

Gowher Parry¹ and Joshua Ellul²

¹Centre for Distributed Ledger Technologies, University of Malta, tal-Qroqq

²Department of Computer Science, University of Malta, tal-Qroqq

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NFTs and Self-Sovereign Identity: Opportunities and Challenges

Gowher Majeed Parry^{1*} and Joshua Ellul^{1,2†}

^{1*}Centre for Distributed Ledger Technologies, University of Malta, tal-Qroqq, Msida, MSD 20280, Malta.

²Department of Computer Science, University of Malta, tal-Qroqq, Msida, MSD 20280, Malta.

*Corresponding author(s). E-mail(s): pgowhar@kashmiruniversity.net;

Contributing authors: joshua.ellul@um.edu.mt;

[†]These authors contributed equally to this work.

Abstract

Non-fungible Tokens (NFTs) are emblematic of unique digital assets that offer a distinct proprietorship and value creation, whilst Self-sovereign Identity (SSI) imbues individuals with the capacity to govern their personal data and identifying information. The conceptualization of an NFT-based Self-sovereign Identity is still under contemplation within the scholarly community. Despite initial assertions by researchers concerning the potential advantages of integrating NFTs with Self-sovereign identity, the manifestation of systems based on this amalgamation has yet to materialize in pragmatic circumstances. This research paper explores the prospective benefits and impediments associated with the synthesis of Non-Fungible Tokens (NFTs) and Self-Sovereign Identity (SSI). It further unveils a generalized operation flow of an NFT-based SSI, the various iterations of NFTs that can be deployed in the realm of SSI, and an array of refined and expanded SSI principles specific to NFT-based SSI. The paper delves into the technical, legal, standardization, and governance challenges that might ensue from this amalgamation. This research paper accentuates the significance of tackling these obstacles to harness their potential for industry transformation and individual empowerment. Moreover, the paper examines prospective research and developmental trajectories, including technological progressions, potential reverberations on industries and societal structures, as well as the emergence of new business models and revenue streams. It also reiterates the importance of addressing these challenges to actualize the full potential of these emerging technologies. This research endeavor is a pioneering exploration in the realm of NFT-based Self-sovereign Identity.

Keywords: Non-fungible Tokens, Self-Sovereign Identity, Decentralized Identity, Verifiable Credentials, Blockchain, Digital Identity Management

1 Introduction

A digital identity fundamentally symbolizes an accurate representation of an entity—person, organization, device, or vehicle—encapsulating all distinctive features that set it apart from other entities [1–3]. The International Telecommunication Union delineates identity as the depiction of an entity via single or multiple attributes, thus enabling distinction within a certain context [4]. Over recent decades, digital identity management paradigms and standards have evolved profoundly in response to the advent of new computational models and application areas [5–7]. Depending on the degree of security and privacy proffered, the system’s architecture, and the extent of users’ control over their identity information, these models can be stratified into four primary categories, namely, centralized, distributed, user-centric, and self-sovereign digital identity models [8, 9].

Discrepancies among centralized, distributed, user-centric, and self-sovereign models of digital identity management are numerous, with the critical differentiating factor being the control users wield over their personal data [10]. The centralized digital identity model entrusts identity data to centralized authorities such as governments, banks, and social media platforms [8]. In this paradigm, users are dependent on these central authorities for identity verification and often possess limited control over their data’s utilization and dissemination. This model also grapples with challenges like toxic data, jurisdictional politics, and monopolistic tendencies.

Distributed digital identity, by contrast, decentralizes the management process but still necessitates trusted intermediaries for identity information management and verification [11]. The self-sovereign model, however, places individuals at the epicenter of their digital identity management, affording them increased control over their personal information usage, sharing, and protection [2, 9]. This model underscores privacy, security, and consent’s criticality in the digital realm [3].

User-centric digital identity management refers to systems and practices where the individual has primary control over their identity data, including its creation, storage, and sharing [12]. Unlike traditional models where third-party entities hold and verify user data, in user-centric systems, individuals can decide who can access their data and for what purpose [13].

NFT-based self-sovereign identity (SSI) represents an innovative decentralized and user-centric digital identity management paradigm, harnessing blockchain technology and NFTs to facilitate users in creating and managing their digital identities. This approach would allow users to control their identity data and verify their identity independently of centralized authorities or intermediaries. NFT-based SSI marks a novel approach to digital identity management, offering users increased control, security, and privacy compared to traditional or distributed identity models.

The intersection of Non-Fungible Tokens (NFTs) and Self-Sovereign Identity (SSI) presents a novel paradigm in the realms of digital asset ownership and identity governance. This integration has the potential to revolutionize digital asset management and personal data governance [14]. NFTs have received significant attention recently due to their capacity to represent unique, authenticated digital assets including art, music, and videos. SSI, conversely, offers individuals more control over their personal data, diminishing reliance on centralized authorities [5, 8]. The SSI paradigm distinguishes itself from decentralized identity systems through additional criteria ensuring user control over their identity and the management of the associated confidential information [5]. By amalgamating NFTs and SSI, a secure and decentralized system for managing digital assets and identities can be conceived [15].

Despite promising a more secure, decentralized, and transparent approach to identity management, this integration also presents numerous challenges that warrant attention, such as copyright infringement, ownership disputes, environmental impact, interoperability, revocation and recovery of lost identities, and increased surveillance.

The aim of this research paper is to navigate the potentialities and challenges associated with integrating NFTs and SSI. We commence with introducing NFTs and SSI in section 2, explicating the concepts linked to their integration such as types of NFTs suitable for NFT-based SSI, and proposing a refined, expanded set of SSI principles for NFT-based SSI systems. Section 3 will present the proposed generalized framework for NFT-based SSI systems. Subsequently in section 4, we will explore the opportunities stemming from this integration, such as creating unique, authenticated digital assets and exerting more control over personal data. In section 5, we will present potential and the envisioned impact NFT-SSI integration may offer. Section 6 will provide an overview of existing SSI projects and platforms, and how NFT integration may help improve these projects and platforms. Section 7 will provide a review of the existing research works that we deem to be relevant to this topic. Section 8 will highlight challenges that need to be addressed before NFT-based SSI can be fully realized. Section 9 will delve into the potential solutions and research direction for addressing the challenges faced while integrating NFTs and SSI. Finally, section 10 will conclude the paper by summarizing the aims and contributions of this research.

2 Background

Non-Fungible Tokens (NFTs) symbolize unique digital artifacts hosted on a blockchain, ensuring their immutability and inimitability [16, 17]. Spanning digital content forms such as art, music, and videos, NFTs equip creators with the capacity to validate ownership and authenticity [18, 19]. The unique and verifiable nature of NFTs makes them an ideal instrument for asserting digital ownership of distinctive items through blockchain verification. With blockchain technology, NFTs guarantee an indelible, transparent record of ownership, secure against replication [16, 20]. The ownership right to the digital content represented by the NFT is ensured for its owner. An NFT’s basic structure, as delineated by [21] and [22], encompasses the following components: some metadata, a smart contract, a token ID, an owner address, and transfer functionality. Metadata is the descriptive information about the NFT,

including its name, description, and image, typically stored off-chain on a decentralized storage network such as IPFS. The on-chain stored smart contract code defines the rules and functionality of the NFT, automatically executed when certain conditions are met. A unique Token ID distinguishes one NFT from another, stored on the blockchain. The blockchain-stored owner address identifies the NFT owner. The smart contract includes transfer functionality, facilitating NFT transfer from one owner to another, ensuring proper ownership transfer on the blockchain.

Figure 1 presents the structure of a an NFT using the Unified Modeling Language (UML). The key components of an NFT are delineated as three classes: NFT, Metadata, and SmartContract. The NFT class symbolizes the Non-Fungible Token, incorporating attributes such as metadata (an instance of the Metadata class), smartContract (an instance of the SmartContract class), tokenID (a unique identifier for the NFT), ownerAddress (the address of the NFT’s owner), and transfer(to: String) (a method facilitating NFT transfer from one owner to another). The Metadata class encapsulates the off-chain descriptive information about the NFT, incorporating attributes such as name, description, and image. The SmartContract class represents the on-chain code defining the rules and functionality of the NFT, incorporating attributes such as rules, functionality, and execute().

