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OWNERSHIP CERTAINTY AND LEGAL COMPLIANCE IN TOKENIZED REAL-WORLD ASSETS: AN INDIAN REGULATORY PERSPECTIVE WITH COMPARATIVE INSIGHTS

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1. OWNERSHIP MODELS IN TOKENIZED REAL-WORLD ASSETS

1.1 Overview of Ownership Structures

The ownership structure adopted by a tokenized real-world-asset product is not a question, as it is sometimes discussed in the business world, a second-order or stylistic one. It is the initial legal design choice based on which all the rest is based. The nature of whatever the model actually has to create is dependent upon classification, compliance obligations, governance requirements, insolvency resilience as well as investor protection. This chapter discusses the six main ownership models applicable to tokenized real world asset structures, analyzes the legal efficiency of each, and indicates the contexts where each of these models would be most suitable.

An introductory aspect that is mainly worth noting is that these models are not mutually exclusive in terms of design and are not necessarily what is represented by the names in marketing copy. A product which describes itself as direct ownership product and on analysis would only form a beneficial interest in trust. A product that is referred to as equity participation in an SPV can, under the articles of association, and as per the terms of the token instrument, give rise to an entity that is closer to an unsecured debt obligation. It is not the titles given to the rights that the legal analyst should examine, but rather the rights that are created.¹²⁰⁰

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¹²⁰⁰ Law Comm'n, Digital Assets: Final Report ¶¶ 2.11–2.18, Law Com No. 412 (2023).

1.2 Direct Ownership Model

Proper ownership, in the narrowest sense, refers to the situation where the owner of the token has the legal title to a particular, delimited amount of underlying asset. In the case of movable property, this means that the goods must be ascertained i.e. identified and appropriated to the contract so that the property in the goods may transfer to the buyer under section 18 read with section 23 of the Sale of Goods Act, 1930.¹²⁰¹ In the case of real property direct ownership would be permissible only in terms of a registered instrument of transfer under the Transfer of Property Act, 1882 and the Registration Act, 1908 which in effect renders mass fractional registration of land title impractical in the Indian context and in fact in most major legal systems.¹²⁰²

Direct ownership of allocated commodities can be attained at the institutional end of the market. A large institutional, who buys and holds particular, numbered gold bars and has a custodian certificate bearing his name on the bars and bearing a statement that they are held in the order to that investor, has a better claim to actual legal title than a retail investor who holds a smaller balance in an unallocated pool of digital-gold. The institutional model is powerful yet the operationally challenging. It is costly and unfeasible due to the verification, allocation and acknowledgment requirements that endow it with legal strength and make it impossible to conduct to masses of the market through retail distribution.

In any legal system where land is formally registered, the direct fragmentation of legal title to tokenized real estate cannot be operated in practice. Currently, there is no existing land registry in India, the UAE or the UK that would facilitate the registration of thousands of fractional interests on one property title. Registering of fractional interests has been experimented in the UK Land Registry in certain

situations. In India this is even more explicit: a deed of registration conveys the title of immovable property;¹²⁰³ and the Registration Act, 1908 contains no provision as to how thousands of micro-shares of a title to any one piece of property can be registered on a distributed register.

1.3 Beneficial Ownership Model

The mass-market distribution of beneficial ownership is preferable to direct ownership due to its separation of legal title holding mechanisms and economic incentives to invest. In this model, the legal title to the underlying asset is held by a trustee or custodian but a beneficial interest in the pool of assets is held by each investor in proportion to her investment.

This model will be strong on three conditions. To begin with, the trust or custody set up should be duly established by law. In the Indian Trusts Act, 1882, a trust is established by the declaration of trust which contains details of subject matter, object and purpose of the trust and by transferring the trust property to the trustee.¹²⁰⁴ A digital-gold trust, which: does not properly execute a trust deed; does not transfer property, but merely nominally does so; is incapable of maintaining a real beneficial claim of ownership. Second, the assets should be divided away of the own property belonging to the trustee.¹²⁰⁵ When the custodian mixes trust assets with its own, it significantly undermines the tracing and claim of particular assets by the beneficiary. Third, the trustee should be truly independent and not subject to enforceable fiduciary obligations, but instead of a nominee of the platform that acts on its behalf.

