coinbase

To:

Mr. Praveen Kamat,
General Manager,
Department of Capital Markets,
IFSCA

30 April 2025

Re: Regulatory Approach Towards Tokenisation of Real-World Assets

Coinbase Global, Inc. (together with its subsidiaries, **Coinbase**) appreciates the opportunity to respond to *Regulatory Approach towards Tokenisation of Real-World Assets* published by India's International Financial Services Centre Authority (IFSCA).

Coinbase is the most trusted service provider of crypto trading, custody, and infrastructure in the world. Founded in 2012 and publicly listed on the NASDAQ, we offer a secure and user-friendly interface for millions of verified retail and institutional investors globally. We are committed to building an open financial system and are doing so with the strongest regulatory compliance and security protocols available.

India's first International Financial Services Centre (IFSC) in GIFT City, Gujarat (GIFT IFSC) represents a significant step toward advancing India's leadership in the area of international financial services. We strongly support IFSCA's commitment to providing a comprehensive and consistent regulatory framework for financial services. Further, we commend IFSCA for recognising the transformative power of tokenisation, and for its goal of creating and supporting a thriving digital asset ecosystem.

We look forward to working with IFSCA through further consultation and collaboration.

Yours sincerely,

Tom Duff Gordon
Vice President, International Policy
Coinbase

Introduction

We appreciate that IFSCA has launched a consultation to seek input on the appropriate regulatory framework for the tokenisation of real world assets. We agree with IFSCA on the need for regulators to develop robust mechanisms for the issuance, trading, and custody of digital assets, and to establish an efficient framework for market infrastructure. We also recognise that this consultation is part of a broader effort to expand access to digitally-native financial products and services in India, helping to lay the groundwork for more inclusive and innovative market participation. This goal aligns closely with Coinbase's mission to expand economic freedom by creating a safe and efficient gateway to the future financial system—one that is founded on permissionless blockchain networks.

Around the world, regulators and policy makers have made significant progress in providing regulatory clarity for digital assets. As one example, the United States is moving swiftly toward creating a thoughtful, unified regulatory framework for digital assets that protects consumers, supports developers, and fuels job creation. U.S. regulators have signaled growing interest in integrating traditional financial assets with blockchain technology, particularly in allowing tokenised equities to be issued and traded onchain. Recognising the many benefits that flow from tokenisation, regulators are taking a practical, forward-looking approach, prioritising authorisation and implementation over limited pilots or sandbox experiments. We encourage IFSCA to adopt a similar approach, one that will facilitate cross-border investment and enable greater participation in global capital markets.

At Coinbase, our focus is on enabling tokenisation at scale by providing the foundational infrastructure for the next generation of blockchain applications. Through Base, our Layer 2 network, we are building the core primitives developers need to support a wide range of use cases, including but not limited to real world assets. While RWAs are not a primary retail product focus for us today, we see long-term potential in supporting this category as part of a broader push toward secure, scalable, and compliant onchain systems. Our goal is to empower builders with the tools—wallets, identity, onchain data—to drive innovation across the ecosystem, in service of our mission to create a one-second, one-cent global payments system.

Rather than responding in a question-by-question format, we are highlighting key principles of tokenisation that we believe are essential to advancing the technology and supporting its responsible growth. We would be pleased to engage further and provide additional input through engagements with your team as discussions continue.

Embrace Permissionless Infrastructure

Recommendation: IFSCA should adopt a technology-agnostic regulatory stance, founded on permissionless DLT infrastructure that allows permissioning and risk-based assessment and controls—not by design architecture alone.

Permissionless blockchains offer open access, transparency, and interoperability, making them a powerful foundation for scalable, efficient, and innovative tokenisation across global markets. To that end, we recommend that the IFSCA adopt a framework that is technology neutral but risk-sensitive—one that would enable the use of permissionless DLT infrastructure while maintaining strong prudential oversight through permissioning mechanisms and operational controls at higher layers of the technology stack.

