rights and maintaining a healthy industry ecosystem', institutions are urged to adhere to regulatory boundaries and to take strict measures to 'prevent the financialisation and securitisation of NFTs'. Specifically, the statement mandates that 'NFTs must not be used to represent financial assets such as securities, insurance, credit, or precious metals, nor should they be manipulated to issue or trade financial products'. They cautioned against diluting the non-fungible nature of NFTs through practices such as ownership fragmentation or bulk creation, which could effectively lead to initial coin offerings (ICOs). Further, the statement expressly prohibited the use of virtual currencies such as Bitcoin, Ethereum, or Tether for pricing and settlement in NFT transactions. The other key mandates include requiring real-name verification for the issuance, buying and selling of NFTs, prohibiting platforms from acting as NFT exchanges, and forbidding the provision of investment or financing support for NFTs.

The publishing associations are self-discipline organisations established under the law with the approval of national regulatory bodies. The statement is therefore not officially published by state organs. The guidelines reflected the industry's self-initiated response to the hype of NFTs globally as they await clearer official regulatory guidance. This could also be told by the use of the term 'NFT' rather than the more appropriate term 'digital collectibles'. The statement could be viewed more as a warning to industry peers to avoid the speculative practices that were prevalent in foreign NFT markets at the time, and it must not be perceived as an unregulated area. Experts following the statement have commented that 'NFT issuance should be based on the intrinsic value of digital cultural and creative works and should not be overly speculative' – financial institutions are warned to approach NFTs cautiously (Lei 2022). Where the statement rejects the financialisation or securitisation of NFTs, or provides any backing for related speculation, trading or financing activities, it could be considered as some interim precautionary guidance from the major associations pending clearer official direction whilst not compromising the industry altogether (Nie 2022).

There are further similar self-regulatory initiatives issued among industry participants in the digital collectibles sector. For instance, the Proposal for the Self-Regulated Development of the Digital Collectibles Industry was jointly released in June 2022 by among others the China Cultural Industry Association which states the commitment to 'resolutely oppose and prevent the financialisation of digital collectibles to ensure that no financial or quasi-financial products are indirectly issued or traded, that the underlying blockchain technology must not be tied to assets such as securities, insurance, credit, precious metals, or other financial or quasi-financial products, and firmly resist speculative behaviour in all forms' (China Cultural Industry Association 2022).

Although there are no specific regulatory documents issued at the national level, one local government has taken steps to address the risks associated with digital collectibles. In June 2022, the Fujian Provincial Task Force on the Rectification and Regulation of Trading Venues released a Notice on Preventing Violations and Risks Associated with NFTs. This notice prohibits trading venues from operating secondary markets for NFTs, unauthorised NFT transactions and participation in NFT activities that violate regulations. When questioned by the press, a representative from the Fujian Provincial Financial Supervision and Administration Bureau clarified that, as of that time, Fujian Province had not approved any trading venues to engage in NFT-related activities such that trading venues were explicitly prohibited from independently listing NFT-related products or conducting unauthorised NFT transactions (Foresight News 2022).

The cautious stance of industry associations and local authorities reflects China's concerns over the financialisation risks of digital collectibles. This is why many digital collectible platforms in China impose strict restrictions on secondary trading as they aim to eliminate the financial attributes of the collectibles. With the voluntary establishment of self-regulatory organisations and codes of conduct by companies engaged in the digital collectibles sector that emphasise measures to prevent speculation and financialisation, NFT transactions in China primarily occur in the primary market, with no true public market for open trading. Unlike the financial attributes emphasised internationally, China has instead leaned towards promoting the collectible value of digital collectibles. For instance, as discussed earlier, the user agreements of major digital collectible platforms strictly prohibit activities such as the resale, speculation, off-platform trading, fraud, or any other illegal use of digital collectibles.