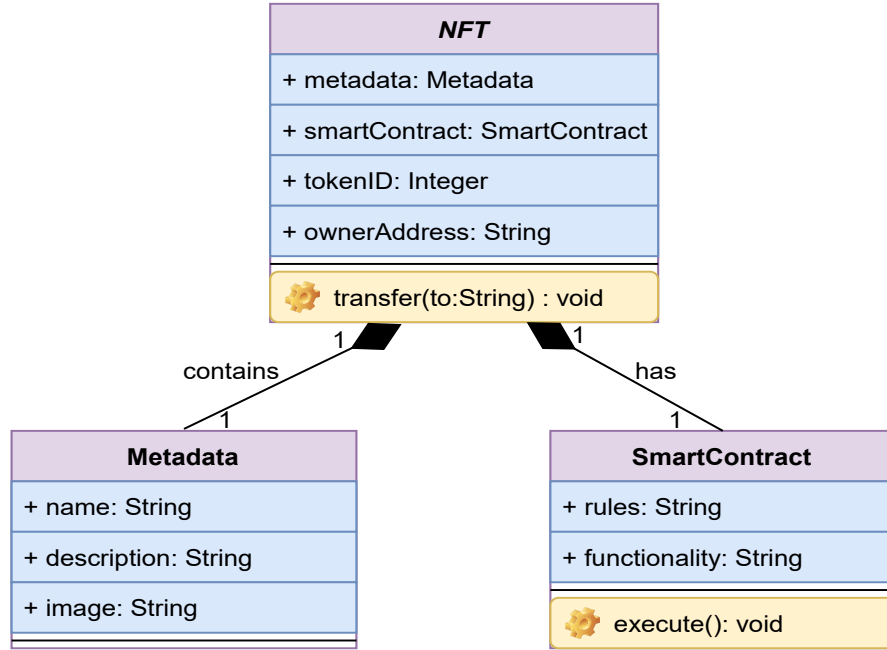


Fig. 1 Basic Structure of an NFT

Self-Sovereign Identity (SSI) represents a decentralized, user-focused approach to digital identity, conferring individuals with the capability to manage their identities

and control access to their personal information [1, 5–8, 23, 24]. SSI empowers individuals to create and manage their digital identities, utilized to access services, independent of a central authority [25]. SSI leverages a decentralized network like distributed ledger technologies [2] and verifiable credentials, a kind of tamper-evident credential with an author that can be cryptographically authenticated [8, 26]. This obviates the need for central authorities to verify identities, mitigating data breach risks [1], and affords individuals enhanced privacy, security, and control over their data.

Figure 2 depicts the SSI system architecture encompassing six classes: User, ServiceProvider, RelyingParty, Identity, VerifiableCredential, and DistributedLedgerTechnology, their relationships and attributes. The User class generates and owns an Identity, composed of a unique ID, a public key, and a private key. Users request credentials from ServiceProviders and share them with RelyingParties. ServiceProviders issue and authenticate VerifiableCredentials, containing the subject (Identity), issuer (ServiceProvider), claims, and a signature. They also employ DistributedLedgerTechnology to store and retrieve identity data. Users share VerifiableCredentials with RelyingParties, who request and authenticate these credentials. The multiplicity notation depicts relationships: one User can request credentials from multiple ServiceProviders, generate and own one Identity, and share credentials with multiple RelyingParties; each ServiceProvider can issue and authenticate multiple VerifiableCredentials and use one instance of DistributedLedgerTechnology. The diagram underlines the information flow and class interactions, providing a comprehensive overview of the SSI system architecture.

2.1 Characteristics of NFTs

The emergent technology of Non-Fungible Tokens (NFTs), despite its relative novelty, brings to the fore unique characteristics that potentially revolutionize our conceptualization of digital ownership and value. In this context, the following distinctive features of NFTs are highlighted, as elucidated by [17, 22, 27, 28], and [29]:

Non-fungibility: Unlike fungible assets such as cryptocurrencies or traditional currencies that allow one-to-one exchange, NFTs are unique and cannot be directly substituted by other tokens or assets.

Ownership: NFTs epitomize ownership of a specific digital asset, recorded on a blockchain. This digital ledger verifies the authenticity and uniqueness of each token.

Authenticity: The identity and value of each NFT are assured by a unique digital signature that resists replication or duplication.

Scarcity: The potential limitation of NFT supply contributes to their value and collectability, catering to the interest in possessing unique and rare digital content.

Transferability: NFTs can be transacted?bought, sold, and traded?on diverse online marketplaces and platforms that accommodate their exchange.

Creator attribution: NFTs facilitate attribution to creators, providing them with credit and compensation for their creative output. Every sale or transfer of an NFT results in a royalty payment to the original creator.

Transparency: The employment of blockchain technology ensures that all NFT transactions are publicly visible and transparent, thereby establishing a secure and trustworthy method of verifying the ownership and authenticity of digital assets.

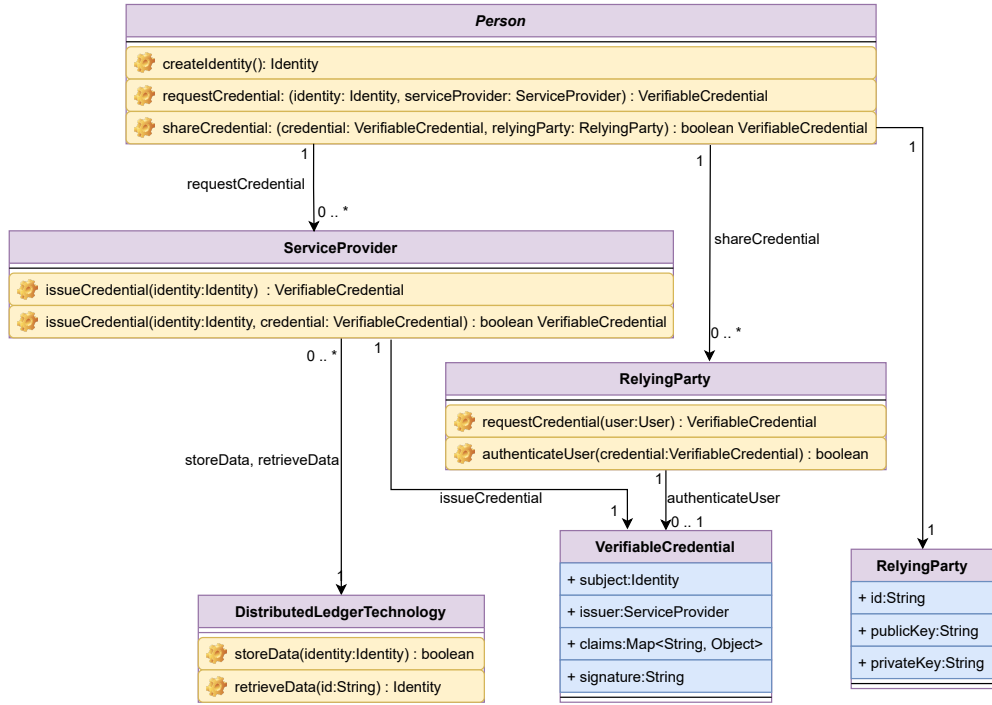


Fig. 2 Self-Sovereign Identity System

2.2 Types of NFTs Suitable for SSI

Various forms of non-fungible tokens (NFTs) could potentially be utilized in the context of self-sovereign identity (SSI). The type of NFT selected for SSI implementation hinges on the unique use case and the nature of data intended for storage and management. The ensuing discussion offers a closer look at certain types of NFTs pertinent to SSI:

Identity NFTs: These specific NFTs encapsulate an individual's identity within a blockchain network. They serve the purpose of storing and administering personal data, inclusive of identification documents and other personal particulars.

Credential NFTs: These NFTs are utilized for storing and managing verifiable credentials such as academic qualifications or professional certifications. By anchoring these verifiable credentials on an NFT, these records become impervious to tampering and easily verifiable. This offers a secure and inviolable method for storing and managing credentials, enabling ease of sharing with others.

Access NFTs: These NFTs are leveraged to manage access to disparate services or resources, exemplified by membership to a specific organization or club. They offer a secure and decentralized method to authenticate and manage permissions.

Attribute NFTs: These NFTs are employed to store and manage specific attributes or traits of an individual, such as age, gender, or nationality. They enable the verification and authentication of an individual's identity without revealing personal information.

Reputation NFTs: These NFTs are harnessed to manage an individual's reputation within a blockchain network. They can be used to ascertain an individual's trustworthiness and reliability within a particular context.

The five distinct types of NFTs described all offer unique functionalities and potentialities for managing personal identities, credentials, access rights, personal attributes, and reputations respectively, in a decentralized, secure, and user-controlled manner. However, their implementation in SSI systems necessitates meticulous consideration of privacy, security, interoperability, and user-friendliness.