The risks associated with permissionless DLT systems fall within traditional risk taxonomies, and banks and financial institutions are well-equipped to manage these risks through established governance and compliance tools. Rather than penalising DLT systems based solely on their open architecture, regulation should focus on the risk profile of the specific solutions built on these networks—particularly when those solutions incorporate robust permissioning, identity management, and smart contract-based controls.

This approach reflects global best practices. In jurisdictions such as Switzerland, Hong Kong, and Germany, permissionless networks are used to support institutional-grade financial instruments, augmented by higher-layer controls that preserve regulatory oversight. These systems provide significant public interest benefits, including enhanced transparency, programmability, auditability, and operational resilience—features that can strengthen supervisory capacity rather than undermine it.

A risk-based regulatory posture would align with IFSCA's objective of promoting innovation and capital market development in a safe, sound, and forward-looking manner. This would allow financial institutions in GIFT City to responsibly experiment with, and scale, blockchain-based financial products and services that meet both domestic and international demands.

Enable Institutional-Scale Tokenised Issuances

Recommendation: IFSCA should avoid imposing rigid quantitative thresholds (e.g., issuance or market caps) for tokenised financial instruments within its sandbox or regulatory regimes.

To realise the full potential of tokenisation and DLT in India's capital markets, it is essential to create a market structure that allows institutions to participate. Institutional investors and asset managers must be able to issue and transact in volumes that mirror traditional capital markets. Current issuance caps or hardcoded limits risk making tokenised financial instruments economically unviable for large-scale adoption.

We recommend the adoption of a supervisory-led approach that allows for flexibility in issuance thresholds and transaction volumes, rather than rigid caps. This supervisory discretion would ensure appropriate oversight while accommodating the varying risk profiles and operational needs of institutional market participants. It would also enable India to stay globally competitive, particularly as jurisdictions like the EU consider raising issuance thresholds in recognition of tokenisation's projected multi-trillion dollar market opportunity.

From the outset, GIFT City should be positioned to support institutional-grade infrastructure and tokenised asset issuance at scale. This includes building capacity for large, liquid tokenised instruments—such as tokenised money market funds, government securities, and commercial paper—to ensure viability and confidence among institutional actors.

A regulatory architecture that is principles-based and innovation forward, rather than prescriptive and narrow, will allow GIFT City to lead as a modern financial hub, aligning with global best practices while meeting India's unique capital market objectives. GIFT City's lead will create a path for India to embrace tokenisation and DLT-based capital markets.

Allow Regulated Stablecoins for Onchain Settlement

Recommendation: IFSCA should permit stablecoins, particularly INR- and USD-backed stablecoins that meet defined standards for use, to be used in the settlement of tokenised securities and in other DLT-based capital markets activities.

Stablecoins can transform financial markets by enabling near-instant, low-cost and transparent settlement of large-scale transactions. To unlock the full potential of DLT-based capital markets within GIFT City, we recommend that IFSCA formally allow the use of INR- and USD-backed stablecoins, issued by appropriately regulated entities, for settlement of tokenised securities and related capital markets activities.

In DLT environments, onchain cash settlement assets are a foundational building block, enabling atomic settlement, 24/7 transaction finality, and programmable financial workflows. These features are critical for realising efficiency gains over traditional market infrastructure and for supporting cross-border interoperability, especially in the context of GIFT City's ambition to serve as a global financial hub.

While ongoing wholesale CBDC pilots are promising, current infrastructure cannot support commercial settlement needs. Stablecoins that meet defined regulatory standards can fill this gap, enabling near-instant, low-cost settlements across a wide range of use cases—from tokenised money market funds to government securities and digital bonds.

We recommend that IFSCA adopt a regulatory framework—either modelled on international approaches like the EU's MiCA and US proposed legislative frameworks, or via its own authorisation pathway—to govern the issuance and use of stablecoins in capital markets. Such a framework should include (i) requirements for full reserve backing in high-quality liquid assets (*i.e.*, T-bills, reserve repos), (ii) redemption rights for token holders, (iii) ongoing regulatory reporting and audits, and (iv) issuer registration with FIU-IND and adherence to AML/CFT requirements.

