

Malaysia: Official-Gate Tokenization Feasibility

Legal/Statutory Framework – Malaysia’s laws currently provide only limited support for treating tokens as direct representations of tangible assets. There is no special statute recognizing digital tokens as equivalents to physical title or property. The Electronic Commerce Act 2006 gives functional legal effect to electronic messages (based on the 1996 UNCITRAL Model Law on E-Commerce) but *excludes* transferable documents/instruments from its scope ¹. Malaysia has not yet adopted the UNCITRAL Model Law on Electronic Transferable Records (MLETR); as of 2025 it has only reached the “Domestic Analysis” stage of considering MLETR alignment ². Likewise, Malaysia has no equivalent of UCC Article 12 establishing “control” of electronic records as a proxy for possession. Digital assets like cryptocurrencies are **not** legal tender and are regulated mainly as securities or payment instruments if they fit those definitions ³ ⁴. For example, the Securities Commission’s framework treats certain “digital tokens” as securities if they involve an investment scheme, but this does not cover tokens simply representing physical items ⁴ ⁵. In sum, the statutory regime in Malaysia does **not** yet recognize a token as conveying legal title to a physical non-financial asset – any tokenization must work around existing law (e.g. via contracts or trusts) rather than being grounded in statute.

Official Gate Infrastructure – Key official registries (“Official Gates”) exist in Malaysia for various assets, but none are currently integrated with DLT or tokenization systems. Land ownership is recorded in state land registries under the National Land Code, and vehicles are recorded by the Road Transport Department (JPJ). These registries remain conventional and **must** be updated through prescribed legal procedures to effect any transfer of ownership – there is no mechanism for an on-chain token transfer to update the land title or vehicle log automatically. For other movables, Malaysia historically lacked a unified collateral registry; security interests have been fragmented across multiple registers (companies registry for corporate charges, separate registries for certain asset types, etc.) ⁶ ⁷. This led to information silos and priority conflicts. To modernize, Malaysia has drafted a Movable Property Security Interests (MPSI) Bill (as of 2021) aiming to create a **central electronic registry** for all kinds of movable assets used as collateral ⁸ ⁹. The MPSI framework would cover a wide range of tangible assets – “*motor vehicles, crops, livestock, documents of title, negotiable instruments,*” etc. – and allow online registration of security interests ¹⁰ ⁸. However, this reform is still in progress (not in force yet), and it addresses secured lending rather than transfer-of-title. Crucially, even once operational, such a registry would record notices of charges or claims on assets; it would not, by itself, turn a blockchain token into the official record of ownership. No Malaysian authority currently offers an API or legal bridge to “bind” an official asset entry to a token controller. Thus, the necessary Official Gate linkages (land office, JPJ, or a collateral registry) to treat a token as the authoritative record **do not exist** at this time.

Alignment with Control Regimes – Malaysia shows little alignment so far with emerging international norms on electronic control of assets. As noted, MLETR (which equates control of an electronic record to possession of a paper title) is not yet implemented ². There is also no domestic law analogous to UCC Article 12 on controllable electronic records. The groundwork is being laid – for instance, Malaysia’s Electronic Commerce Act already provides general equivalence for electronic writing/signatures to ease future adoption of electronic trade documents ¹. And the proposed MPSI law demonstrates intent to modernize secured transactions law (in line with the UNCITRAL Model Law on Secured Transactions) by allowing broad asset types and possibly non-possessory pledges via registration ¹⁰ ⁸. But as of 2025, a

person who “controls” a token in Malaysia has **no legally recognized control** of the underlying physical asset in the way these international regimes envision. Any rights of the token-holder depend on contracts or off-chain arrangements rather than a statute-backed concept of digital control.

Routing Table Application (Tokenized Asset vs. Claim) – According to the Official-Gate Tokenization Methodology’s decision logic, Malaysia’s conditions cause tokenized representations of physical assets to fall under **“Tokenized Claim”** rather than true Tokenized Asset. Under the methodology’s first-match rules, one asks: *Is there a legal mechanism or official registry transformation that lets a token itself serve as the asset’s record of ownership?* In Malaysia the answer is no – transfers of tangible property still require traditional registries or physical delivery, with no law granting legal equivalence to a DLT record. The next check: *Is there at least a recognized electronic transferable record or control-based regime for this asset type?* Again, no – Malaysia has not adopted laws to treat electronic records as negotiable for assets like machinery, vehicles, or livestock. **Thus, the tokenization outcome defaults to a Tokenized Claim.** The token is essentially a **representation or promise** – its holder only has a *claim* on the asset (enforceable, for example, via a contract or trust with the asset’s legal owner), not the asset itself. If Alice tokenizes a Malaysian vehicle or machine and Bob buys the token, Bob’s ownership isn’t finalized until the official transfer (e.g. update of the JPJ vehicle registry or a bill of sale) is executed off-chain. The token might confer a contractual right or expectation, but it is **not self-sufficient** to confer legal title in Malaysia ¹¹. In summary, Malaysia’s current environment means tokenization of tangible non-financial assets must rely on off-chain legal processes; the tokens function as **claims on the asset**, not the asset itself.