Under these circumstances, beneficial ownership is a legally sound and commercially viable approach of commodity-backed tokens. The investor does not actually own title to particular gold bars, but does have a relevant

¹²⁰¹ Sale of Goods Act, No. 3 of 1930, §§ 18, 23, INDIA CODE (1930).

¹²⁰² Transfer of Property Act, No. 4 of 1882, § 54, INDIA CODE (1882); Registration Act, No. 16 of 1908, §§ 17, 49, INDIA CODE (1908).

¹²⁰³ Transfer of Property Act, No. 4 of 1882, § 54, INDIA CODE (1882); Registration Act, No. 16 of 1908, §§ 17, 49, INDIA CODE (1908).

¹²⁰⁴ Indian Trusts Act, No. 2 of 1882, §§ 3, 5, 6, INDIA CODE (1882).

¹²⁰⁵ Indian Trusts Act, No. 2 of 1882, §§ 11, 15, 23, INDIA CODE (1882).

equitable interest in the pool, guaranteed by fiduciary obligation of the trustee and segregation of the underlying assets. When in insolvency the trust assets must not be included in the estimates of the trustee, but must be distributed to the beneficiaries.¹²⁰⁶

1.4 Trust-Based Model

The most legally elaborated version of collective ownership (in both English law and Indian law) is the trust-based model and, consequently, it is well-adapted to tokenized schemes involving material commodities secured through institutional custodianship. The strongest available proprietary security by equitable means that is short of direct title to property is so complete an express trust bearing declared over a pool of gold with named or ascertained beneficiaries and separate quality in these respects as to scheme with the rest of the assets of a trustee.

The minimal requirements of the structural elements of a legally efficient trust here are: a valid trust instrument which identifies the trust property, beneficiaries (or a category of beneficiaries) and powers and duties of the trustee;¹²⁰⁷ actual transfer to the trustee of trust property; no nominal segregation of trust funds and personal funds; independent fiduciary supervision of the trust;¹²⁰⁸ and a clear method of marking off the relative portion of beneficiaries.

It is not the legal design of the trust model that is the weak part of the trust model in practice but the quality of implementation. Even technically correct trusts which do not clarify how the beneficial interests of each token holder are calculated, how a transfer of tokens can alter the underlying beneficial entitlement, or what is to be done to unclaimed interests on the occurrence of a platform failure may cause substantial legal uncertainty despite the fact

that the trust structure is technically correct. The documentation, and not only the structure, should be created in a considerate manner.

1.5 Custodial and Bailment-Based Model

The simplest model of ownership when tokenizing commodities in a commodity tokenization is the custodial or bailment model. In the context of a bailment, the goods are delivered to the bailee under a bailment who possesses them on behalf of the bailor with a duty of returning them when called upon by the bailee. In the case of tokenized commodities, the bailor is the investor, the bailee is the platform or custodian and the token is the representation of the claim by the bailor in the bailed goods.¹²⁰⁹

The allocation and identification of a bailment determine the legal might of a bailment. In cases whereby particular goods are turned over to the bailee and the bailee accepts them as having them in possession on his behalf, the bailor possesses the possessory claim which is more legally enforceable than a simple contractual right.¹²¹⁰ In a contrast, where the investor is holding in an unallocated bulk pool, and no goods are identified to the account of the investor, the position is more complex. The investor can hold a co-ownership interest in the bulk on principles established in cases dealing with fungible goods or she may only have a contractual claim against the custodian to deliver similar goods on demand. There is a material difference between legal analysis of the two positions.

