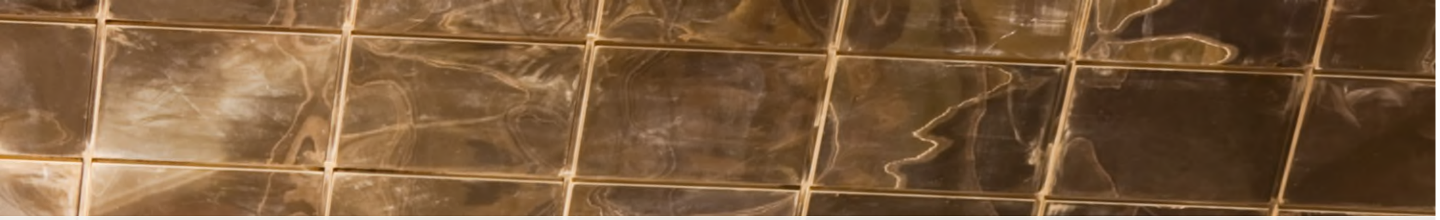
Linklaters | WORLD GOLD COUNCIL

UNDER EMBARGO UNTIL WEDNESDAY 3 SEPTEMBER 2025 09.00 BST

White Paper: Pooled Gold Interests and Wholesale Digital Gold – A New Vision for the Gold Market



Contents

Vision statement

There is an ‘opportunity gap’ in the gold market. For many years, the over-the-counter (“**OTC**”) gold market has been settled through two key structures – allocated gold and unallocated gold.

Allocated gold refers to physical gold bars stored in vaults which are specifically allocated to a holder, where each bar has a unique serial number, weight and fineness.

Settling through allocated gold allows for the transfer of direct ownership and title to specific gold bars, which has traditionally provided holders with the certainty of gold ownership while insulating holders from the credit risk of the custodian banks. The ‘quid pro quo’ for this certainty is increased operational complexity and a limitation of holding only whole-bar multiples.

Conversely, unallocated gold refers to a holder’s credit claim against an institution where their unallocated account is held, for a specific quantity of gold.

In the unallocated gold market, specific gold bars are not set aside for the holder, rather the holder has a contractual right against the institution where their unallocated account is held in respect of their entitlement. Unallocated gold has traditionally provided holders with greater liquidity through deeper markets, and quick and simple settlement mechanics. However, the ‘quid pro quo’ for unallocated gold is that it requires holders to take the credit risk against the institution where their unallocated account is held.

We believe there is a unique opportunity to reshape the current landscape by establishing a third foundational pillar for settlement of gold in the OTC market: the Wholesale Digital Gold ecosystem (the “**Ecosystem**”). The creation of this new Ecosystem will be underpinned by the development of an innovative new digital form of gold, Pooled Gold Interests (“**PGI**”) in respect of Gold Bars. This third foundational pillar to the gold market has been designed to sit alongside existing settlement through allocated and unallocated gold, and is founded on the belief that gold, when paired with a new legal infrastructure, could unlock significant new opportunities for trading, investment and collateral posting across financial markets.

Definition of “Gold Bars”