Bahrain: Official-Gate Tokenization Feasibility

Legal/Statutory Framework – Bahrain has established a more **DLT-friendly legal framework**, making it an early mover in recognizing electronic records and crypto assets. In 2018, Bahrain became the **first country** to enact a law based on UNCITRAL’s MLETR, adopting an Electronic Transferable Records Law ¹². This law grants electronically issued documents (that satisfy certain integrity and control criteria) the same legal status as paper-based titles and negotiable instruments. Notably, Bahraini law now explicitly equates **“control”** of an electronic transferable record with **possession** of the corresponding paper document ¹³. For example, a blockchain-based bill of lading or warehouse receipt that meets the law’s standards would let the controller of the electronic record claim the goods, just as holding a paper document would. In addition, Bahrain updated its Electronic Transactions Law in 2018 to align with the latest international e-commerce norms ¹⁴, and it has been receptive to blockchain tech generally. The Central Bank of Bahrain (CBB) introduced a comprehensive regulatory framework for crypto assets in 2019, covering activities from exchanges and custody to token offerings ¹⁵ ¹⁶. This provides legal clarity and oversight for digital tokens and exchanges, making Bahrain one of the first in its region to license and regulate crypto-asset service providers ¹⁷ ¹⁸. However, it’s important to distinguish regulatory support from property law: while Bahrain clearly **recognizes digital tokens** as a legitimate asset class (under financial law), it does not automatically mean every token is a direct embodiment of a tangible asset’s title. The legal advances (MLETR, etc.) apply primarily to **trade documents and intangible assets**; there is not yet a statute saying “a token is a car (or piece of equipment) for ownership purposes.” Still, Bahrain’s laws provide a stronger foundation than most for tokenizing real-world assets, especially in contexts where a document of title can be used.

Official Gate Availability – Bahrain’s institutional infrastructure is increasingly supportive of digital transformation, though traditional registries are still in place for physical assets. The Kingdom maintains a centralized Land Registry (Survey and Land Registration Bureau) and a Vehicle Registration system (under

the traffic directorate), which **legally govern ownership** of real estate and motor vehicles respectively. At present these official gates have not been replaced or directly augmented by blockchain records – any transfer of land or vehicles must be recorded in the official registry to be legally effective (typically via notarized deed transfers or title certificate updates). There have been discussions and pilot ideas (regionally) about blockchain-based land registries, but in Bahrain such a change would require formal legal reform of land transfer procedures ¹¹ (e.g. allowing tokenized title deeds), which has not occurred yet. On a positive note, Bahrain is modernizing the way it handles **movable assets as collateral**. In April 2025, the Bahraini Parliament considered a new *Law on Secured Transactions* aimed at enabling businesses to use a wide range of movable assets – “*receivables, stock, equipment, and even future crops*” – as loan collateral without handing them over ¹⁹ ²⁰. A key feature of this draft law is the creation of a **unified electronic collateral registry** for all movable property claims ²¹. This online registry will allow public notice and priority of security interests, making it easier to enforce rights against machinery, livestock, inventory and the like ²² ²³. The reform (which is based on the UNCITRAL Model Law on Secured Transactions 2016) was drafted by the CBB and has been in development for a few years ²⁴ ²⁵. It envisions a single, notice-based registry and treats any transaction functionally creating a security interest (pledge, assignment, lease, etc.) as covered by the law ²⁶. Notably, the draft allows perfection of security either by registration or by **possession or control** of the asset ²⁷. Once this law is in force (expected around 2025), Bahrain will have an official gate for **movable assets** that is electronic and centralized. In concept, such a registry could, in the future, interface with token platforms (for example, a creditor could record that a certain token-holding entity has a charge on a piece of equipment). But initially it will likely be a conventional database accessible via a web portal, not a blockchain itself. Other “gates” include existing registries for specialized assets (ships, aircraft, etc.), and Bahrain’s e-Government initiatives may pave the way for more integration. As of now, though, there is no public indication that the land registry or vehicle registry automatically honors or updates based on token transfers. The official process must be followed separately, which means tokens are not *natively* coupled to those government records yet.