2.3 Principles of NFT-Based Self-Sovereign Identity (SSI)

The architecture of any system is underscored by a confluence of principles that outline the means by which the system should be structured. Same holds for NFT-based Self-Sovereign Identity (SSI) systems. These systems are supposed to be designed in a decentralized and secure manner. Various scholars, such as Allen [30], and organizations like the Sovrin Foundation [31], have proposed diverse sets of SSI principles. As we are integrating a new technology into SSI systems, therefore, the existing principles need to be modified or optimized. Drawing on these collective bodies of knowledge, we extrapolate an extended and nuanced framework of SSI principles pertinent to NFT-based SSI. These principles, rooted in three overarching categories—agency principles, autonomy principles, and integrity principles—offer a roadmap for constructing robust and user-centric NFT-based SSI systems. Each category and its encompassing principles are detailed below:

- **Agency Principles:** A fundamental cornerstone of NFT-based SSI, agency principles underscore the idea of entrusting individuals with control over their personal identity data. These principles are embedded in the following tenets:
 - Identity Ownership:* The individuals hold ownership and control over their identity data, including its usage and dissemination.
 - Consent:* The rights to grant or deny consent for the employment and distribution of their identity data rest with individuals.
 - Transparency:* Collection, usage, and revelation of identity data should occur in a transparent manner.
 - Minimal Disclosure:* Only requisite identity data should be disclosed for a specific objective.
 - Portability:* Individuals should possess the ability to access and utilize their identity data across diverse systems and platforms.
- **Autonomy Principles:** Emphasizing the need for individuals to exercise greater control and ownership over their identity data, these principles underline the rights of individuals to self-governance and self-determination. The following principles underpin the concept of autonomy:

Interoperability: Diverse identity systems should have the capability to interact and communicate reciprocally.

Inclusivity: Identity systems should be inclusive and honor diversity, including distinct cultural and linguistic backgrounds.

Accessibility: Irrespective of their technological prowess or physical capabilities, identity systems should be accessible to all individuals.

Usability: The design of identity systems should prioritize user-friendliness and ease of use.

Security: Protection of identity data from unauthorized access or misuse is paramount.

- **Integrity Principles:** To assure the precision, comprehensiveness, and reliability of identity information, these principles are essential for an NFT-based SSI. They aim to instill confidence in individuals that their identity data is accurate, secure, and tamper-proof. The following principles buttress the notion of integrity:

Authenticity: The identity information should be authentic and verifiable.

Non-repudiation: Tracing the identity information back to its source should be feasible to preclude repudiation.

Resilience: The design of identity systems should be resilient against attacks or failures.

Privacy: Protection of identity data from unauthorized access or misuse is crucial.

Accountability: Collection, usage, and disclosure of identity information should occur in an accountable manner.

The delineated principles serve as an aspirational set of requirements for NFT-based SSI systems and can function as evaluative criteria to ascertain the classification of an NFT-based identity system as a self-sovereign identity system. These principles are indispensable for the development and proliferation of NFT-based SSI systems. By prioritizing agency, autonomy, and integrity, NFT-based SSI systems can offer a secure, user-friendly, and inclusive solution for identity management.

2.4 Self-Sovereign Identity (SSI) Standards and NFT-Based SSI

The cultivation of universally accepted standards is of paramount importance to ensure that diverse systems are interoperable and compatible with each other. Such standards will play a crucial role in enabling individuals to utilize their NFT-based SSI credentials across an array of applications and services, further fostering the widespread adoption of NFT-based SSI as a secure and decentralized method of managing personal identity and data. Notwithstanding the novelty of the NFT-based SSI concept, there is currently no universally accepted set of standards governing its implementation, as per the evidence from extant literature and industry resources. However, a multitude of organizations and consortia are actively engaged in the development of standards for SSI, aimed at ensuring seamless interoperability and compatibility across different SSI solutions. This section elucidates upon such standards, providing a preliminary understanding of how existing SSI norms and principles can serve as a foundation for the evolution of new standards tailored to NFT-based SSI.

The Decentralized Identity Foundation (DIF) [32], an eminent organization in the realm of SSI standards, is a conglomerate of companies and organizations dedicated to the development of open standards for SSI. The DIF has pioneered several open standards, inclusive of the Decentralized Identifier (DID) specification [33], the Verifiable Credentials Data Model [34], and the DID Authentication specification [35]. These standards collectively contribute towards a common repertoire of data structures and protocols, facilitating interoperability and compatibility across a multitude of SSI solutions. The World Wide Web Consortium (W3C), another influential SSI standardization body, has established the Verifiable Credentials Working Group [36], primarily focused on developing a universal standard for verifiable credentials applicable to SSI systems. The W3C has also propagated a standard for decentralized identifiers (DIDs), used to create unique, persistent identifiers integral to SSI systems [36]. The proposal by the European Commission to establish a reliable, secure, and readily available framework is another significant initiative in this domain [37]. This framework seeks to empower all European Union citizens with the ability to digitally confirm their identity and disclose select personal details, thereby gaining access to digital services across the European Union [38]. It further aims to vest users with control over their data via the use of identity wallets. In conjunction with these organizations, several other groups, including the Sovrin Foundation [39], the Trust over IP Foundation [40], and the Hyperledger Indy project [41], are diligently working towards the development of SSI standards and protocols.

The amalgamation of existing SSI norms and principles can culminate in a robust framework for NFT-based SSI systems that safeguards privacy, fortifies security, and upholds user control, while simultaneously encouraging interoperability and scalability across various platforms and industries. The unique identifiers generated using the DID standard can be associated with NFTs, ensuring that each digital identity is unique and verifiable on a blockchain. Linking Verifiable Credentials to NFT-based identities could lead to the establishment of a secure and privacy-preserving system for exchanging and verifying personal data. Verifiable Credentials could be represented as NFT metadata or embedded within NFT smart contracts to streamline their management and verification. By leveraging existing SSI and NFT standards, such as W3C’s DID and Verifiable Credentials specifications or the ERC-721 [42] and ERC-1155 [43] token standards, cross-platform communication and data exchange can be facilitated. Furthermore, the development of governance models based on established SSI networks, such as Sovrin, can provide the requisite guidance for maintaining the integrity and security of NFT-based SSI systems.

3 Proposed Framework for NFT-Based Self-Sovereign Identity

As of our knowledge, there exists no formalized framework for an NFT-based self-sovereign identity (SSI) system. In this section, we present a theoretical framework for implementing NFT-based SSI, postulated involving numerous interconnected steps, as depicted in Figure 3. This schematic presents a holistic vision of the NFT-based