Another way to understand the policy and regulation of NFTs in China is through the substantive operation of law in active legal relationships. The Chinese judiciary is part of the party-State's political system and is expected to act with sensitivity to the State's administrative policies (Fu 2003; He 2024). Where the courts' judgments are expected to take into account the social and public effect, an analysis of Chinese courts' stance in conjunction with the self-regulatory documents helps us to discern a consistent current position in China on digital collectibles. A landmark case in this area involves Shenzhen Qice Diechu Cultural and Creative (Qice) which held exclusive copyright to a series of artworks as authorised by the cartoonist Ma. Qice discovered that users on the digital collectibles platform operated by Hangzhou Yuanzhou Technology (Yuanzhou) had minted and published an NFT which was identical to Ma's original illustration shared on Weibo with Ma's original watermark. Consequently, Qice sued Yuanzhou for infringing its right of dissemination via information networks, i.e. 'the right to provide works that may be obtained by the public at the time and place selected by the public by wired or wireless methods', which is one of the rights included in the concept of 'copyright' in Chinese Copyright Law.[7]

In the first instance, the Hangzhou Internet Court found that the trading of NFT digital works aligns with the characteristics of information network dissemination. Taking into account the trading model, technical features, platform control capabilities, and profit model, the court held that platforms should establish effective intellectual property review mechanisms. It concluded that Yuanzhou was liable for infringement. Yuanzhou Company appealed. On appeal, the Zhejiang Hangzhou Intermediate People's Court ruled that the listing and publishing stages of NFT digital works involve acts of communication through information networks. The court emphasised that NFT trading network service providers facilitate their transfer and potentially create risks of infringement and therefore have the necessary scrutiny of the legitimacy of the NFTs' source. Service providers must ensure that NFT creators possess appropriate intellectual property rights. Since Yuanzhou failed to meet this duty of care, the appeal was rejected, and the original judgment was upheld.

This case was subsequently published and recognised as a model case by the Hangzhou Internet Court, Zhejiang Higher People's Court and the Supreme People's Court (Hangzhou Internet Court 2024; Zhejiang Higher People's Court 2022; Supreme People's Court 2023). Model cases, also known as typical cases, are selected by judicial authorities as exemplary decisions that often address issues of broad public interest or novel legal matters. While these model cases do not carry the force of legal precedent in the same way as in common law jurisdictions, they are important in guiding the judicial treatment of typical disputes. Lower-level courts are typically expected to refer to these model cases when deciding similar cases, as they offer valuable insights into how such cases should be handled (Cheng 2023). The selections of this case as a model case by courts at different levels including the highest court of the Supreme People's Court shows its legal significance and establishes it as a critical reference for handling digital collectible-related disputes in China.

In the publication by the Zhejiang Higher People's Court, the summary points of adjudication cited provide an interpretation of the legal treatment of NFTs and their transactions in China. First, the court clarified that NFT digital works are unique digital creations identified through blockchain technology. The court recognised that this stage constitutes an act of information network dissemination under copyright law. Second, NFT digital works are categorised as 'online virtual asset', a concept

7 Article 10, Copyright Law of the People's Republic of China (2020 Amendment).

under Article 127 of the Civil Code. Third, the court highlighted that the network services provided by NFT trading platforms represent a novel category of online service. 'Given the unique characteristics of NFT digital works and the nature of the services provided by these platforms – including their control over content, infringement risks, and profit models – such platforms bear a comparatively higher duty of care regarding their users' potential copyright infringements. Therefore, NFT trading platforms are required to establish robust intellectual property review mechanisms to fulfil their legal obligations effectively' (Zhejiang Higher People's Court 2022).

The interpretations provided by the court primarily relate to the protection of intellectual property rights which aligns with the fact that this case was adjudicated under copyright law. However, the court also clarified in its second point that 'NFT digital works', i.e. digital collectibles in China, can be categorised as a type of online virtual asset. This ruling, delivered in 2022, demonstrates that Chinese courts are not adopting an overly restrictive stance on digital collectibles, provided they operate within the confines of regulatory frameworks, operate lawfully, and avoid speculative elements.

The Hangzhou Intermediate People's Court elaborated in the full judgment of the model case stating: 'This court holds that NFT digital collectibles exhibit the following characteristics of online virtual assets: First, their virtual nature fundamentally distinguishes online virtual assets from physical properties. NFT digital collectibles depend on technologies such as blockchain and smart contracts which exist entirely within an information network environment and lack any physical form. Second, they possess scarcity and exchangeability which are inherent attributes of economic goods. NFT digital collectibles derive value from their limited availability and the consensus mechanisms between blockchain nodes, allowing for transactions under specific conditions and granting them economic worth. Third, they exhibit controllability and exclusivity. Online virtual assets are constructed on a foundation of data that enables civil subjects to exclusively possess, control, and utilise them. Owners of NFT digital collectibles can assert these rights through blockchain technology and trading platforms'.[8] The court concluded that digital collectibles demonstrate the essential attributes of online virtual assets and possess proprietary interests. Consequently, they are afforded the protections of civil law as a type of proprietary right.

