

## WORLD GOLD COUNCIL AND LINKLATERS LLP LAUNCH A VISION FOR THE NEXT-GENERATION GOLD MARKET



The World Gold Council, Linklaters and Hilltop Walk Consulting have unveiled a pioneering vision to transform the global gold market through the introduction of Wholesale Digital Gold—a transformative concept that will enhance how gold is owned, traded, and utilised. In today's wholesale market, gold trades are settled in two main structures. The first is allocated gold which involves direct ownership of specific physical bars but is operationally complex; and the second is unallocated gold, which has higher liquidity and lower costs, but may expose investors to the credit risk of the institution where the account is held.

Following on from the FMSB's Precious Metals Spotlight Reviews<sup>1</sup>, and in consultation with key industry participants; we propose a new way to settle gold, bridging the gap between these two structures. Pooled Gold Interests (PGI) combines the best of both worlds by providing physical ownership, just like allocated gold, but with new benefits to investors including:

- Broader and simplified use of gold, including as collateral.
- Ownership of an interest in a pool of vaulted gold bars – even in small, fractional amounts.
- Easy and secure transfer of gold interests between parties.

### **Mike Oswin, Global Head of Market Structure and Innovation, World Gold Council commented:**

"Wholesale Digital Gold is a vision to transform the way gold is owned and traded. The UK Government's recent publication on Financial Markets Digital Strategy highlights the importance of digitalising wholesale markets to drive efficiency, resilience, and innovation—an ambition that closely aligns with our own."

"As the world's leading gold trading hub, with the Loco London market clearing an average of 20 million ounces daily, the UK is well positioned to lead the way in improving the way gold is traded and cleared to the benefit of all market participants. Introducing a robust legal structure and innovative technology for gold ownership and settlement, will only reinforce London's role in the global gold market."

The Wholesale Digital Gold ecosystem is designed to be technology-neutral, supporting initiatives like World Gold Council and LBMA's Gold Bar Integrity programme. It also optimises for regulatory compliance and capital efficiency.

To support this innovation, a new legal framework has been developed by Linklaters. This framework underpins the issuance and transfer of interests in a pool of vaulted gold bars, ensuring beneficial ownership of the physical gold held in custody. Core participants in the Wholesale Digital Gold ecosystem would co-own the underlying pooled gold and issue digital fractional ownership interests in the gold, maintaining transparency and trust.

### **Richard Hay, Partner and UK Head of Fintech at Linklaters, commented:**

"We are proud to support the World Gold Council and the broader industry in articulating their exciting vision for a digital gold market through the development of a new legal structure to support that vision. This structure provides legal certainty and supports operational flexibility essential for innovation in precious metals trading. By enabling secure, transparent and efficient digital ownership of fractional interest in gold, we are helping to unlock new opportunities for market participants and reinforcing London's leadership as the world's preeminent gold trading hub."

### **Michael Voisin at Linklaters, commented:**

"We were delighted to build upon our track record of delivering innovation in the financial markets through the design of a novel legal infrastructure supporting the vision for Wholesale Digital Gold. The vision and underpinning legal solution are also closely aligned with UK Government's recently announced Wholesale Financial Markets Digital Strategy."

The World Gold Council invites market participants, regulators, and technology providers to engage with this initiative and help shape the future of the gold market.

# Wholesale Digital Gold: Unlocking new use cases

The proposed Ecosystem, by serving as a complementary ‘third foundational pillar’ of the gold market alongside existing allocated and unallocated gold settlement, capitalises on the respective strengths of the existing allocated and unallocated approaches and addresses some of the friction in the current market. Through leveraging a new legal structure, the Ecosystem can unlock additional utility and function by creating a unique solution with a combination of characteristics previously not available together:



## Fractionalisation

Within the Ecosystem, PGI would be fractionalised into units of one thousandth of an ounce, consistent with unallocated gold and significantly smaller than one gold bar, allowing for smaller units of trading and investment of allocated gold and in turn facilitating broader access to the gold market.



## Credit Exposure

PGI Holders would have no credit exposure to vault operators, custodians, or other intermediaries.



## Collateralisation

PGI could be utilised as collateral in various financial transactions. PGI have been structured to be eligible collateral under EU and UK EMIR and Dodd-Frank Act, which, subject to any contractual restrictions, should also allow PGI to be delivered to EU and UK CCPs and FMIs (see the section titled ‘PGI as collateral’ on page 7 for more information).



## Ready Transferability

PGI have been designed for seamless electronic transfer within the Ecosystem. The Ecosystem will accommodate on-ramping and off-ramping of gold, with corresponding adjustments to PGI.



## Payment Integration

The Ecosystem would be compatible with both traditional payment rails and emerging digital payment solutions (see the section titled ‘Integration of payments into the Ecosystem’ on page 9 for more information).



## Regulatory Compliance

The Ecosystem would be built to act as a settlement system for OTC gold trading and to comply with relevant regulatory regimes as unallocated and allocated settlement does today. PGI are not securities or digital assets; they are direct, fractional ownership rights in segregated gold.



## Regulatory Capital

The Ecosystem and PGI have been designed to minimise regulatory capital exposures for participants.