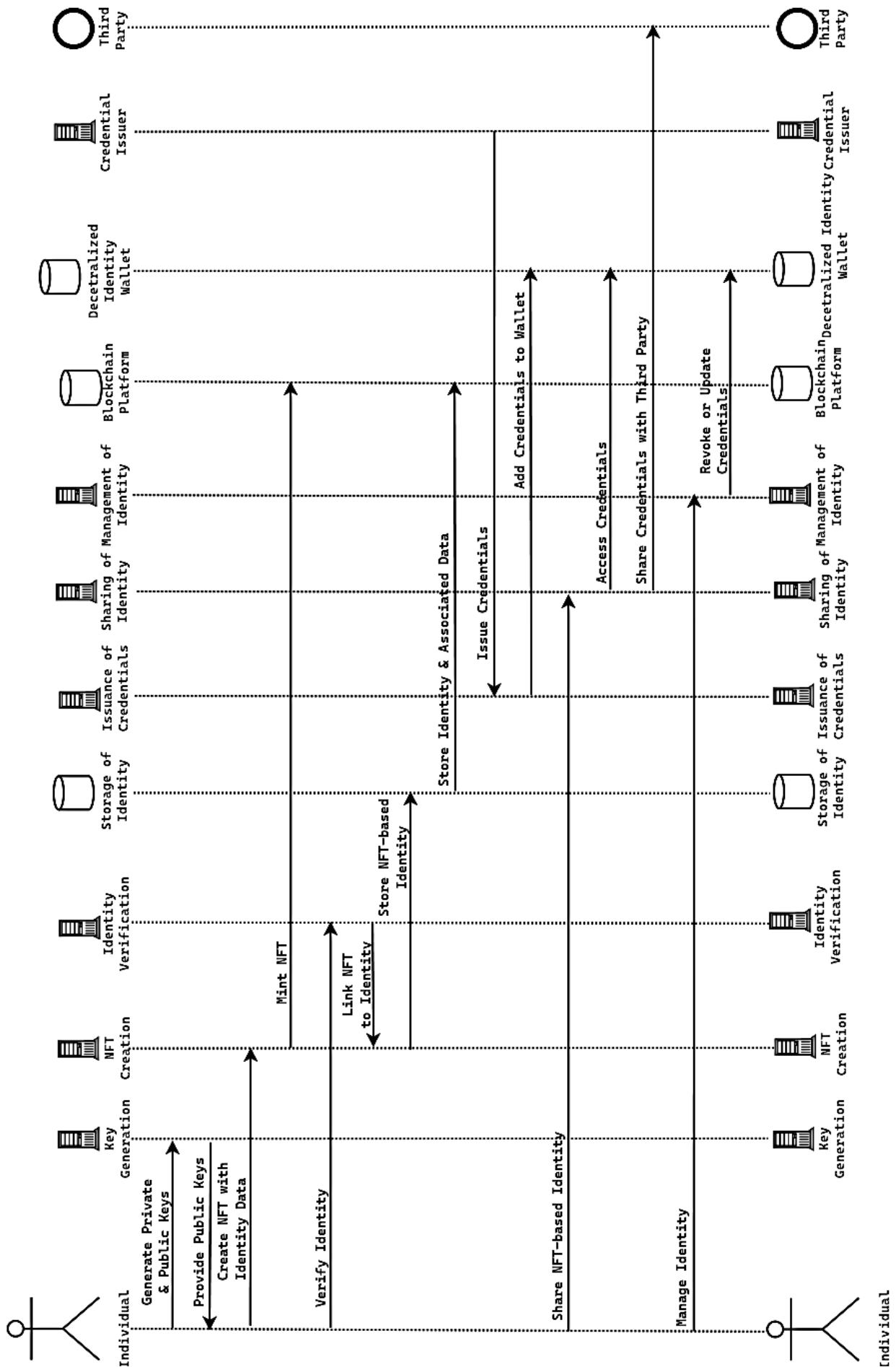


Fig. 3: NFT-based Self-Sovereign Identity (SSI) process: from key generation and NFT creation to identity verification, credential issuance, sharing, and management.

SSI process, constituting a system that facilitates individuals to generate, control, and share their digital identities leveraging blockchain technology and non-fungible tokens (NFTs). The process comprises key generation, NFT creation, identity verification, identity storage, credential issuance, identity sharing, and identity management. Each phase is intertwined, allowing individuals to construct a secure, verifiable, and decentralized digital identity under their purview and customized to their preferences.

The NFT-based SSI process initiates with key generation, wherein an individual generates a pair of cryptographic keys, the private key for authorizing transactions, and the public key for validating transactions. Subsequently, the individual crafts an NFT on a blockchain platform such as Ethereum or Solana, embedding their identity data within the token. Following identity verification through assorted methods such as biometric or document authentication, the NFT is tethered to the individual's identity, thereby establishing a verifiable record on the blockchain. This NFT-based identity is stored on the blockchain, together with the public key and any supplemental attributes or credentials.

Various organizations, encompassing educational institutions, employers, or government agencies, may issue credentials to the individual. These credentials are appended to the individual's NFT-based identity, creating a verifiable register of their qualifications and accomplishments. The individual may share their NFT-based identity and associated credentials with third parties, including employers or service providers, employing decentralized identity protocols like the Decentralized Identity Foundation (DIF) Universal Resolver. Throughout the process, the individual exercises control over their NFT-based identity, managing credential sharing permissions, and the potential revocation of access if deemed necessary. This endows individuals with the ability to govern their digital identities, while harnessing the security, transparency, and decentralized attributes of blockchain technology.

4 Opportunities Arising from NFT-Based Self-Sovereign Identity

The amalgamation of Non-Fungible Tokens (NFTs) and Self-Sovereign Identity (SSI) has the potential to herald numerous prospects that hold the potential to fundamentally transform the management of digital assets and identities [15]. The confluence of these two innovative technologies can pave the way for a secure and decentralized system, empowering individuals to exercise ownership and control over their digital assets and identities. Below, we elucidate upon a number of opportunities ensuing from this integration:

Authentic and Singular Digital Assets: NFTs offer a unique paradigm of digital asset ownership, spanning art pieces, music, and videos [44]. This ownership is authenticated via blockchain technology, providing a secure and immutable record of ownership. When conjoined with SSI, a further fortified and decentralized system for managing digital assets emerges. SSI aids in authenticating and verifying the owner of the NFT, thereby curtailing the possibility of fraudulent activities.

Decentralized Identity Management: SSI enables individuals to originate and administer their own digital identities, obviating the necessity of a central authority.

This diminishes the risk of identity theft while augmenting privacy and control over personal data. By intertwining NFTs with SSI, individuals can utilize their digital identities to authenticate their ownership of NFTs. This culminates in a secure and decentralized system for managing digital assets and identities [11].

Monetization of Digital Assets: NFTs pave the way for creators to monetize their digital assets. Artists, musicians, and content creators can vend their digital content as NFTs on various marketplaces. By integrating SSI, creators can ensure that they receive appropriate remuneration for their work while retaining ownership of their content.

Emergence of New Revenue Avenues: The marriage of NFTs and SSI can engender new revenue streams for content creators and artists. Owning an NFT allows creators to directly sell their digital content to fans, receiving a fraction of the revenue each time the NFT changes hands. This eliminates intermediaries such as record labels and publishers, providing creators with greater control over the dissemination of their digital content.

Augmented Transparency and Accountability: The deployment of NFTs and SSI can engender enhanced transparency and accountability across various sectors. For instance, in the art sphere, the authenticity and ownership of artworks can be verified through NFTs and SSI. This could serve as a deterrent to art forgery and sale of pilfered artwork, persistent issues plaguing the art market.

Amplified Access to Services: SSI can endow individuals, particularly those lacking a formal identity such as refugees and homeless populations, with improved access to services. The creation of their own digital identities allows individuals to avail services including healthcare, banking, and government amenities without the need for physical identification documents. Figure 3 provides an exhaustive compilation of

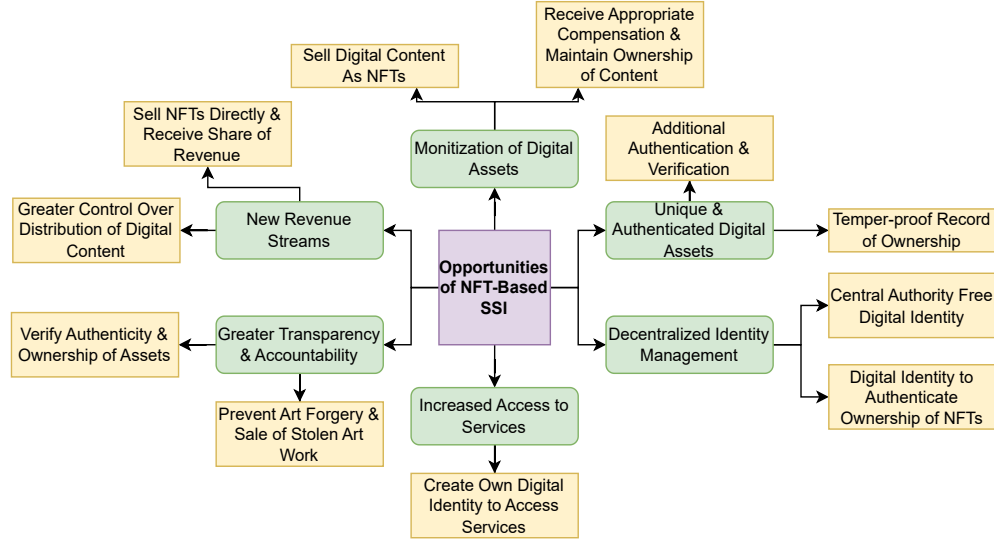


Fig. 3 Opportunities Provided by the Integration of NFTs and SSI

these opportunities. By leveraging these prospects, individuals and organizations can cultivate a more secure, transparent, and equitable digital ecosystem.

