
Proposed Tokenization Bill

Introduction

The Aam Aadmi Party MP Raghav Chada on 16th December 2025, advocated for the introduction of a “Tokenization Bill” in the Rajya Sabha. Tokenization involves breaking down the ownership of a high value capital intensive asset and distributing it among several people. Through such tokenization, the government aims at providing the middle class of India a chance to invest in high return-based assets which were earlier inaccessible due to high entry cost of the industry. IMF’s Working Paper titled “Digital Tokens: A Legal Perspective”¹, evaluated the legal nature of tokens and classifies them based on the rights it affords. It further explores the implications, feasibility and enforceability of different types of rights accorded to digital tokens.

International Financial Services Centres Authority (IFSCA) Paper

On 26th February 2025, IFSCA released a white paper titled *Regulatory Approach Towards Tokenization of Real-World Assets*². The white paper highlights the key regulatory hurdles and challenges that arise in regards to the regulation of digital tokens. The regulation aims at creating efficient mechanisms for issuance, trading, custody and clearing of digital tokens. Further, it also aims to develop a risk management framework and addressing cyber and technological risks that arise with the issue.

IFSCA’s suggests tokenization as *regulated financial innovation*, not crypto speculation. This is grounded on the requirement that any underlying asset has to be both identifiable and legally enforceable. This differentiates it from speculative trading in the value of assets without claim on any underlying asset as is the case crypto trade.

Tokens can be created for different kinds of underlying assets. It can be from a real-world asset of a one that exists in a distributed ledger. For India, real world asset can be either a tangible or intangible asset. Products for tokenization include certain real-world assets, including financial securities such as funds, bonds, stocks, etc., financial products such as payments,

¹ José M Garrido, *Digital Tokens: A Legal Perspective* IMF Working Paper No 23/151 (International Monetary Fund 28 July 2023) <https://www.imf.org/en/Publications/WP/Issues/2023/07/28/Digital-Tokens-A-Legal-Perspective-537041> accessed 6 January 2026.

² International Financial Services Centres Authority, *Consultation Paper on Regulatory Approach towards Tokenization of Real-World Assets* (26 February 2025) <https://ifsc.gov.in/Document/ReportandPublication/ifsc-consultation-paper-on-regulatory-approach-towards-tokenization-of-real-world-assets03032025111644.pdf> accessed 7 January 2026

deposits, bills receivables, precious metal bullion, commodities, intellectual property and commercial real estate.³

Discussion in the Rajya Sabha

While discussing the concept of tokenization in the parliament, Raghav Chadha⁴ contented that, just as UPI as a digital platform has made online transactions convenient for all to use. Similarly, tokenization of assets will help the larger public invest in large scale projects such as real estate, infrastructure development and Intellectual property rights (IPR), that are more likely to deliver higher yield compared to investments by an individual in banks, mutual funds and the government. Such new avenues for investment improving both efficiency and accessibility in financial markets. He uses the example of gold to illustrate his point that although buying gold can be difficult for many people, option such as Gold ETFs has made investment accessible for people with smaller principle and helped them benefit from appreciation in gold prices. Further, in India 70-80% of household assets are held in traditional illiquid forms such as gold and land. A digital tokenization will support equity by distributing the economic returns to the larger public rather than leaving them confined to the business tycoons.

The most note worthy benefit derived from use of digital tokens is instant liquidity. In traditional assets, buying and selling has a lot of friction and requires high amounts of time and money spent on a transfer. But with a reliable digital framework, trade of digital tokens can be done with ease, saving both time and money.

International Standards and Regulations

In The United States, tokenized assets operate under The Securities Act of 1933, Further, the Supreme court developed the Howey test that laid down 4 criteria for an investment contract in the case of *Securities and Exchange Commission v. W.J. Howey Co.*⁵ Real- estate token being an investment contract needs to pass this test. The criteria laid down were- an investment of money, in a common enterprise, with an expectation of profit, to be derived from the effort of others (the property managers or developers). Similarly, Singapore has the Project guardian. Further UAE has a dedicated authority, the Virtual Asset Regulatory Authority (VARA) to work on asset tokenization.

³ Ibid 2

⁴ **‘Will help the middle class’: AAP MP Raghav Chadha calls for a tokenization law in India** (YouTube, Dec 17, 2025) <https://www.youtube.com/watch?v=Pr2hKBIhWD0> accessed 6 January 2026.

⁵ *Securities and Exchange Commission v. W.J. Howey Co* 328 U.S. 293 (1946).

While the world is going digital, Indian law is stuck at paper registration. Therefore, India needs a comprehensive framework for smooth functioning of digital tokens as very second of lost time has an adverse impact on Foreign Investments. Investors move to countries such as Singapore or UAE who have newer arenas of investment and better frameworks to manage them. Thereby creating lost opportunity for India. Further, the Hon'ble Supreme Court of India, in the matter of *Samiullah vs. the State of Bihar*⁶ advocated the adoption of emerging technologies such as blockchain to ensure transparency in maintaining land record.⁷

Further, considering the digital nature of the token a separate Act that defines, regulates and manages digital tokenization is essential. Beyond that there is need for a legislative sand box where developers, firms and regulators can test new tokenized product to recognize possible defects, risks and impact before putting it out in the larger market. Such a sandbox promotes innovation and facilitates use of complex block chain technology by providing a chance to test the product before threatening consumer protection.

Conclusion

The recent discussion in the parliament regarding the proposed Tokenization Bill will assist with the development of a comprehensive legal framework to improve liquidity and participation of middle-income individuals in high value asset trade. Clear guidelines are essential for investor protection and liquidity. Several industry leaders have vouched for such a Bill claiming that it is “essential for ensuring India’s asset tokenization happens onshore rather than migrating to friendlier jurisdictions”⁸. The introduction of such a Bill will assist India in achieving its goals of financial innovation and economic modernization.

⁶of *Samiullah vs. the State of Bihar* 2025 INSC 1292

⁷ Shruti Choudhary, From Title Deeds to Digital Tokens? Parliament’s Tryst with Tokenization Bill’ *Legal 500* (2025) <https://my.legal500.com/developments/thought-leadership/from-title-deeds-to-digital-tokens-parliaments-tryst-with-tokenization-bill/> accessed 7 January 2026.

⁸ Vismaya V, ‘Indian MP Pushes Tokenization Bill to Democratize Investment Access for the Middle Class’ *Decrypt* (17 December 2025) <https://decrypt.co/352712/indian-mp-pushes-tokenization-bill-to-democratize-investment-access-for-the-middle-class> accessed 6 January 2026.