Alignment with Control Regimes – Bahrain’s legal regime is **highly aligned** with modern control-based approaches for digital records. Its early adoption of MLETR firmly embeds the concept that a person who has **exclusive control** of a qualifying electronic record is afforded the same legal rights as one who possesses a paper document ¹³. Practically, this means Bahrain recognizes the idea of “digital possession” – an underpinning principle of UCC Article 12 and similar frameworks – at least for the domain of transferable documents (bills of lading, electronic warehouse receipts, electronic negotiable instruments, etc.). Additionally, the forthcoming secured transactions law explicitly permits perfection by control for certain assets ²⁷. For example, if the collateral is an electronic security or deposit account, a secured creditor could perfect its interest by obtaining control (analogous to Article 9-104 and Article 12 of the UCC in the US). This indicates Bahrain is embracing the notion of *control = legal custody* for intangible assets and rights. In the context of tokenization, this is critical: it means Bahraini law is prepared to treat control of a token or digital record as a meaningful property interest **if** that token meets the criteria of an Electronic Transferable Record or similar. By contrast, Malaysia (for now) lacks such provisions, placing Bahrain ahead in legal readiness. It’s worth noting that even in Bahrain, the control concept has defined bounds – it applies to electronic records intended to stand in for paper documents or to serve as collateral under specific rules. But the overall legal trend in Bahrain is **pro-tokenization**: the government and regulators have openly supported blockchain and fintech innovations (through the CBB’s sandbox and licensing of exchanges, etc.), indicating strong institutional alignment toward recognizing digital records in commerce ¹⁸ ¹⁷.

Routing Table Application (Tokenized Asset vs. Claim) – Using the Official-Gate methodology’s routing table for asset tokenization in Bahrain reveals a **mixed outcome** that depends on the nature of the asset

and available legal mechanisms. On one hand, Bahrain checks several high-level boxes for true **Tokenized Asset** status: it has a statutory framework (MLETR) that can render a tokenized record legally equivalent to an asset document, and it is establishing official electronic registries that could serve as integration points. For instance, if we consider goods in a warehouse or in transit – assets that traditionally rely on documents of title – Bahrain’s law allows a properly controlled *electronic* warehouse receipt or bill of lading to fully embody the rights to those goods ¹³. In such a case, a token on a blockchain *constituting* that electronic record would qualify as a **Tokenized Asset** – the token isn’t just a promise, it is the legally effective representation of the goods. The first-match rule in the routing table (looking for a legal device to treat the token as the thing itself) would be satisfied for those scenarios in Bahrain. By binding the token’s control to the **Official Gate** of a transferable record regime, the token-holder directly controls the asset entitlement.

On the other hand, for many tangible assets (machinery, private vehicles, livestock) Bahrain’s current practice still falls short of tokenized-as-asset treatment. These items do **not** typically use negotiable documents of title, nor are their primary registries (if any) linked to blockchain yet. In such cases, the routing logic would proceed past the “electronic title available?” step and find that the next conditions also fail – there is no special law allowing a car or a piece of equipment’s ownership to be transferred by token alone, and the asset’s official records remain off-chain. Therefore, a token purporting to represent, say, a truck or a herd of cattle in Bahrain today would be treated as a **Tokenized Claim** on the underlying asset. The token’s holder would ultimately need the cooperation of the asset’s registered owner or a legal process to enforce their rights. For example, if Alice sells Bob a token representing a Bahraini-registered vehicle, Bob only becomes the legal owner when the traffic authority updates the registration to his name; the token itself, absent that, is effectively a contractual claim on Alice to transfer the car. The methodology’s routing table would classify this outcome as a claim, since no “Official Gate” was actually tied into the token transfer.

In summary, Bahrain stands at the threshold of enabling true tokenized assets: **certain use-cases already qualify as Tokenized Assets** under its laws (notably, tokens functioning as electronic transferable records for goods and trade finance instruments). In those domains, Bahrain provides the legal certainty that control of the token = control of the asset’s rights ¹³. **Other use-cases still result in Tokenized Claims**, because the legal system for now still requires off-chain formalities for transferring ownership of most physical assets. The direction, however, is clear – Bahrain’s legal and institutional evolution is bridging the gap between traditional registries and blockchain. As its collateral registry comes online and if future reforms address asset title transfers (for real estate, vehicles, etc.), we can expect the **first-match precedence** in Bahrain to increasingly hit on frameworks that support Tokenized Asset treatment rather than defaulting to claims. The analysis for Bahrain, therefore, is that it already surpasses many jurisdictions in tokenization readiness, but **each asset type must be examined** against the routing criteria. Where a recognized digital control regime or official-integrated registry exists, the token can be deemed a Tokenized Asset; otherwise, it remains a Tokenized Claim backed by off-chain enforcement.