In the case of digital gold in India, bailment analysis is directly applicable as most retail digital-gold services store gold in general bulk vaults, and specifically does not specify what bars or fractions of gold are attributed to what investor account. Sale of Goods Act, 1930 states that enterable goods the property in unascertained goods cannot pass until the goods are ascertained.¹²¹¹ The investor is entitled

¹²⁰⁶ Insolvency and Bankruptcy Code, No. 31 of 2016, § 36(4)(a)(iii), INDIA CODE (2016).

¹²⁰⁷ Indian Trusts Act, No. 2 of 1882, §§ 3, 5, 6, 11, 15, INDIA CODE (1882).

¹²⁰⁸ Indian Trusts Act, No. 2 of 1882, §§ 11, 23, 26, 27, INDIA CODE (1882).

¹²⁰⁹ Indian Contract Act, No. 9 of 1872, §§ 148, 149, INDIA CODE (1872).

¹²¹⁰ Kaliaperumal Pillai v. Visalakshmi, A.I.R. 1938 Mad. 32 (India).

¹²¹¹ Sale of Goods Act, No. 3 of 1930, § 18, INDIA CODE (1930).

to the right but not a proprietary interest in the specific goods until the ascertainment, which is a contractual right to ascertainment and delivery. This constitutes a major drawback that the custody documentation and platform design should have to attend to.

1..6 SPV-Based Ownership Model

The most common structure of the tokenized real estate and a multitude of other structured financial products is based on the SPVs. The underlying asset is held under a special purpose vehicle that is in most cases a private limited company or a limited liability partnership¹²¹². The SPV sells the equity shares, membership interests, or any other financial instruments to investors.¹²¹³ Those instruments are then mirrored by the tokens in a spreadsheet ledger. The SPV gives the investor a right in the SPV but does not give the investor a right in the underlying asset.

there are structural benefits of the SPV model. It compliments the formal demands of land registration law, bearing title in only one legal person, but economic participation may be ascribed among millions of investors by the corporate form. It isolates the risk of asset related files of the overall operations of the platform. It offers a legal guidance on which rights of governance, distribution of income and mechanism of exiting can be clearly stated. And it establishes a legal vehicle capable of holding, manipulating and disposing of things via the traditional corporate framework without the need of altering the underlying asset public registration.

In practice, three types of SPV are widely applied and their distinctions are an issue of law. With one-SPV-per-property, the assets and liabilities linked to the dissimilar properties are completely segregated since each property is owned by an independent SPV. This is the purest model of assets isolation view although it produces administrative overhead degrees the

number of properties. In the parallel SPV model, the different assets are divided into several SPVs and a single management and governance system is implemented, and the platform offers a platform of standardised documentation and operational services. In master-SPV with sub-SPV, a master SPV has interests in a number of sub-SPVs, each of which owns a certain asset. This design allows a degree of administrative duplication to be eliminated, with asset-level separation at the sub-SPV level remaining, but introduces an extra level of intermediation, which increases the complexity of governance and risk of insolvency.

The conceptual honesty is the main warning regarding the SPV model. In an SPV-based structure, the token holders do not have ownership of the underlying asset. The SPV has a right they own, either as an Equity share, as a debenture, or as some form of revenue-participation right or as a combination of either or both. The latter right can be commercially viable, and legally justifiable. And yet it must be marked up right. A system wherein investors are informed that they own a building by having a minority equity stake in a company that possesses a building with a preexisting bank financing is not only deceptive. Under particular conditions, it can be an unfair trade practice under the Consumer Protection Act, 2019 or, based on the character of the interest, a misrepresentation, leading to a liability.

1. 6A Tokenized Securities and Register-Based Interests

Another category that should be considered separately is that of tokenizing traditional financial instruments such as shares, bonds, units of funds, sukuk, and derivative contracts. In such products, the right behind is already a legal tool that is well established with a set of regulations. Tokenization transforms the medium of recording and holding and transfer of the instrument. It has no alteration in legal nature of the instrument.