Legality is a critical issue in this context. As the court made clear in this case, administrative regulations and platform policies do not alter the fundamental nature of digital collectibles as legally protected property. This means that the restrictions on the circulation of NFTs, primarily stemming from platform compliance policies,

8 See (2022) Zhe 01 minzhong 5272 Hao.

do not affect their legitimate status under Chinese law. The owners' rights are often qualified by user agreements, such as the provisions governing transfer rights. In other words, regulatory policies do not negate the intrinsic characteristics of digital collectibles and even if platforms do not support the transfer of digital collectibles or their withdrawal to personal digital wallets, the inherent nature of NFTs as online virtual assets ensures that, provided their creation and acquisition comply with legal requirements, they remain entitled to legal protection. This principle suggests that as long as digital collectibles in China adhere to regulatory legality, the courts are prepared to recognise and safeguard the legitimate rights of users in relation to these assets. This approach is in sharp contrast to that of fungible cryptocurrencies in China, which, due to issues of legality, are sometimes categorised as illegitimate objects by courts. For instance, a Hunan appellate court upheld the first-instance court's view that, 'in essence, blockchain code, or tokens … should not be circulated and used as currency in the market. While individuals are free to invest in and trade such illegal property, these actions cannot be protected by law'. Cryptocurrencies are not readily classified as online virtual assets and, as such, they do not receive the same legal protection under Chinese law.

The principled policy stance is thus as follows: Digital collectibles in China are intentionally distinguished from cryptocurrencies which face much more restrictions as evidenced by the repetitive regulatory documents issued by the authorities. Digital collectibles are carved out of the 'crypto' ecosystem by platforms which facilitate their issuance and transactions striving to thoroughly and explicitly eliminate the use of cryptocurrencies as they show their commitment to segregating digital collectibles from conventional cryptocurrencies. On this basis, and this basis alone, where any scope for financialisation or securitisation of digital collectibles is entirely removed, digital collectibles are considered legitimate in China. While owners may face relatively constrained transfer rights, such as limited opportunities to sell or exchange, the courts are prepared to recognise digital collectibles as online virtual assets defined by their intrinsic nature as collectible items. This recognition is entrenched in their value for viewing, enjoying, and preserving, rather than for speculative or financial purposes.

5 Expectations of Digital Collectibles in China

In light of the deliberate distinction between digital collectibles and the broader category of banned cryptocurrencies by positioning the former as an acceptable object in China, it is reasonable to suggest that the Chinese authorities have identified certain positive aspects of this innovation that align with state priorities in allowing digital collectibles to be legitimised within the country. The Ministry of Industry and

Information Technology announced in 2023 that it would draft a strategic Web3 development plan ‘in line with the country’s conditions’. While the plan has not yet been released, digital collectibles were stated as a business model to be encouraged in line with the conditions in China (Shen 2023). Earlier in 2022, Shanghai expressed its support for Web3 development for the first time as part of its 14th Five-Year Plan. As a rare official voice of support for Web3, it was stated that it will support leading companies to explore building digital collectibles platforms (Shen 2022).

It is uncontroversial to assert that the public should be permitted to own digital artworks, and digital collectibles can be categorised as a form of digital art. However, the focus of the discussion in this article is on the benefits that the digital collectibles ecosystem facilitated by blockchain technology specifically brings from the Chinese perspective. Using official documents from the central authorities, this article posits two crucial optimistic expectations surrounding digital collectibles that align closely with the State’s narratives. The first is the application of blockchain technology in the area of digital cultural innovation, which provides a secure, transparent, and immutable ledger that underpins the digital collectibles. Second, digital collectibles function as a vehicle for advancing the cultural renaissance of the Chinese nation as encapsulated in the concept of realising the great rejuvenation of the nation’s culture.

5.1 Promoting Blockchain as Technology in the Digital Economy

Firstly, despite its cautious approach towards cryptoassets, China has demonstrated a firm and supportive stance on blockchain technology. In October 2019 Xi formally identified the development and application of blockchain technology as a national strategy (Shan et al. 2021). President Xi Jinping has underscored the importance of building ‘a blockchain industry ecosystem, accelerating the in-depth integration of blockchain with cutting-edge information technologies such as artificial intelligence, big data, and IoT, and promoting integrated innovation and converged application’ (Zhang 2022).

