Gold247 Update: Creating the blueprint for digitalised gold

A World Gold Council Blog by Mike Oswin, Global Head of Market Structure and Innovation

Today's investors are increasingly adding digital assets to their portfolios. Crypto advocates rejoiced this year as the SEC approved the first spot Bitcoin ETFs to list on the New York Stock Exchange. And retail investors are also captivated by digital assets. In fact, in a recent EY-Parthenon survey of more than 1,000 retail investors, 64% said they already invest in digital assets or related products.[1]

Here at the World Gold Council, we are working to ensure gold, which has been an integral part of financial systems for hundreds of years, continues to have an important role in the future. So far in the market, we have observed the emergence of many 'digital island' gold tokens. While there has been some uptake around the world, these tokens are disjointed and often have limited functionality.

As such, we are looking to digitalise gold in a different way that can overcome the perceived restrictions on moving and storing the physical metal, enabling this high-quality asset to be mobilised and used seamlessly within financial markets.

To achieve this, the tokenisation process must effectively decouple the monetary value of gold from the physical asset. This involves creating a value token – the Standard Gold Unit (SGU)™ - to represent the monetary value of, for example, 1 gramme of pure gold. In parallel, an attributes record of the physical gold bar's purity, weight, and location is created as a secondary token that, collectively, maintains details of all gold bars collateralised in the ecosystem. This would enable all physical gold of trusted integrity to be tokenised and utilised as financial collateral, irrespective of its physical attributes and location. We believe the creation of the SGU™ ecosystem will, for the first time, allow the separation of gold's value from each specific gold bar, thereby enabling true fungibility and mobilisation of gold for a range of use cases and new opportunities.

We recently took part in a pilot with Digital Asset and other market participants to tokenise U.K. bonds (gilts), Eurobonds, and gold for financial transactions using the Canton Network protocol. The project created digital representations of these assets to be used as collateral with greater transparency, faster transfers and around-the-clock, near-instantaneous settlements between parties, without the delays associated with traditional financial rails.

This pilot was a useful exercise that demonstrated how digital gold can be used and mobilised within financial markets. It also helped underscore how the SGU™ is distinct from the 'digital island' tokens that we've seen in the gold market so far.

But there is still work to be done in creating the right foundations for the SGU™. Without the distributed ledger technology integrity foundation (Gold Bar Integrity Programme) and digitalised market infrastructure (Wholesale Digital Gold), golden tokens will continue to have limited functionality and risk fragmenting the market.

As we continue to progress core elements of the Gold247 programme – including the SGU™, Gold Bar Integrity Programme and Wholesale Digital gold, we are inching closer to developing a

truly digitalised ecosystem for gold and enabling a range of tokenised gold products for the market.

Footnotes

[1]https://www.ey.com/en_us/insights/financial-services/how-investors-make-digital-assets-part-of-their-lives#:~:text=Retail%20investors%20consider%20digital%20assets%20as%20a%20key%20component%20of

About World Gold Council

We are a membership organisation that champions the role gold plays as a strategic asset, shaping the future of a responsible and accessible gold supply chain. Our team of experts builds understanding of the use case and possibilities of gold through trusted research, analysis, commentary, and insights. We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.