¹²¹² Companies Act, No. 18 of 2013, §§ 2(20), 2(68), INDIA CODE (2013); Limited Liability Partnership Act, No. 6 of 2009, § 3, INDIA CODE (2009).

¹²¹³ Companies Act, No. 18 of 2013, §§ 43, 44, 56, INDIA CODE (2013).

This is the principle that has been clearly expressed in the revised Guide on the Tokenisation of Capital Markets Products by the Monetary Authority of Singapore, which has a direct implication on the Indian analysis. A tokenized share of an Indian company remains to be exempt to the Companies Act, 2013, and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 where relevant. A tokenized bond is however a debt instrument as per SEBI (Issue and Listing of Debt Securities) Regulations.¹²¹⁴ It is not the fact that the instrument is on a distributed ledger, not a conventional depository that it is removed out of its category of regulation. The development of tokenized securities products in India should begin with new products designed to interact with the securities law framework in use, and evaluate how the tokenization layer fits into a given securities law framework, as opposed to the technology being an attempt at a regulatory arbitrage.

1.6B Collectible and NFT-Linked Structures

One of the least legally robust types of RWA structures, being tokenized, is non-fungible tokens of physical collectible items, such as fine art, wine, vintage automobiles, and sports memorabilia. The business case is self-evident: such products will provide the attainment of verifiable provenance of digitised assets and the slicing of high-valued unique works that previously could only be accessed by affluent collectors. The legal challenge is also quite evident: the relationship between the NFT and the underlying physical anti is solely reliant upon the documentation, custody ailments, and enforcement assets which lie behind the token.

The creation of an NFT on a blockchain and sale as a claim to ownership of a painting performs no legal work unless there is an effective contract of sale, there has been a transfer of title to the underlying object, which must be legally effective, and there is a custodial mechanism to maintain the interest of

the investor in the physical object. In the absence of these components, the NFT is an electronic certificate that has no proprietary impact.¹²¹⁵ The actual work may be sold, or be destroyed, or left to decay, without a legal recourse to be had on the basis of the token itself. Such structures are thus vulnerable to be the weakest in the tokenized RWA arena unless attended to by strong documentation, physical custody independent of it, and explicit legal counsel as to which law applies to the property.

1.7 Debt and Revenue-Participation Models

A large number of products sold under the brand name of token ownership of assets do not establish any type of ownership in any real legal application. They generate debt or revenue-share right.¹²¹⁶ The token holder is a lender in essence in a debt model. The platform or SPV takes loans and vows to give back with interest or specified rate. A revenue-share works based on a contractual payment to the token holder of a portion of the revenue based on the use or maintenance of the asset, most commonly rent on a real estate property or a fee on the use of a commodity.

These instruments can be commercially sensible and truly appealing to investors who do not view investment in direct proportionality to movement of asset prices. But the truth about what is in actual acquisition must come out. The granting of a revenue-share token is not ownership. It does not provide the investor any claim on the underlying asset. In the event of the failure of the SPV, which owns the property, the holder of the revenue-share token might not be one of the priority of payment creditors. The name of the instrument does not alter the legal nature of the instrument and its category of insolvency.

The legal fallacy that comes up with approximately regularity in commercial practice is to state revenue-participation instruments in the vocabulary of ownership. You are part owner of the building, your tokens are a

¹²¹⁴ Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021, Gazette of India, pt. III sec. 4.

¹²¹⁵ Property (Digital Assets etc) Act 2025, c. 29, § 1 (UK).