While blockchain was first applied prominently in cryptocurrencies, blockchain, as explained, is in essence a data management technology. It provides a decentralised, transparent, and tamper-proof system for recording and transferring digital ownership ass a data management technology (Li 2021). It allows for the secure confirmation of data rights and the recording of transactions and safeguards against the alteration of transactional data across various stages of trade and industry chains. In promoting the digital economy and international trade, for example in China’s Belt and Road Initiative, it could facilitate the traceability of trade information and enhance data sharing and flow among participants beyond borders and address the challenges posed by fragmented and delayed data (Li et al. 2022; Guo et al. 2022).

With national strategic support, blockchain technology has found extensive applications in many different sectors in China. In the business domain, it enhances transactional security, ensures the authenticity of intellectual property and streamlines operations through decentralised data management systems. Several prominent enterprises in China, including Tencent, Baidu, and Huawei, have developed their own blockchain platforms. For instance, Alibaba's AntChain is the underlying blockchain for digital collectibles issued with Jingtan. Blockchain technology is instrumental and actively used in advancing the development of digital government initiatives in China. Many examples are referred to in the Centre for Electronics and Information Studies of the Chinese Academy of Engineering's publication on the development of blockchain technology (Centre for Electronics and Information Studies 2022). For instance, in Shenzhen, the first blockchain-based electronic invoice in China was introduced. This was part of the 'blockchain + invoice' ecosystem governed by the Shenzhen Taxation Bureau with Tencent providing the underlying technology. Similarly, in Beijing's Haidian District, blockchain technology was applied to simultaneously process tasks such as 'real estate registration + electricity transfer' in second-hand housing transactions (Centre for Electronics and Information Studies 2022). By enabling inter-regional collaboration and seamless data sharing among government agencies, the use of blockchain is promoted to enhance the efficiency and integration of public services (Chinese Academy of Cyberspace Studies 2024).

In the context of digital collectibles, the use of blockchain translates into a system where ownership can be unequivocally verified. In China, where blockchain is actively promoted in most legitimate sectors of life, except cryptocurrencies due to their associated risks, digital collectibles is acknowledged to be a way of using blockchain to develop the concept of digitalisation of artwork and its related cultural experiences in China (Ji et al. 2023; Zhang and Phang 2023; Chang 2023). For example, the integration of blockchain and digital collectibles within the concept of digital cultural creation has led cultural and tourism institutions to focus on developing online cultural products with online transactions and intelligent self-service becoming defining characteristics of cultural consumption in the digital economy era. The property certification capabilities of blockchain technology help address challenges related to copyright and infringement during online dissemination and have the potential to innovate and expand digital creative industries (Chen et al. 2024; Ge 2024).

5.2 Digital Collectibles as Agents of Chinese Cultural Digitisation

Digital collectibles in China must be considered as part of the national strategy of digitalisation and rejuvenation of the Chinese culture. In a visit to Hunan, Xi emphasised the fusion of culture and technology where he stated, ‘the integration of culture and technology not only spawns new cultural forms and extends the cultural industry chain but also attracts a wealth of innovative talent. It is a sunrise industry with great potential’ (Gao 2021). On 14 December 2021 at the opening ceremony of the 11th National Congress of the China Federation of Literary and Art Circles and the 10th National Congress of the Chinese Writers Association, Xi further articulated on the importance of balancing inheritance and innovation, asserting that ‘China’s outstanding traditional culture must serve as an essential source for artistic and literary innovation. New technologies and methods must be employed to inspire creativity, enrich cultural content, and express ideas and emotions, thereby elevating artistic creation to new levels of depth and potential’ (Xinhua News Agency 2021). Further, in the wider context of promoting the digital economy, China’s 14th Five-Year Plan emphasises the need to accelerate the digitalisation of industries and the integration of the digital and real economies (China Daily 2021). As a critical component of the digital economy, digital collectibles represent the confluence of technological and market trends. They are regarded as mechanisms for creating distinctive cultural products and trends which galvanise local innovation and digital economic development. In this grand national vision, digital collectibles serve to blend modern technology and traditional Chinese culture as they enrich the ways in which cultural heritage is preserved, appreciated and shared via digitisation.

A more concrete declaration of the policy aims in cultural digitisation can be found in the Opinion on Advancing the Implementation of the National Cultural Digitalisation Strategy jointly issued in 2022 by the General Office of the CPC Central Committee and the General Office of the State Council, which was accompanied with a directive urging all regional governments and departments to ensure its thorough implementation. The Opinion states that the overarching policy aim is to ‘strengthen cultural confidence …This is intended to align the fundamental cultural genes of the Chinese nation with contemporary culture and modern society, develop socialist culture with Chinese characteristics, consolidate the national spirit, reinforce cultural foundations, build a shared spiritual home for the Chinese people, enhance the country’s cultural soft power, safeguard cultural security and ideological security, and promote the construction of a strong socialist cultural nation’ (China Daily 2022).

