

8: Tokenisation of gold

Gold-backed digital tokens, recorded on a blockchain, are a nascent form of IIG product. As defined in this Guidance, IIG products do not encompass tokenised versions of gold-backed financial securities or derivatives, because IIG does not include gold-backed financial securities. As the sector is still nascent, the application of sound practices is particularly important. Gold tokens should

give investors adequate rights, providers should ensure proper business operations and all stakeholders should comply with applicable laws and regulations. This will help product providers to better protect themselves and their customers. The adoption of sound practices should also help the sector to gain a reputation for safety and professionalism.

8.1 Ownership of gold

Provide investors with tokenised gold, ownership of which is represented on a blockchain/distributed digital ledger

General IIG sound practices

- The preceding guidance on IIG is equally applicable to tokenised gold. Gold holdings should, for example, be professionally stored and adequately insured. And all relevant information, including specific features, risks and fees should be disclosed.

Token rights

- Gold tokens on a blockchain or digital ledger should represent legal ownership in the tokenised asset, i.e. gold.
- Product providers should clearly disclose details regarding the tokenised gold products they are offering, in particular whether tokens are on a private or permissioned blockchain, or a public, fully decentralised blockchain. Providers should also explain the respective impact (including the key risks and benefits) to investors.

Trading

- Tokenised gold should be readily tradable, be it through the provider, the provider's platform or a public exchange. Providers should consider the regulatory implications of offering a secondary market in tokenised gold.

Additional best practices:

- Do not limit dealing to one specific cryptocurrency and enable the use of more than one wallet. In other words, do not create a 'walled garden' ecosystem.

8.2 Adequate operations

Meet operational requirements of standard IIG products, as well as tokenisation operational requirements

General IIG sound practices

- The preceding guidance on IIG is equally applicable to tokenised gold, including sound practices on cash management, storage, selection of service providers, audit and reporting.

Personnel

- Key personnel should have adequate experience related to asset-backed tokens or at least blockchain technology in general, as well as relevant facets of the gold market, such as trading and storage.

Cyber security

- Product providers should implement adequate cyber-security controls for token/blockchain operations and supporting infrastructure.
- The safekeeping of private keys – be it for the provider or on behalf of investors – should be a key concern.

Additional best practices:

- Commission specialised service providers to conduct security and code audits.
- Publish and/or use open-source code to allow for external review.



8.3 Token standards and regulations

Comply with applicable standards and regulations for gold-backed tokens in all relevant markets

General IIG sound practices

- The preceding guidance on IIG, in sections 1-7, is equally applicable to tokenised gold, in particular sound practices regarding customer onboarding, such as AML and KYC.

Financial services and tax regulation

- Providers should adhere to brokerage or securities regulations, where applicable in their respective markets.
- Providers should comply with tax law requirements and provide relevant information to customers.
- Providers should implement policies and procedures, so they are aware of global regulations applicable to tokenised gold. They should also monitor changes in the regulatory landscape.

Voluntary industry standards

- Providers should adhere to voluntary best practices or standards on tokens, as applicable.

Additional best practices:

- Work with legal, tax, regulatory or accounting advisors experienced in tokenised blockchain assets.
- Commission external reviews from independent specialists in asset tokenisation to ensure full compliance.