5 Example Use-Cases for NFT-Based Self-Sovereign Identity

The amalgamation of Non-Fungible Tokens (NFTs) and Self-Sovereign Identity (SSI) has the potential to instigate novel and innovative applications for blockchain technology. Figure 4 provides a cursory reference to distinct applications and the envisioned potential impact resulting from the integration of NFTs and SSI in specific scenarios. In the ensuing discussion, we delve into several scenarios where the joint

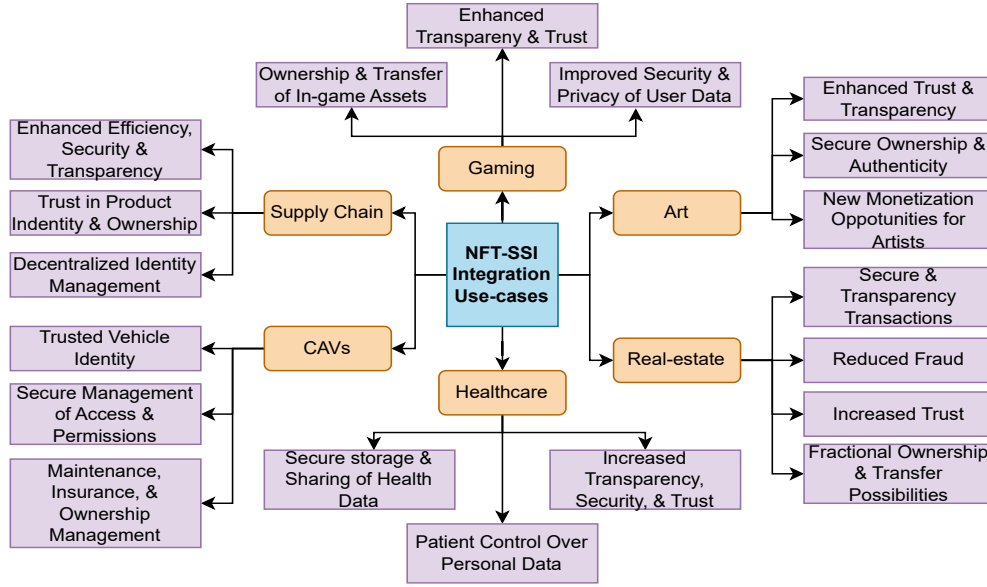


Fig. 4 Use-cases for NFT and SSI Integration

implementation of NFTs and SSI can be effectively deployed.

Art: The realm of art stands as an early adopter of NFTs and SSI, with numerous platforms emerging to facilitate the creation and trade of digital art via blockchain technology. The employment of NFTs within an SSI framework allows artists to retain control over their digital artworks while affirming their ownership and authenticity in a secure, decentralized manner. This holds the potential to metamorphose the art world by instilling a novel degree of transparency and trust amongst artists, collectors, and other stakeholders within the art ecosystem. Platforms like SuperRare [45], Async Art [46], and Nifty Gateway [47] utilize NFTs to represent digital art pieces, however, they do not yet incorporate SSI. These platforms could integrate SSI alongside NFTs to ensure the ownership and authenticity of these assets, thereby creating new

opportunities for artists to monetize their digital art while simultaneously ensuring the integrity and authenticity of the artwork.

Real Estate: NFTs can serve as an integral part of an SSI system for property owners, allowing them to manage their personal data and substantiate their identities in a secure and decentralized fashion. By adopting NFTs within an SSI system, real estate transactions could become more secure, transparent, and efficient, while granting property owners control over their personal data. This could potentially revolutionize the real estate industry by reducing fraud, streamlining transactions, and fostering trust between property buyers and sellers. Platforms such as Propy [48] and ShelterZoom [49] employ NFTs to represent property ownership, yet SSI is not incorporated. They could amalgamate NFTs and SSI to ensure secure and private management of user data, creating new opportunities for the fractional ownership and transfer of real estate assets while also ensuring the privacy and security of user data.

Gaming: The gaming industry is a pioneer in the adoption of NFTs, with several platforms using NFTs to represent unique in-game items and assets. Platforms like Immutable [50] use NFTs to facilitate the ownership and transfer of in-game assets. SSI could be utilized on such platforms to ensure the security and privacy of user data. By deploying NFTs within an SSI system, gamers can retain control over their digital assets and authenticate their ownership and authenticity in a secure and decentralized manner, potentially revolutionizing the gaming industry by providing a new level of transparency and trust for gamers, game developers, and other stakeholders in the gaming ecosystem.

Healthcare: NFTs can be utilized as a part of an SSI system for patients, enabling them to securely store and share their health data with healthcare providers, researchers, and other stakeholders. Platforms like Medicalchain [51] aim to provide secure, accessible, and transparent storage and sharing of medical data. The platform is designed to empower patients to control their medical records and grant healthcare providers secure access to their data. By integrating NFTs within an SSI system, patients can retain control over their personal health data and share it securely with authorized parties in a decentralized and private manner. This holds the potential to revolutionize the healthcare industry by providing a new level of transparency, privacy, and security for patients, healthcare providers, and other stakeholders in the healthcare ecosystem.

Supply Chain: Supply chain management constitutes a critical facet of various industries, including manufacturing, logistics, and retail. As products navigate the supply chain, there exists a need to establish trust in their identity, ownership, and other aspects of their history. SSI can play a pivotal role in this, particularly when implemented using NFTs. Platforms like Mediledger [52] aim to enhance the security, efficiency, and transparency of supply chains. They can employ a combination of blockchain technology, smart contracts, and digital identities to create a secure and tamper-proof record of every transaction taking place in the supply chain.

Connected Autonomous Vehicles (CAVs): As the utilization of CAVs amplifies, there exists an escalating need to establish trust in the identity of the vehicles and the entities that own and operate them. SSI can play a crucial role here, particularly when implemented using NFTs. In the context of CAVs, NFTs can be used to establish

a self-sovereign identity for each vehicle, which can then be used to manage access, permissions, and other aspects of the vehicle’s operation [11].

These scenarios underscore the potential of NFTs and SSI to instigate new and innovative applications across a myriad of industries. By harnessing the benefits of blockchain technology, including decentralization and transparency, NFTs and SSI can engender new opportunities for creators, owners, and users of digital assets, and deliver secure and transparent systems for managing sensitive information.

6 Current Self-Sovereign Identity Systems and Prospectus for NFT Integration

Insights can be gleaned from scrutinizing existing Self-Sovereign Identity (SSI) projects and platforms, such as Sovrin, Verida, uPort, and KILT Protocol. These SSI systems underscore the imperative to architect scalable, interoperable, and user-friendly SSI frameworks that accentuate privacy, security, and adaptability. Despite the fact that none of these projects employ Non-Fungible Tokens (NFTs) directly, a study of these systems can assist in comprehending the importance and potential capabilities conferred by incorporating NFTs into SSI. An overview of each of these projects based on information gathered mainly from the product’s website is presented subsequently.

Sovrin: [39] Sovrin is constructed upon a permissioned distributed ledger technology, specifically Hyperledger Indy, which is expressly engineered for decentralized identity solutions. Sovrin’s SSI model hinges on Decentralized Identifiers (DIDs) and Verifiable Credentials (VCs) to facilitate the creation, management, and verification of digital identities. Although NFTs hold potential applications in digital identity, Sovrin’s implementation currently does not incorporate NFTs. Nonetheless, as the field of decentralized identity management progresses, the integration of NFTs into future implementations of SSI systems, including Sovrin, remains a possibility.

Verida: [53] Verida concentrates on delivering a user-centric, secure, and privacy-ensuring data storage solution that empowers individuals to own and control their personal data. Verida’s platform is constructed on the bedrock of decentralized technologies, such as IPFS and various blockchain networks. Although NFTs are not explicitly referenced in relation to Verida’s identity management system, the platform’s decentralized nature and application of blockchain technologies may present potential opportunities for NFT incorporation in the future.

uPort: [54] uPort is a decentralized identity platform, established on the Ethereum blockchain, that empowers users to create and manage their digital identities, regulate their personal information, and interact with decentralized applications (dApps). uPort’s SSI system primarily leverages Decentralized Identifiers (DIDs) and Verifiable Credentials (VCs), which conform to the W3C standards for digital identity management. While NFTs hold potential applications in digital identity, uPort’s current implementation does not specifically incorporate NFTs.

KILT Protocol: [55] KILT Protocol is a blockchain-based platform that focuses on the issuance and management of verifiable, anonymous, and revocable credentials for diverse applications, including decentralized digital identity, supply chain, and the Internet of Things (IoT). KILT Protocol is built on the Substrate framework, which

underpins Polkadot and other blockchain projects. While KILT Protocol shares certain similarities with NFTs, such as unique and verifiable attributes, it does not explicitly employ NFTs for managing digital identities. KILT’s implementation revolves around their proprietary credential management system, which is predicated on the concept of Claims, Attestations, and Delegations.