As a first step, use of stablecoins in DLT-based securities settlement could be limited to sandbox-approved transactions or specific asset classes, with clear risk frameworks and oversight mechanisms. This approach would allow for evidence-based evaluation and incremental expansion of scope over time, in line with global best practices.

Establish Custody Rules for DLT-Based Securities

Recommendation: IFSCA should provide regulatory clarity on the treatment of custody, including user self-custody, in the context of tokenised assets—recognising both traditional custodians and DLT-native models, such as smart contract-controlled wallets.

We recommend that IFSCA establish a dedicated regulatory framework for the custody of tokenised securities, recognising both traditional models and DLT-native custody approaches such as wallets that make use of smart contracts, and user self-custody.

DLT eliminates the need for off-chain ownership records and enables onchain custody to be embedded directly into protocol-level infrastructure. This creates new opportunities for secure, transparent, and programmable custodial arrangements that are fundamentally different from traditional intermediated models. In the EU context, the lack of harmonised rules for custody of DLT-based assets has created uncertainty around legal title, insolvency protection, and cross-border enforceability—ultimately inhibiting the development of scalable custody solutions for digital securities. India has the opportunity to leapfrog this issue by adopting a forward-looking framework that reflects the unique characteristics of blockchain-native infrastructure. We therefore recommend that IFSCA:

- Recognise both licensed traditional custodians and DLT-native custody structures, including smart contract-based custodianship and multi-signature or threshold signature schemes.

- Permit user self-custody in tokenised capital markets under defined risk management standards and investor classifications.
- Establish a flexible licensing and oversight framework for digital asset custodians operating in GIFT City, drawing on global precedents like Switzerland's DLT Act and Germany's eWpG, but tailored to India's innovation objectives.
- Clarify treatment of custody in insolvency scenarios and ensure that digital asset holders retain enforceable rights to their tokenised assets.

Rather than replicate traditional financial infrastructure, IFSCA has an opportunity to define global best practices for token-native custody, encouraging the safe development of new models while maintaining investor protection and regulatory oversight. Regulatory clarity on digital custody will be foundational to GIFT City's ambition to serve as a next-generation capital markets hub.

Explore a Framework for Digitally Native Assets

Recommendation: IFSCA should begin exploring a regulatory framework tailored to DLT-native financial market infrastructure.

To remain at the forefront of digital markets innovation, IFSCA should begin developing a dedicated, long-term regulatory framework for tokenisation on permissionless infrastructure, running in parallel with the current DLT sandbox and traditional securities regulation.

While pilot regimes are essential for experimentation, waiting until pilot phases are complete may result in lost momentum and missed first-mover advantage. As tokenisation moves from proof-of-concept to production across global markets, jurisdictions that proactively establish a permanent, outcome-based rulebook will be better positioned to attract institutional capital, fintech innovation and infrastructure development. We recommend that IFSCA explore a modular rulebook track for DLT-native market models, encompassing, (i) tokenised issuance and lifecycle management, (ii) automated compliance and smart contract-based market logic, (iii) real-time risk and transaction monitoring, and (iv) interoperable settlement mechanisms using digital money (i.e. stablecoins or CBDCs).

Such a framework would enable IFSCA to regulate based on market outcomes rather than rigid activity types, supporting diverse business models and technical architectures while maintaining core financial stability and investor protection objectives.

Importantly, this forward-looking approach aligns with India's broader Digital Public Infrastructure (DPI) philosophy—which emphasises open, foundational layers that enable permissioned innovation, inclusion, and global interoperability. Just as DPI frameworks have catalysed growth in payments and e-commerce, a token-native regulatory track could do the same for capital markets.

Conclusion

India has a unique opportunity to define how markets operate onchain—not by replicating legacy processes, but by building systems designed for a tokenised economy from the ground up. We encourage IFSCA to take a leadership position in shaping this future.