Among the eight key tasks outlined in the Opinion, one focuses on ‘promoting the digital transformation and upgrading of cultural institutions’. This mission includes 'encouraging cultural institutions to integrate cultural resource data collection, processing, mining, and data services into routine operations, transforming associated data – representing the wisdom and knowledge of cultural professionals – into traceable, quantifiable, and tradable assets … make transparent and marketise the evaluation and trading of associated data, as well as to socialise, specialise, and industrialise the deconstruction, reconstruction, and presentation of cultural data' (General Office of the CPC Central Committee and General Office of the State Council 2022). Digital collectibles in China are an emblematic example of transforming cultural representations into digital data or pieces of information that are traceable, allowing users to socialise, specialise, and industrialise the presentation of cultural content.

There are many examples of digital collectibles rooted in traditional Chinese culture and museum themes, which have emerged as a novel medium within the wave of cultural digitisation. Concerning this specific area, directors and scholars from 50 museums nationwide in March 2022 jointly published the Initiative for Museums to Actively Participate in the Construction of the Metaverse, calling for museums to embrace the metaverse as part of their cultural digitisation efforts (Wang 2022). As a matter of national policy, the preservation and promotion of national cultural heritage with digital technology is further supported by the policy document of the 14th Five-Year Plan for National Archival Development issued by the General Office of the CPC Central Committee and the General Office of the State Council in 2021. Archives here are 'historical records of enduring value to the nation and society, created by governmental bodies, organisations, enterprises, and individuals in various fields, such as economy, politics, culture, society, ecology, military, foreign affairs, and technology, taking in the form of texts, diagrams, or audiovisual materials'.[9] The Plan suggests the need for archives to undergo a 'digital transformation', outlines the strategic significance of archival resource development, and calls for increased efforts to digitise archival materials and produce culturally influential archival works (General Office of the CPC Central Committee and General Office of the State Council 2021). Against this backdrop, data from the first half of 2022 revealed that over 60 museums across China issued more than 487 digital collectibles on over 14 blockchain platforms via more than 30 different platforms (Wen 2024). However, following this surge, the market for museum-themed digital collectibles began to cool by May 2022.

A well-known example is the Dunhuang Academy. In June 2021, AntChain collaborated with the Dunhuang Academy to release 8,000 limited-edition digital collectibles of two iconic pieces of artwork inspired by the historic Dunhuang Caves (GT staff reporters 2021). In the same year, Tencent partnered with the Dunhuang

9 Article 2 of the Archives Law of the People's Republic of China (2020 amendment), Academy to release digital collectibles of the panoramic historical Dunhuang Cave of 156 through the Cloud Tour Dunhuang' interactive platform which helped raise funds for the China Dunhuang Grottoes Conservation Foundation (Li 2023). Other local museums, such as the Shanghai Museum, Nanjing Museum and Hubei Museum, have also collaborated with digital platforms to enter the digital collectibles space. The Hubei Museum, for example, launched a digital collectible of its most valued artefact, the Sword of Goujian. This collectible featured the Sword of Goujian with 10,000 units available. The launch drew 600,000 users online to compete for the purchase (Zong 2023). Whereas the Shanghai Museum launched its self-developed platform and blockchain system in the museum sector in 2022 which was intended as a new way to engage with cultural heritage by releasing a series of digital collectibles of its iconic artefacts from its collection. The debut series features a wine vessel from the early Western Zhou period and a bronze square sheng from the Warring States Period (Zhang 2022).

The value of digital collectibles of museums' collection lies in their ability to promote cultural dissemination and sharing while also supporting the diversified development of museums themselves. Whereas many people aspire to visit museums but are often constrained by time or geographic limitations, digital displays transcend constraints of time and space and allow audiences to engage with artefacts whenever and wherever they wish on their personal devices. Digital collectibles have injected fresh vitality into the Chinese museum industry. The rapid sell-out of many digital collectibles reflects their popularity and demand among younger demographics, as traditional artefacts become more relatable and appealing. When the Sword of Goujian was released, the Deputy Director of the Hubei Museum expressed surprise, telling reporters: 'Over 600,000 people vied for just 10,000 swords, and they sold out in three seconds! We never anticipated such a sensational response' (He 2022).