Despite these platforms not explicitly employing NFTs, studying them highlights the potential of decentralized and blockchain-based systems in managing digital identities. In the future, Sovrin, Verida, uPort, and KILT Protocol could potentially incorporate NFTs into their systems to enhance the uniqueness, verifiability, and ownership aspects of digital identities. By representing Decentralized Identifiers (DIDs) or Verifiable Credentials (VCs) as NFTs, these platforms could ensure that each identity is unique and non-transferable, while also providing a secure and readily verifiable method of authentication. By merging the strengths of decentralized identity management with the uniqueness of NFTs, an NFT-based SSI system could potentially offer enhanced privacy, security, and user control, thus underpinning the significance of exploring this novel approach in the realm of self-sovereign identity.

7 RELATED WORK

The academic discourse surrounding Non-Fungible Tokens (NFTs) grounded in the Self-Sovereign Identity (SSI) paradigm remains notably scant, reflective of the nascent status and continued evolution of these technologies. Current scholarly output predominantly concentrates on either NFTs or SSI independently, probing various dimensions including applications, impediments, trajectories, pricing and implications across different industries and domains. A minimal fraction of these papers acknowledges SSI as a prospective application or advantage of NFTs, with scant elaboration on the integration or leverage of these technologies. This section, therefore, aims to highlight several scholarly endeavors that we deem germane to the primary discourse of this research paper.

Salleras, Rovira, and Daza [56] propose FORT, an SSI framework that employs NFTs as unique assets encapsulating specific information. Existing NFT implementations, like those on Ethereum, are publicly retained on blockchains, meaning users’ ownership can still be traced on-chain. The authors recognize this limitation and propose the incorporation of their solution into privacy-focused blockchains such as Dusk Network to bolster privacy. Dusk Network, a blockchain supporting private transactions by default with in-built privacy features for smart contracts, allows for an NFT model with inherent privacy to be developed. This paves the way for designing and deploying an SSI system that curtails on-chain traceability.

In a separate study, Salleras [57] advances a native privacy-centered NFT model, Citadel, tailored for the Dusk Network Blockchain, and constructs an innovative fully privacy-preserving SSI system upon it. Citadel ensures users’ rights are securely encapsulated on the Dusk Network Blockchain, permitting users to establish their ownership while maintaining absolute privacy.

Der, Jahnichen, and Surmeli [3] dissect the merits and challenges associated with the SSI approach to managing individuals' digital identities. They propose the implementation of this approach via the ISAEN concept while contemplating its extension beyond humans to include devices or institutions.

In a comprehensive study by Muhle et. al. [2], they delve into the concept of SSI, spotlighting four fundamental components of its architecture. The paper also offers an analysis of authentication solutions, thereby providing an understanding of the fundamental components and key considerations in the implementation of Self-Sovereign Identity systems.

El Haddouti and El Kettani [58] provide a comprehensive evaluation of leading Identity Management Systems that employ Blockchain technology, specifically focusing on uPort, Sovrin, and ShoCard. Their systematic review includes an in-depth analysis of the systems and an appraisal of their efficacy based on specific features of digital identity that are pivotal for the success of an Identity Management solution.

Ferdous, Chowdhury and Alassafi [59] delve into the concept of SSI and its potential for capitalizing on blockchain technology. They initially explore the impediments associated with traditional identity management systems and the prospective advantages of SSI. The study then scrutinizes the characteristics and prerequisites of SSI and introduces various SSI models, shedding light on the suitability of blockchain technology for SSI, underscoring its ability to provide a decentralized, tamper-proof, and immutable platform for identity management.

In another study, Van Bokkem et. al. [60] explores the concept of SSI and its interplay with blockchain technology. They introduce the limitations and challenges of traditional identity management systems and the potential of SSI in addressing these issues. Their analysis emphasizes the principles and requirements of SSI, focusing on the need for decentralization, privacy, and user control.

Finally, the paper by Cucko et. al. [7] offers a comprehensive exploration and categorization of SSI properties, focusing on an in-depth analysis and presenting an assortment of crucial SSI properties for implementing SSI systems. They validate these properties with domain experts via an online questionnaire, resulting in a final set of classified and verified SSI properties.

8 IMPEDIMENTS OF NON-FUNGIBLE TOKEN-BASED SELF-SOVEREIGN IDENTITY

The fusion of Non-Fungible Tokens (NFTs) and Self-Sovereign Identity (SSI) introduces a series of technical, legal, standardization, and governance complications that require resolution to fully harness the potential of these innovative technologies [60]. Figure 5 offers a succinct overview of these obstacles.

In the ensuing discussion, we delve into some of these significant challenges in detail.

Technical Challenges: A predominant technical obstacle is interoperability. Varied NFT and SSI systems may utilize distinct technical standards or protocols, thereby complicating their seamless interaction. Interoperability hindrances can engender

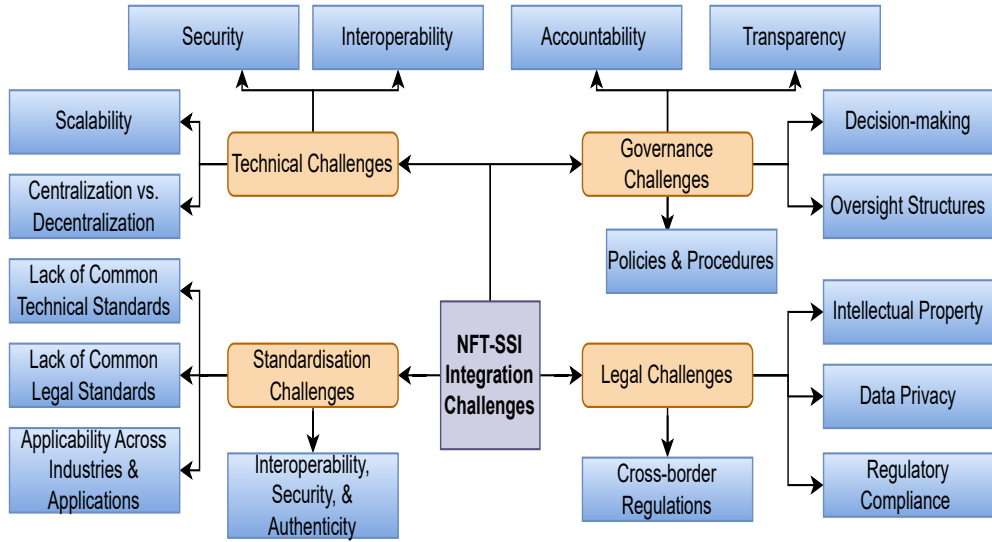


Fig. 5 Challenges of Integrating NFTs with SSI

problems concerning digital asset and identity management and curtail the full potential of these technologies. Initiatives are underway to develop common standards that will mitigate interoperability issues and foster enhanced compatibility across different NFT and SSI systems. Another technical impediment is security [9]. Although the blockchain technology anchoring NFTs provides robust security, it isn't infallible. Risks of fraud and misuse remain, and cybercriminals may attempt to exploit system vulnerabilities to access personal data or fabricate counterfeit NFTs. Protective measures must be implemented to thwart such issues. An additional technical challenge is devising scalable, efficient NFT and SSI systems. The current blockchain infrastructure isn't designed for high-velocity data transmission, and as the generation of NFTs and SSI data amplifies, the demand for quicker and more efficient systems escalates. Another technical impediment is exploring the equilibrium between centralization and decentralization to fabricate interoperable and privacy-respecting NFT-based SSI [24].

Legal Challenges: Legal complications associated with NFTs and SSI encompass matters related to intellectual property, data privacy, and regulatory compliance. A legal challenge with integrating NFTs and SSI lies in compliance with extant laws and regulations concerning digital ownership and identity management. Current laws concerning intellectual property, privacy, and data protection may necessitate updates to accommodate the use of NFTs and SSI. Furthermore, the legal status of NFTs and SSI must be definitively delineated to avoid ownership and liability disputes. An additional legal challenge is the development of transnational regulations for NFTs and SSI. Given the global usage of these technologies, different nations may enact distinct laws and regulations related to digital ownership and identity management. Standardization and harmonization efforts must be pursued to ensure compatibility

of these regulations and enable NFTs and SSI transfer across borders without legal complications.