¹²¹⁶ Companies Act, No. 18 of 2013, § 2(30), INDIA CODE (2013).

part of your investment in the property, and so on are not just imprecise. They are legally erroneous accounts regarding products that just form contractual rights to Gross national income. Marijuana is not a draft pecupérance, but rather a matter of correct description.¹²¹⁷

1.8 Governance Rights and Investor Rights

The design of ownership cannot be isolated of governance. A token can have no governance rights, a small set of governance rights like the right to vote on important decisions, a broad right to vote and approve of a significant type that borders on the status of a shareholder in a closely-held business. Such a decision impacts on the real-life protection of the investor and on the product classification under the law.¹²¹⁸

The increased rights to governance makes the position of the token holder a legitimate ownership position stronger. They also cause regulatory risk as by making the product appear more like a security, they are likely to cause other regulatory requirements.¹²¹⁹ The UAE materials of tokenization of real-estate consider the governance thresholds just one of the design questions, and they are right. The real substance of the position of the investor, rather than its form, is subject to approval by property sale, refinancing, major capital expenditure, change of property manager or liquidation of the holding vehicle.

On the other hand, lack of governance rights is also important. A token held by an investor with no asset (i.e. no vote), no right to information, no right to influence management, no right of cause of action, and no right to exit, can in effect be little more than a passive financial claim the value of which will be reliant upon the behavior of a platform over which she enjoys no control. The legal analysis should examine the complete package of rights it

transfers and not just the labeling of the product.

1.9 Transferability, Control, and Insolvency

The issue of transferability is usually exaggerated when discussing tokenized products. By default, a token could be transferred, on a blockchain, in seconds. However, provided that the legal entitlement to which it is assigning is subjected to a registry update, foundational transfer of rights of contract, trustee confirmation, a KYC check or an AML compliance screen has to be accomplished before the assigning transfer becomes legally binding, the actual legal assignment is not accomplished until afterwards.¹²²⁰ Coming up with the token in such a way that the movement on-chain anticipates the off-chain actions to be completed establishes a loophole between the ledger record and the legal reality. Such a gap is exactly the type of ambiguity which presents a risk of litigation and regulatory focus.

The last, but most telling test of design of ownership is its insolvency as explained above.¹²²¹ The most appropriate ownership models will be those that can be kept smart and enforced upon insolvency. A model that relies on the goodwill or even further solvency of the platform, to serve as a useful tool in terms of legal enforcement, is not a strong ownership tool. It is a business structure that just employs ownership language. Any serious product type of token should design to the following criteria: in case this platform collapsed tomorrow, what could the investor say and whom and due to what legal process?

1.10 Comparative Evaluation of Models

Presenting a conclusion of the analysis of this chapter, it is possible to make three main conclusions. Direct ownership is the most conceptually clean, but the most difficult to scale up, especially when considering real estate and bulk commodities that either legally

¹²¹⁷ Consumer Protection Act, No. 35 of 2019, § 2(47), INDIA CODE (2019).

¹²¹⁸ Companies Act, No. 18 of 2013, §§ 43, 47, INDIA CODE (2013).

¹²¹⁹ Securities Contracts (Regulation) Act, No. 42 of 1956, § 2(h), INDIA CODE (1956).

¹²²⁰ Companies Act, No. 18 of 2013, §§ 56, 88, INDIA CODE (2013).

¹²²¹ Insolvency and Bankruptcy Code, No. 31 of 2016, §§ 18, 36, INDIA CODE (2016).

cannot or operationally cannot effect fragmentation of title.¹²²² Beneficial ownership structures that depend on trust and are more viable in a physical commodity at the retail level, yet are coupled with genuine allocation and segregation and independent trustee supervision and accurate disclosure of what the trust interest is. The most suitable structure to choose in the case of tokenized real estate is usually SPV-based models, in which the complexity of land title is taken into account but still allows taking part in the economic value of the property through a tokenized approach.

There is not a single model promoting all over. The right option available lies under the asset category, the legal framework of the countries, the regulatory context, the magnitude of distribution, and the complexity of the marketable investor target. In the case of high-value allocated commodities where institutional investors are involved, direct ownership or recognized bailment could be appropriate and possible. Instead to benefit a mass-market exposure to a fractional commodity, beneficial ownership structures and, more crucially, trusts that are truly segregated are feasible. In the case of real estate, the SPV structures are almost a must. With products that generate only revenues or repay a form of participation, the honest disclosure is the irreducible core: the product is not supposed to purport to generate a title of property where it only gives rise to a contractual right to payment.¹²²³

This is not, then, an incidental design question to be answered once the technology has been determined. It is the main legal architecture choice, based on which all the compliance tasks, governance prerequisites, and investor safeguards systems should be extracted.