Justification of Outcomes – These jurisdictional findings illustrate how the Official-Gate Methodology v1.2 is applied in practice. In Malaysia’s case, none of the prerequisite legal or institutional “gates” are active to elevate a token to being the asset itself, so any tokenization of tangible assets yields a **claim-based structure** (the token is essentially a pointer to an off-chain agreement or registry entry, not the primary record). In Bahrain’s case, the presence of **electronic transferable record law** and impending unified registries means that, for some assets, a token **can** serve as the primary evidence of rights (hence a true tokenized asset). For other assets, Bahrain defaults to the conventional approach (token as a secondary representation), hence a claim. This split outcome in Bahrain underscores the importance of the

methodology's routing table and its first-match precedence: the **first available legal/institutional mechanism** in the jurisdiction's hierarchy will determine the tokenization model. Bahrain happens to have such a mechanism for certain asset classes (MLETR for documents of title), whereas Malaysia does not – leading to a clear divergence in tokenization outcomes between the two jurisdictions.

Sources: The analysis draws on Malaysia's legislative status (e.g. lack of MLETR ² and existing security interest laws ⁶), the planned MPSI registry reforms ¹⁰, Bahrain's enacted laws (MLETR-based Electronic Transferable Records Law ¹² ¹³ and updates to e-Transactions ¹⁴), and Bahrain's new collateral registry framework ²⁰ ²⁷, as well as commentary on needed changes for tokenized property rights ¹¹. These sources collectively support the conclusion that Malaysia's tokenization of tangible non-financial assets currently results in Tokenized Claims, whereas Bahrain's legal infrastructure enables some Tokenized Assets in principle, with other cases still being Tokenized Claims due to remaining reliance on traditional registries. The outcomes are reached by examining each jurisdiction's laws, technical systems, and institutions against the control and registry criteria of Official-Gate Tokenization Methodology v1.2. ¹³ ⁷

¹ ² [apec.org](https://www.apec.org)

https://www.apec.org/docs/default-source/publications/2025/2/225_cti_paperless-trade.pdf?sfvrsn=d5779b94_1

³ ⁴ ⁵ [Legal Aspects of Non-Fungible Tokens in Malaysia - Azmi & Associates](https://www.azmilaw.com/insights/legal-aspects-of-non-fungible-tokens-in-malaysia/)

<https://www.azmilaw.com/insights/legal-aspects-of-non-fungible-tokens-in-malaysia/>

⁶ ⁷ [Malaysia – Secured Transactions Law Reform Project](https://securedtransactionslawreformproject.org/reform-in-other-jurisdictions/malaysia/)

<https://securedtransactionslawreformproject.org/reform-in-other-jurisdictions/malaysia/>

⁸ ⁹ ¹⁰ [Pages - MPSI](https://www.ssm.com.my/Pages/Legal_Framework/mpsi.aspx)

https://www.ssm.com.my/Pages/Legal_Framework/mpsi.aspx

¹¹ [The tokenization of real estate A view from the Middle East | DLA Piper](https://www.dlapiper.com/en/insights/publications/real-estate-gazette/real-estate-gazette-35/the-tokenization-of-real-estate-a-view-from-the-middle-east)

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¹² ¹³ ¹⁴ [Bahrain enacts the UNCITRAL Model Law on Electronic Transferable Records](https://unis.unvienna.org/unis/en/pressrels/2018/unisl269.html)

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¹⁵ ¹⁶ ¹⁷ ¹⁸ [Crypto assets](https://www.bahrain.bh/wps/portal/en/BNP/HomeNationalPortal/ContentDetailsPage!/ut/p/z0/dY5NT8JAEIb_ynroeQcbyB8iidUEQQ8E90Km7WRZ2c4s7Wjk31tuRuT4JO_HY53dWsf4FTxqEMY48LsrdqOnCZSzb4D14nYMr5u7t2K-HMHyMbFP1v0OIC_rBRsf5apOff8LH8ejurauFlb7VbitOO-wywEo-1eiezCGwb6TNgFrq_ABGqd6zRPGb-gw6iqjUGJU6oEIEZsK-dz763Apec2B-F-HJvigGA0NYWIPI-91d0oqBvuetLfp4KpJ9Dc_RnKozQ!!/?page=Content.Details.Page&urile=wcm%3Apath%3A%2Fbnp_en%2Fabout%2Bthe%2Bkingdom%2Fdigital%2Beconomy%2Frelated%2Btopics%2FCrypto%2F)

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¹⁹ ²⁰ ²¹ ²² ²³ [Parliament to Debate Law Allowing Movable Assets as Loan Collateral | THE DAILY TRIBUNE | KINGDOM OF BAHRAIN](https://www.newsofbahrain.com/bahrain/111973.html)

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²⁴ ²⁵ ²⁶ ²⁷ [Bahrain – Secured Transactions Law Reform Project](https://securedtransactionslawreformproject.org/reform-in-other-jurisdictions/middle-east/bahrain/)

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