Standardization Challenges: The current absence of common technical and legal standards for NFTs and SSI raises challenges regarding interoperability, security, and authenticity. Standards and protocols must be devised to ensure consistent creation and verification of NFTs and SSI across diverse systems. Furthermore, standardization efforts must be undertaken to ensure NFTs and SSI are functional across various industries and applications, such as gaming, art, healthcare, and finance. Ongoing standardization efforts aim to address these challenges, and the establishment of universal standards is anticipated to promote interoperability and enable NFT and SSI systems to work collaboratively [9].

Governance Challenges: Governance issues stem from the decentralized nature of NFTs and SSI, which can create accountability, transparency, and decision-making challenges. With the absence of a central authority, managing and supervising these systems, particularly as they grow more intricate and widespread, becomes challenging. Governance challenges encompass the need for effective oversight structures, clear policies and procedures for managing these systems, and robust mechanisms for resolving disputes and addressing security and privacy issues. Governance structures must be established to ensure these systems are accountable, transparent, and responsive to the needs of all stakeholders [11].

The technical, legal, standardization, and governance challenges of NFTs and SSI must be addressed to fully harness the potential of these technologies. Solutions may include the development of universal standards for NFTs and SSI, the creation of regulatory frameworks to govern their use, and the development of interoperable systems accessible by a wide array of stakeholders. Overcoming these challenges and fully harnessing the potential of NFTs and SSI will necessitate collaborative efforts from various stakeholders, including technology companies, policymakers, legal experts, and industry leaders.

9 RECOMMENDATIONS FOR FUTURE RESEARCH AND THE PATH AHEAD

The discourse in the preceding sections sheds light on the potential synergies of amalgamating Non-Fungible Tokens (NFTs) and Self-Sovereign Identity (SSI) technologies. Such a confluence has the promise to engender ground-breaking applications with profound implications for various industries and societal structures. While these technologies bring forth a myriad of benefits, they are not without their unique challenges and limitations. Therefore, this section delves into a discussion on potential solutions and future research trajectories aimed at surmounting these obstacles and enhancing the efficacy of NFT-based SSI.

9.1 Integration with Existing SSI Frameworks

Among the most pressing research avenues for NFT-based SSI is its integration with pre-established SSI frameworks. Presently, a majority of SSI frameworks rely on Decentralized Identifiers (DIDs) and Verifiable Credentials (VCs) for the creation and

management of digital identities. By providing a secure and verifiable means of representing the ownership and uniqueness of digital assets, NFT-based SSI can serve to enhance these pre-existing frameworks, thereby contributing to the evolution of a more comprehensive and robust digital identity ecosystem. Potential strategies to facilitate this integration might include mapping NFTs to VCs, developing bridge services, and implementing interoperable protocols.

For instance, one could map NFT-based SSI to extant Verifiable Credentials (VCs) to engineer a unified system that harnesses the strengths of both technologies. This could be realized by defining a mapping function between NFTs and VCs, which could serve to signify identity information, ownership, and verifiability. In parallel, the creation of bridge services that translate NFT-based SSI to existing SSI frameworks could prove instrumental in promoting integration. Such bridge services could be designed to transcode NFTs to VCs or other formats that can be processed by existing SSI frameworks.

Concurrently, the implementation of interoperable protocols, capable of operating across different SSI frameworks, could further enhance the integration of NFT-based SSI with existing SSI frameworks. Protocols like the Decentralized Identity Foundation’s (DIF) Universal Resolver [61] could serve as a common interface for accessing NFT-based SSI, thus facilitating broader adoption and functionality.

9.2 Interoperability with Diverse Blockchain Networks

A critical research direction for NFT-based SSI involves fostering interoperability among various NFT-based Self-Sovereign Identity (SSI) systems that use different blockchain networks. This interoperability is indispensable in creating an inclusive and widely acknowledged digital identity system. Accomplishing this level of interoperability may prove challenging due to the diverse blockchain networks and SSI frameworks in use. At present, the Ethereum blockchain predominantly creates and manages most NFTs. However, numerous other blockchain networks with varying utilities exist. Achieving interoperability with these networks can contribute towards creating a more flexible and scalable NFT-based SSI system.

Potential strategies to enable interoperability among different blockchain networks for NFT-based SSI might encompass the development of universal standards, employment of cross-chain interoperability solutions, creation of bridge services, mapping NFTs to Verifiable Credentials (VCs), and fostering collaboration among blockchain networks.

The establishment of universal standards for NFT-based SSI can facilitate interoperability among disparate systems. These standards can define the structure, format, and data elements of NFT-based SSI, which can serve to represent identity information, ownership, and verifiability. Such universal standards can ensure that various NFT-based SSI systems can communicate and interact with each other, irrespective of the blockchain network or SSI framework in use.

Cross-chain interoperability solutions, such as Polkadot [62], Cosmos [63], or Aion [64], can serve to facilitate communication and interaction among various blockchain networks by providing a common framework for different blockchain networks to exchange data. Similarly, bridge services can be developed to translate

NFT-based SSI among various blockchain networks, enabling different NFT-based SSI systems to interact.

Another approach could be mapping NFT-based SSI to Verifiable Credentials (VCs) to engineer a unified system that amalgamates the benefits of both technologies. By defining a mapping function between NFTs and VCs, which can represent identity information, ownership, and verifiability, one can ensure interoperability between various NFT-based SSI systems across different blockchain networks.

Finally, encouraging collaboration among different blockchain networks can prove instrumental in promoting interoperability between various NFT-based SSI systems. This collaboration could be realized through open-source projects, online forums, and conferences, which can foster dialogue and facilitate knowledge sharing.

9.3 Enhanced Security and Privacy

Two cornerstone elements of any digital identity system are security and privacy. NFT-based SSI, facilitated by blockchain technology, can offer a high degree of security and privacy via the creation of a tamper-proof and decentralized system. Nevertheless, there remain opportunities to augment these critical facets.

Future research trajectories for NFT-based SSI should emphasize the design of more secure and private systems capable of shielding users' personal data from illicit access. Potential strategies to fortify security and bolster privacy in NFT-based SSI systems might encompass the deployment of multi-factor authentication, privacy-preserving technologies, principles of data minimization, and regular audit and testing regimes.

Multi-factor authentication, necessitating more than one form of authentication to gain access to personal data, can significantly reinforce system security. Such authentication could involve a combination of something the user knows (e.g., a password), something the user possesses (e.g., a hardware token), or an inherent characteristic of the user (e.g., biometric data).

Privacy-preserving technologies, such as zero-knowledge proofs and homomorphic encryption, can be deployed within NFT-based SSI to shield personal data from unauthorized users. These techniques enable the sharing of verification of information without disclosing the underlying data.

In conjunction with these technologies, data minimization strategies can further augment privacy by circumscribing the volume of personal data collected and stored. NFT-based SSI systems could be engineered to collect and retain only the minimal data required to establish and verify identity, thereby attenuating the risk of data breaches or unauthorized access.

Lastly, regular audits and testing regimes can assist in identifying potential system vulnerabilities and weaknesses in NFT-based SSI, enabling their timely remediation before they can be exploited. In addition to identifying vulnerabilities, regular audits and testing can also ensure the persistent security and privacy of NFT-based SSI, safeguarding the system's integrity over time.

9.4 Standardization

Standardization plays a crucial role in any digital identity system. It paves the way for interoperability and compatibility between diverse systems. Future trajectories for NFT-based SSI should revolve around formulating standards for NFT-based SSI that are applicable across various blockchain networks and SSI frameworks. Standardization assists in defining the structure, format, and data elements of NFT-based SSI, and how it could be integrated with existing SSI frameworks.

Several strategies could be employed to foster standardization of NFT-based SSI. These include industry collaboration, developing common standards, mapping NFTs to Verifiable Credentials (VCs), and implementing testing and certification.

Industry collaboration can stimulate standardization by convening stakeholders such as developers, policymakers, and users. This collaboration can be fostered through open-source projects, online forums, and conferences, thereby encouraging dialogue and knowledge exchange.

The development of common standards for NFT-based SSI ensures interoperability between diverse systems. Standards provide a blueprint for the structure, format, and data elements of NFT-based SSI, and dictate how it should be integrated with existing SSI frameworks. The commonality in standards ensures that NFT-based SSI systems can communicate and interact with each other, irrespective of the underlying blockchain network or SSI framework.

NFT-based SSI can be mapped to Verifiable Credentials (VCs) to conceive a unified system encapsulating the merits of both technologies. This can be accomplished by defining the relationship between NFTs and VCs, which could represent identity information, ownership, and verifiability. The mapping of NFTs to VCs ensures standardization and interoperability between different NFT-based SSI systems.