2.1 India and Dubai as Two Different Legal Responses to the Same Problem

India and Dubai react to the same structural issue, legal structuring of tokenized real-world assets, in two utterly dissimilar forms of regulation. The current system in India to digitalize gold and asset-linked tokenization is indirect and fragmented. No single regulator, no single rulebook, and no activity specific licensing regime of these products. The law to which to apply would have to be collated with various bodies of general law, each serving a different end, and none of which would be strictly applicable to tokenized buildings.

Compared to that, the VARA model adopted by Dubai is activity-based and purposive. With regulated virtual-asset activities, VARA outlines the required licences to each, and overlays governance requirements, conduct standards, custody, technology governance, and record-keeping responsibilities to those types of activities.¹²²⁴ The participants of the real-estate tokenization pilot are bound to the special regulatory approvals, rather than simply the general legal framework that they have to interpret themselves.¹²²⁵

Each of the models is not devoid of limitations. The system of India enables a great deal of flexibility in the structuring and can be flexible to a broad variety of product formulations without needing a change of law. Even the current legal architecture can achieve a legally defensible digital-gold product, developed upon a well-advised platform. That flexibility has its price: it increases the legal uncertainty, it imposes a heavier burden on the investor to familiarize him with a complex legal system and an expandingly broad window in which weak or fraudulent products can continue to operate with little or no effective supervision. The Dubai model offers greater

¹²²² Sale of Goods Act, No. 3 of 1930, §§ 18, 23, INDIA CODE (1930); Transfer of Property Act, No. 4 of 1882, § 54, INDIA CODE (1882); Registration Act, No. 16 of 1908, §§ 17, 49, INDIA CODE (1908).

¹²²³ Consumer Protection Act, No. 35 of 2019, § 2(47), INDIA CODE (2019).

¹²²⁴ Dubai Law No. 4 of 2022 on the Regulation of Virtual Assets in the Emirate of Dubai; Virtual Assets Regulatory Auth., Virtual Assets and Related Activities Regulations 2023 (Dubai).

¹²²⁵ Virtual Assets Regulatory Auth., Consumer and Marketplace Alert: Update on the Real Estate Tokenisation Pilot (Feb. 19, 2026),

assurance and greater protection to investors, but it involves controlling involvement prior to entering the market, generates compliance expenses, potentially at the disadvantage of smaller players, and relies on the quality of administrative strength of the regulator, VARA, to be successful.

2.2 Singapore: Activity-Based Regulation and Institutional Tokenization

Singapore has a third regulatory model, which it would be profitable to compare with India-Dubai. The Monetary Authority of Singapore has implemented an activity-based approach to tokenized asset regulation, which is technology-neutral, and is structured on the necessity to consider the same activity, and same risk, same regulatory outcome.¹²²⁶ In late 2025, the updated Guide on the Tokenisation of Capital Markets Products ascertains that tokenising a capital-markets product does not change the underlying legal and economic nature of the product.³⁰ Something that is tokenized is still a share. A security that is tokenized is still a bond. The regulatory duties pertaining to the issuance, trading, custody and advisory services involving these instruments relate to the instrument (whether the instrument is recorded on a blockchain or in a traditional depository) notwithstanding.

The said principle can be directly related to the analysis in this dissertation. It also upholds, as regards regulatory aspects, what the analysis of property laws and that of characterisation has ascertained as regards aspects of doctrine: the legal nature of a tokenized product is not a matter of the technological vehicle whereby the rights are transferred, but the nature of the rights transfers that they effectuate.

