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VIRTUAL ASSETS REGULATORY AUTHORITY

GDF | Report

RWA TOKENIZATION ROUNDTABLE READOUT

BRICK BY BLOCK: THE FUTURE OF RWA TOKENIZATION

2 MAY, DUBAI, HOSTED BY GDF AND VARA

Opening Context

The roundtable was convened to explore how tokenization of real-world assets (RWAs) can scale in the Middle East, with Dubai in particular positioned as a potential global hub. Opening remarks from VARA emphasized Dubai's ambition to establish itself as a global infrastructure leader for tokenized markets.

The roundtable and panel included perspectives from both the public and private sector, including leading institutional and technical experts. Topics spanned use cases, market infrastructure, regulatory alignment, and the transition from traditional to token-native financial models.

Panel Highlights: Use Cases and Driving Liquidity

Discussions highlighted how tokenization is reshaping the value chain across capital markets—particularly through new infrastructure, payment rails, and the integration of digital assets into institutional-grade platforms. Participants noted that meaningful utility is critical to attracting investor interest and building sustainable liquidity.

Use cases discussed included:

- Tokenised real estate and fractional property ownership with capital inflows ranging from \$0.5–1 billion in some early examples.
- Tokenised trade finance and carbon credits which may often leverage permissioned chains.

- Sovereign wealth fund participation as a potential driver of institutional liquidity in the GCC.
- SME finance and tokenised invoices offering alternative financing and earlier access to future receivables.

The Mastercard PoC in Hong Kong was highlighted as a successful cross-border pilot involving tokenised carbon credits, done in partnership with HKMA and integrating tokenised deposits via TradFi rails. Such examples illustrated the importance of combining rules-based governance and existing infrastructure to enable innovation.

Dubai's Public Sector and Tokenisation

VARA emphasized Dubai's vision to become the first city to host native title deeds on-chain. The partnership with the Dubai Land Department (DLD) is intended to link real estate registries with property tokenisation via advanced governance systems.

This initiative was praised as a first step toward mainstreaming RWA tokenization and building investor confidence through regulated, transparent issuance. The DLD acts not as issuer, but as a trusted registrar. Responsibility for investor relations rests with licensed broker-dealers managing the “wrapped” tokens.

Key messages:

- Public sector presence on-chain reduces uncertainty and enables exits and it also opens doors for wider adoption, particularly in sectors like real estate.
- Stronger alignment between government infrastructure and private sector issuance is essential.

Roundtable Discussion: Challenges and Solutions

Participants explored structural, legal, and cultural challenges in scaling RWA tokenization in the UAE and globally.

Key Challenges Identified:

- Legal ambiguity: Lack of clarity on whether a tokenized asset is a fund, a security, or another instrument. Much depends on how the asset is structured and the presence of features such as pooled investment.
- Regulatory perimeters: Current definitions are often principles-based and evolving. This causes hesitation for issuers and service providers.
- Custodianship and settlement: Legacy infrastructure is slow to adapt; trust-based custody services are crucial.
- Infrastructure interoperability: Fragmented permissioned chains hinder liquidity; while cross-chain technologies (e.g., Chainlink, LayerZero) show promise, legacy preferences for “walled gardens” persist.

- Fractional ownership and hybrid models: Transitioning from mirror representations of traditional assets to native issuance models remains incomplete.
- Credit and AML risks: Tokenizing assets like invoices or receivables introduces credit risks; enforcement and KYC remain difficult without centralized intermediaries.
- Retail vs Institutional Liquidity: Regulatory clarity is required for both retail participation and the role of market makers.

Legal experts highlighted that “the devil is in the detail” and that legal classifications often change based on token features. The roundtable stressed the need for native legal frameworks that do not automatically default to outdated analogies.

Enablers for Scaling RWA Tokenisation

Participants agreed that several immediate priorities could help scale institutional-grade tokenisation:

1. *Clear token taxonomies* and guidance on consumer protections, dispute resolution, and classification (e.g., fund vs security).
2. *Sandbox pilots* to test fractionalized models and market infrastructure in real-world conditions.
3. *Public-private cooperation* especially in education, infrastructure rollout, and sandbox governance.

4. *Support for native tokenisation* rather than tokenised representations of traditional assets.
5. *Better infrastructure for custody and secondary markets*: Improved tooling, cross-chain interoperability, and availability of liquidity venues.
6. *Stronger regional regulatory alignment*: Bi-lateral and/or multilateral agreements across both UAE regulators, as well as with other regional regulators could promote shared standards and also enable greater scaling of regional markets.

It was noted that many tokenisation efforts have matured, including property tokenisation in Singapore, for example, or tokenised credit instruments in Asia but that long term scaling requires deep liquidity and compliance-grade trust architecture.

Cultural and Educational Considerations

A significant theme was the need for broader industry and regulatory education. It was noted that retail investors often don't understand custody or regulatory vetting. Education is key to ensuring safe adoption, particularly among “micro-investors” expected to drive future scale.

Disintermediation remains theoretical; compliance burdens are still placed on intermediaries. Participants discussed how risk-

based approaches to AML and new forms of on-chain oversight could fill this gap, alongside international best practices (e.g., FATF, IOSCO).

Conclusion

Dubai is well-positioned to lead the development of global infrastructure for RWA tokenisation, provided it continues to iterate on legal, technical, and public-private collaboration frameworks. UAE adoption of digital assets rose from 11% to 30% in one year demonstrating exponential growth potential. The roundtable closed with calls for:

- Industry-led best practices that avoid defaulting to legacy finance.
- Smart engagement with regulators (and pro-active engagement on the part of industry), such as asking critical questions rather than waiting for top-down direction.
- Tangible support for scaling projects in the region which are already delivering results.

Key Takeaways, Actions and Recommendations



Key Takeaways

- Dubai is poised to become a leader in RWA tokenisation, with strong public-private commitment.
- Legal and regulatory ambiguity remains a barrier to scale. Participants felt strongly that definitions must evolve alongside products.
- Real estate, private credit, and SME finance are key verticals with traction in the region.
- Native issuance and cross-chain interoperability are essential for scalable, liquid markets.



Recommended Actions

- Dubai is poised to become a leader in RWA tokenisation, with strong public-private commitment.
- Legal and regulatory ambiguity remains a barrier to scale. Participants felt strongly that definitions must evolve alongside products.
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