Lastly, testing and certification play a vital role in affirming that NFT-based SSI systems conform to established standards and are compatible with existing SSI frameworks. Independent bodies may conduct testing and certification to verify that NFT-based SSI systems fulfill established standards and can seamlessly integrate with existing SSI frameworks.

9.5 Governance

Governance is a linchpin for ensuring the ethical and responsible utilization of NFT-based SSI. It necessitates a governance framework establishing the rules and standards for employing NFT-based SSI. The governance framework should embody transparency, accountability, and be amenable to public examination. Several potential approaches could ameliorate governance of NFT-based SSI, including community involvement, the establishment of a clear governance framework, compliance with regulations, independent oversight, open-source development, and ethical considerations. Community involvement can ensure that NFT-based SSI is conceptualized, developed, and operated beneficially for users. This involvement can be facilitated through online forums, user groups, and feedback mechanisms enabling users to impart their inputs and feedback on the system.

A clear governance framework is pivotal for guaranteeing that NFT-based SSI is transparent, accountable, and trustworthy. Such a framework delineates the roles and responsibilities of different stakeholders, including developers, users, and regulators, and furnishes a clear mechanism for decision-making.

Compliance with regulations guarantees that NFT-based SSI operates within the legal parameters of the jurisdiction in which it is deployed. This can be achieved through regular audits and assessments to confirm that the system meets regulatory requirements.

Independent oversight ensures the fair and transparent operation of NFT-based SSI. This could be accomplished through appointing a third-party auditor or ombudsman, capable of providing impartial oversight and dispute resolution.

Open-source development ensures that NFT-based SSI is developed transparently and accountably. This development method allows users to review and contribute to the code, hence offering a mechanism for feedback and accountability.

Lastly, ethical considerations ensure the design, development, and operation of NFT-based SSI uphold the rights and interests of users. These considerations can incorporate principles such as data minimization, privacy, and user consent.

9.6 Usability and Accessibility

Both usability and accessibility are of paramount importance for any digital identity system [24]. It is crucial for NFT-based SSI to be user-friendly and accessible to all. Future trajectories for NFT-based SSI should prioritize the development of user-friendly interfaces that are manageable for non-technical users. Moreover, NFT-based SSI should cater to individuals with disabilities to ensure that the benefits of this technology are universally attainable. Several potential approaches could enhance the usability and accessibility of NFT-based SSI, including user-centered design, the simplification of user interfaces, multilingual support, the provision of accessibility features, and education and training.

User-centered design is instrumental in ensuring that the design of NFT-based SSI caters to the needs and preferences of users. This design approach could encompass user testing, feedback mechanisms, and usability studies to ensure that the system is facile to use and accessible to all users.

The simplification of user interfaces can contribute to making NFT-based SSI accessible to all users, irrespective of their technical skills. Intuitive user interfaces with clear instructions and visual cues can guide users through the system.

Multilingual support can enable NFT-based SSI to be accessible to users who speak a range of languages. This implies the design of NFT-based SSI to support multiple languages, with translated versions of all user-facing content.

Accessibility features can make NFT-based SSI accessible to users with disabilities. These features can comprise screen readers, keyboard navigation, and high-contrast interfaces. Lastly, education and training can ensure that users are equipped to utilize NFT-based SSI effectively and safely. This can encompass user guides, online tutorials, and training sessions to aid users in understanding the system and its functionalities.

9.7 Scalability

Scalability is another vital aspect of NFT-based SSI [2]. With the proliferation of this technology’s adoption, it is essential for the system to effectively manage increased traffic and demand. Prospective strategies for NFT-based SSI should concentrate on devising scalable systems capable of handling substantial volumes of data and transactions. Techniques that may bolster the scalability of these systems include sharding, layer-2 scaling solutions, optimized smart contracts, off-chain data storage, lightweight consensus mechanisms, and parallel processing.

Sharding can enhance scalability by partitioning the network into smaller sub-networks or shards, each capable of processing transactions autonomously. This technique can augment the network’s throughput and diminish congestion.

Layer-2 scaling solutions such as side-chains and state channels can bolster scalability by lessening the number of transactions required to be processed on the main blockchain. These solutions can enhance network throughput and curtail transaction fees.

Scalability can also be improved through optimized smart contracts, which can reduce the computation required for transaction execution. These smart contracts can be engineered to minimize gas consumption and ease the network load.

Off-chain data storage can enhance scalability by reducing the volume of data necessitated to be stored on the blockchain. This method can be employed to store large volumes of data, such as identity documents and credentials, without exerting stress on the blockchain.

Lightweight consensus mechanisms can have a substantial impact on scalability. Mechanisms that necessitate less computation, such as Proof of Stake (PoS), can enhance scalability by lessening the time and energy required for transaction validation.

Finally, parallel processing can bolster scalability by allowing for the simultaneous processing of multiple transactions. This can be achieved through the utilization of parallel computing, which can enhance network throughput.

9.8 Integration with IoT

The integration of NFTs and SSI with Internet of Things (IoT) devices is another prospective advancement [65]. The preceding recommendations predominantly focus on individuals and their digital identities; however, contemporary advancements such as the Internet of Things (IoT) indicate that similar requirements may be applicable to non-human entities such as vehicles, devices, and organizations. These highly distributed configurations of interconnected devices necessitate reliable digital identities that can be accessed ubiquitously and incessantly, irrespective of geographical location. For instance, a smart home should be accessible from disparate locations globally, autonomous vehicles should possess the capability to traverse borders, and health data tracking wearables should not halt recording when employed in foreign nations [3]. Consequently, this integration would allow for the establishment of secure and decentralized systems for the management and sharing of data generated by these devices. For example, SSI could be utilized to create secure identities for IoT devices,

while NFTs could be employed to signify the ownership of the data produced by these devices.

The fusion of NFTs and SSI promises to revolutionize the landscape of digital identity systems, offering myriad opportunities for novel applications that could yield profound societal and industrial impacts. However, to fully capitalize on these opportunities and ensure the effectiveness and efficiency of NFT-based SSI, it is crucial to address its existing challenges. As highlighted, the areas that necessitate particular focus are standardization, governance, usability and accessibility, scalability, and the integration with IoT. Strategic measures and initiatives in these areas, ranging from industry collaboration and user-centered design to advanced computational techniques and IoT integrations, can accelerate the evolution of NFT-based SSI. The trajectory of NFT-based SSI is intrinsically tied to the ongoing collaboration between stakeholders, technological innovation, and a deep-seated commitment to ethical practices, transparency, and inclusivity. With these efforts, the vision of an efficient, effective, and widely adopted NFT-based SSI becomes not just an ambitious aim, but an attainable reality.

10 CONCLUSION

The synergistic integration of Non-Fungible Tokens (NFTs) and Self-Sovereign Identity (SSI) offers a dynamic and intriguing nexus of potentialities and challenges. This scholarly exploration has comprehensively examined the multifaceted benefits that can be derived from the utilization of NFTs within the realm of SSI, specifically focusing on enhanced individual identity control, the advent of unequivocal ownership, and the genesis of unprecedented avenues for value creation. In parallel, this discourse has delineated the multifarious challenges posed by this intersection, particularly in terms of technical complexities, legal uncertainties, issues of standardization, and the need for robust governance structures. The exploration extended beyond merely identifying these challenges, delving into detailed analysis to elucidate their nature, implications, and potential mitigation strategies. Beyond current implications, this research paper ventured into prospective vistas of exploration and development. By considering innovative technological advancements, assessing potential impacts on various industries and society at large, and envisaging novel business models and revenue streams, it illuminated a future landscape that is both enticing and demanding. The vast potential of NFT-based SSI is unequivocal, with its ripples likely to permeate far and wide, reshaping conceptions of digital identity management, ownership, and value creation. However, the realization of this potential is contingent upon effectively tackling the aforementioned challenges. These challenges call for collaborative efforts from diverse stakeholders, encompassing developers, policymakers, end-users, and others involved in the ecosystem. Additionally, they necessitate a strong commitment to developing and adhering to rigorous standards, promoting effective governance, and upholding ethical considerations. In emphasizing these complexities, this paper highlighted the inherent necessity of addressing these challenges to unlock the full promise of NFT-based SSI. It thereby underpins the critical objective of developing a digital identity

system that is not only more efficient but also more effective. Ultimately, the landscape of NFT-based SSI unfolds as a captivating blend of promise and complexity, which, with diligent navigation, can chart a transformative course for digital identity management.

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