A focus on supervised experimentation is also an outstanding feature of Singapore. Project Guardian, mass-produced by MAS in 2022, has tested the use of tokenization in the field of foreign exchange, fixed currency, fund

structures, and interbank settlement.¹²²⁷ In November 2025 MAS released an Operational Guide to tokenized funds, and declared a live trial of tokenized MAS bills redeemed with wholesale CBDC. The evolution in all these is an indication that Singapore is not just conceptually tokenizing through regulation. It is also actively developing settlement infrastructure and interoperability requirements necessary to have the tokenized finance operate on an institutional scale.

The Digital Token Service Providers regime, to commence on 30 June 2025 under Part 9 of the Financial Services and Markets Act 2022, was an expansion of the regulatory scope in Singapore as the regime mandated that creditors of entities offering digital token services in Singapore be licensed.¹²²⁸ The high level of licensing by the MAS is appropriate to the high risk of money-laundering inherent in some of its operating models. To India, the Singapore experience teaches three particular lessons, although they apply equally to other securities regulators: the activity-based approach to regulation is more flexible and sustainable than the technology-specific regulation; regulated experimentation can achieve both regulatory confidence and regulatory discipline at lower legislative price; and incorporating tokenization into the existing securities legislation, as opposed to establishing a separate regulatory framework, is to offer regulatory clarity at a lower cost to regulation.

2.3 The United Kingdom: Property Law Reform and the Digital Assets Act 2025

The input made by the United Kingdom to the comparative image is not of the same essence as the activity-based regulatory model of Singapore. The UK is referred to here not as a jurisdiction but since the Property (Digital Assets etc) Act 2025, which was passed into law on 2 December 2025, directly supports the

¹²²⁶ Monetary Auth. of Sing., Guide on Tokenisation of Capital Markets Products (rev. 2025).

¹²²⁷ Monetary Auth. of Sing., Project Guardian: Global Layer One Whitepaper (2023).

¹²²⁸ Financial Services and Markets Act 2022, No. 18 of 2022, pt. 9 (Sing.); Digital Token Service Providers Regulations 2025 (Sing.).

evidentiary-layer analysis elaborated on in Chapter 2 of this dissertation.³¹

The Act affirms that a thing, even a thing that is of a digital or electronic character, is not barred to be the subject of personal property rights only that such a thing is not the subject of the common-law definition of things as in possession and things as in action. That is a provision that despite being brevity-written, is analytically important. It answers both the foundational property-law question of all tokenized-asset designs: can a digital token be subject to personal property rights? The passing of the English common law had, by a succession of cases of the High Court and the Commercial Court, already shifted towards the recognition of digital assets as having the capacity to attract proprietary rights. The Act eliminates the uncertainty left by affirming the occurrence of a third category of personal property that digital assets can be categorized.

There are two characteristics of the UK approach that are of interest. First, the Act is decidedly minimalist. It fails to list the type of digital assets that qualify as property and rights that are applicable to such assets. In line with the recommendation by the Law commission, the legislation affirms the existence of a third category without making specific modifications on the boundaries of that specific category but the day will leave that to be made it a day by day case by case what the courts will come up with. Such incremental practice can be educative to the common-law tradition of India itself. Secondly, the Act acknowledges that the statuses of proprietary and regulatory are analytically different. A digital asset can be both considered a property under the Act and a financial regulated requirement under the FCA framework. This echoes the thesis in this dissertation: that the legal nature of token should be assessed by its content, not its name, and it is possible to have many legal regimes coexisting.

2.4 The Role of International Standards

Even international standard-setting organizations have gravitated towards standings that are essentially aligned to the analysis in this dissertation. The policy proposals in crypto and digital-asset markets issued by IOSCO in December 2023 highlight such aspects as well-defined regulations, effective custody and client-asset protection, and transparent disclosure.¹²²⁹ The new FATF guidance on virtual assets emphasizes the importance of the adoption of a uniform AML and CFT control by virtual-asset service providers.¹²³⁰ Bank for international settlements has discussed best tokenization with respect to money and other assets acknowledging the potential advantages of tokenization, and identified legal and operational risks.