Museums are not the only entities leveraging digital collectibles to digitise cultural experiences and enhance promotion efforts. In rural areas, some local governments have adopted digital collectibles to promote cultural tourism and introduce traditional culture to a broader audience. For instance, the 'Hundred Villages of China Plan' is a public welfare project initiated by a group of young people in China. They conducted in-depth fieldwork in 100 villages across the country collecting and documenting each village's cultural heritage. The project invited young designers to create digital artworks inspired by their cultural elements, which were then transformed into digital collectibles and sold on online platforms. The proceeds were donated to local village committees to support cultural development efforts (Zhao and Yang 2023).

Therefore, specific to China's circumstances, the development of digital collectibles must be considered within the broader framework of national strategies for cultural digitisation and the rejuvenation of Chinese culture in the modern era, alongside the digitisation and preservation of archives. They are national aims to which digital collectibles are expected to contribute. As new carriers of traditional and cultural heritage, digital collectibles are intended to serve as a novel way to preserve and revitalise Chinese culture through digital technology by making historical artefacts and artworks more accessible. Digital collectibles are permitted to exist in China despite the rejection of cryptocurrency with clear expectations from the state and central authorities, which aim to bring cultural relics closer to the public. This is particularly focused on engaging younger audiences through dialogue and interaction via new virtual cultural experiences. Although not a direct focus of this article, the focus on retrospective memories in digital collectibles significantly contrasts with NFTs generally in the international markets. In international markets, NFTs emphasise content innovation whereas digital collectibles in Chinese museums often rely on 1:1 replicas of physical artefacts. Whether the true potential of digital cultural creativity is achieved in digital representations of artefacts may be questioned. In China, the focus is often placed on the innovation of the medium rather than on the content itself, such as creating digital representations of artworks.

6 Concluding Reflections

The contribution and purpose of this article are to demystify and provide an authoritative insider account of the situation of non-fungible crypto tokens, i.e. digital collectibles in China. It has demonstrated that the difference is not just in the terminologies of NFTs and digital collectibles, but there are some crucial aspects of the Chinese characteristic digital collectibles that fundamentally differ from their international counterparts. This article has first shown, comparatively, where that internationally regulators are concerned with the financial aspects of NFTs, the Chinese situation is much different. It has discussed their reality in China by referring to the actual practice of two major platforms of Jingtan and the China Digital Cultural Collectibles platform. It has also shown by comparison with the international markets that digital collectibles have faced much regulatory uncertainty which has led to the now focused development of it being a collectible per se without any space for financial speculation. It then examined the policy and regulation on digital collectibles in China by referring to self-regulated policies and the authorities, mainly the judiciary's view on them being legitimate online virtual assets. As explained, digital collectibles in China are deliberately differentiated from and carved out of cryptocurrencies, which are subject to significantly stricter regulations. It is under this distinction, with essentially no secondary market, where possibilities for the financialisation or securitisation of digital collectibles are eliminated, that digital collectibles are deemed legitimate within China. Finally, this article has critically examined the expectations placed on digital collectibles in China from the State's perspective with reference to the policy documents issued by the central authorities. The expectations of digital collectibles in China include their role in promoting the digital economy and facilitating the digitisation and revitalisation of Chinese traditional culture. Digital collectibles are extensively employed by national museums across provinces to showcase cultural heritage. They are expected to advance the dissemination of culture and foster public sharing, thereby contributing to the national strategy of rejuvenating Chinese culture in the modern era.

One may question the restrictiveness of digital collectibles in China as they appear to be untradable commodities which the user can view, collect and display with a limited scope. But an analysis of the nuances of digital collectibles in China in this article reveals that their legitimacy in China is fundamentally tied to their capacity to deliver tangible benefits to the real economy. Unlike cryptocurrencies, which are criticised for offering minimal contributions to the real economy while presenting significant risks, digital collectibles are recognised by the Chinese state as having clear practical applications. Digital collectibles with the support of national strategies have represented new pathways for the transmission and promotion of Chinese culture. To maximise their potential and maintain their healthy development, with the current regulatory ambiguity and reliance on industry self-regulation, it is now crucial for the Chinese government to establish clearer regulatory guidelines to ensure a stable environment in which platforms and stakeholders can fully realise their capacity to craft digital collectibles imbued with Chinese cultural identity. This would pave the way for a new path of cultural preservation, development, and innovation that uniquely blends Chinese cultures with digital collectibles.

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