These changes support the view that reform effort in India ought not be seen as a national initiative but as being part of an overall global initiative to more severely treat tokenized assets in a more structured and supervised and disclosure-ribboned way. Jurisdictions that integrate their home-based systems with these principles will be in a better position to attract legitimate investment, interoperability across borders, and cushion domestic investors against the risks of poorest structured product tokenizations. India, with its huge and increasing retail investor base and its proven regulatory ability in other financial products, can play a part in this new-found agreement.

2.5 Final Recommendations

This dissertation wraps up the comparative and reform study by presenting five recommendations, each of which is based on the analysis, which is constructed throughout the previous chapters.

First, tokenized real world-asset products in India ought to be evaluated by what the nature of the underlying right in which the token is

¹²²⁹ Int'l Org. of Sec. Comm'ns, Policy Recommendations for Crypto and Digital Asset Markets: Final Report (Dec. 2023).

¹²³⁰ Fin. Action Task Force, Updated Guidance for a Risk-Based Approach: Virtual Assets and Virtual Asset Service Providers (Oct. 2021).

based, rather than the novelty of the technology deployed in the token. A gold coin that establishes authentic, dedicated, beneficial ownership in a well-formed trust with certified custodian recognition ought not to be comparable to a theoretical computerized instrument with no substantial backing in terms of holdings. The legal characterisation exercise is the analytical tool, but not the name given to the product.

Second, digital-gold instruments in India must be given a greater legal preference, and should generate a correspondingly higher degree of market belief in them, where they assume real allocation under the Sale of Goods Act, custodian acknowledgment in line with the constructive-delivery doctrine, independent trustee management with genuine fiduciary obligations, periodic confirmation of proof-of-reserve by an external auditor with access to vault and on-chain data, These are not partikins that are there to be frequently gilded.¹²³¹ And they are the utmost conditions of legal plausibility when there is no specific sector regulation.

Third, the mechanism of tokenization as it applies to real-estate in India must be done in SPV form, with open and prominent disclosure that the token is a claim to rights in the holding vehicle, rather than direct title over any particular piece of land, except and until the applicable land-registration framework explicitly supports direct tokenized fractional title. The disclosure obligation is also not just a regulatory compliance aspect. It is a consumer law need and protection measures against the liability of mis-selling that misleading property claims are bound to generate.

Fourth, India ought to establish a set minimum of disclosure, custody and segregation framework around retail facing asset-linked tokenization. This framework must deal with, at least: the definition of tokenized real-world-

asset products by asset category; the asset-control conditions before the issue of any token; checks of independent separation between investor assets and platform assets; an independent custodian, regularly checked by a third-party; a standardised investor disclosure comprising regulatory status, custody set-up, reserve verification, fee structure, and redemption arrangements; the integration of AML It must be modular in nature with rules designed specific to the asset classes fitting around a standard disclosure and custody framework.

Fifth, legal and compliance experts in this area must not be tempted to exaggerate in the law what a tokenized product can accomplish in terms of law. Compliance is a tool in itself as it involves legal honesty in relation to the boundaries that any given product establishes in the law. A product that insists pending the formation of contract should be said to be such. That which it is doing under a trust, where, by doing so, it produces a beneficial interest, is what it should be referred to as being so. Where a product based on an SPV provides an investor with equity in a holding company, without holding land, that fact should be clearly offered. Misrepresentation of ownership through making of promises that are in reality just claims in a contractor is not merely commercial, but is also deceptive. It forms the basis of a legal obligation in terms of consumer protection law, and it undermines the trustworthiness of the tokenized asset business on a market scale that requires trust.

¹²³¹ Sale of Goods Act, No. 3 of 1930, §§ 18, 23, 33, INDIA CODE (1930); Indian Contract Act, No. 9 of 1872, §§ 148, 149, INDIA CODE (1872); Indian Trusts Act, No. 2 of 1882, §§ 3, 5, 6, 11, 15, INDIA CODE (1882).



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