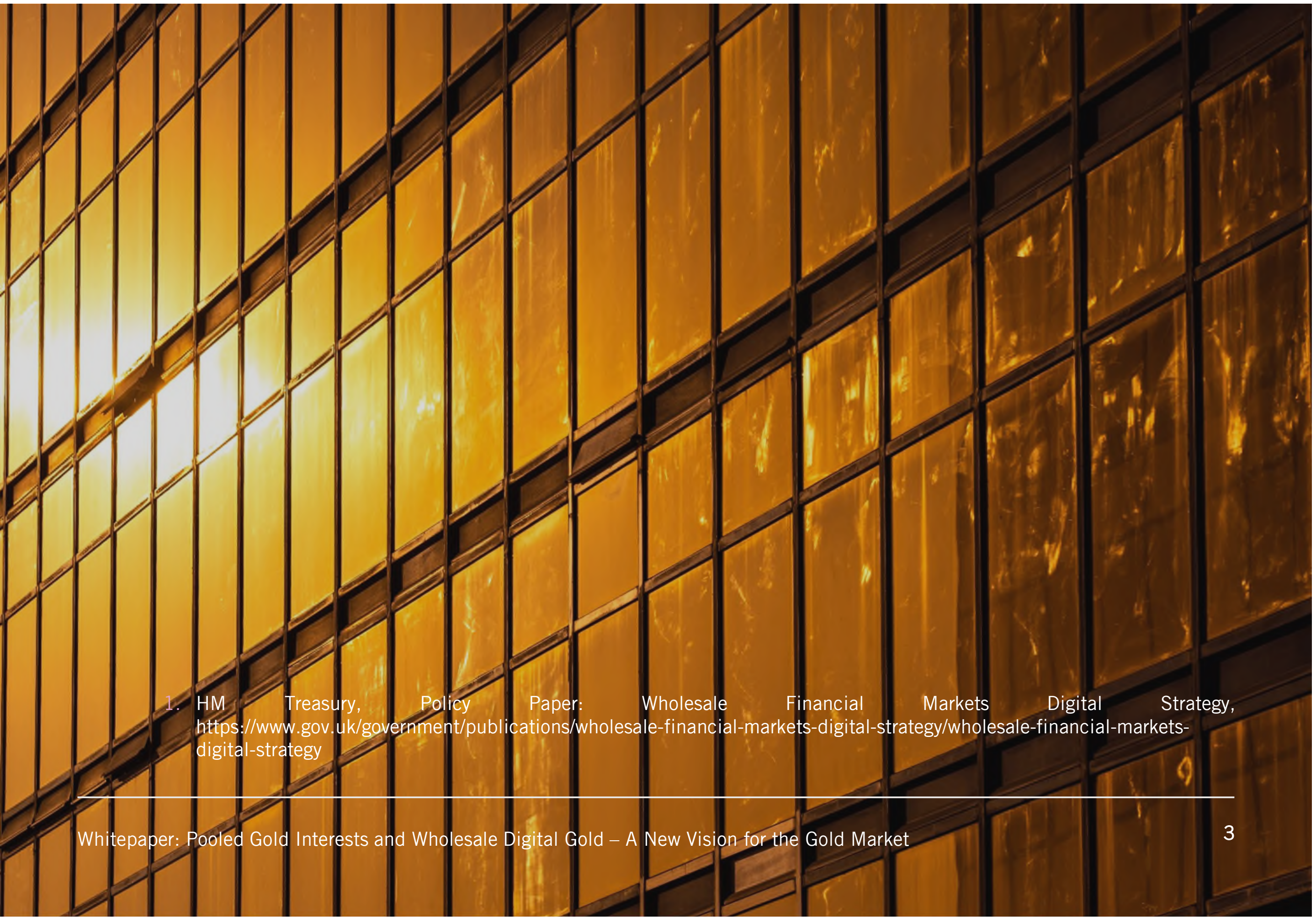
In this whitepaper, the defined term “**Gold Bars**” means a pool of physical gold bars underlying the PGI that are stored in one or more vaults, segregated for and co-owned by the Core Participants. References to the non-capitalised term “gold bars” will have its ordinary meaning.

As a third foundational pillar of the gold market, the Ecosystem and PGI will capitalise on the benefits of both allocated and unallocated gold, while minimising their respective drawbacks. In other words, they will address the ‘opportunity gap’ between the first two pillars, by evolving gold as a financial asset, making it easier to transfer, enabling fractional ownership of gold bars, ensuring protection from the insolvency of the custodian, and allowing for more flexible use of gold as collateral.

This whitepaper explores the details of this ‘opportunity gap’ and presents the Ecosystem and PGI as a unique and timely solution. It has been written as part of an industry initiative sponsored by the World Gold Council, in close collaboration with Hilltop Walk Consulting and Linklaters LLP and draws on insights from leading market participants involved in the initiative.

The principles and framework set out in this whitepaper are adaptable and could also be used for other commodities. By more broadly adopting the principles set out in this whitepaper, the financial markets could benefit from enhanced efficiency and capabilities across a range of physical assets, which could transform how commodities are held, traded, and utilised in the broader financial system.

We believe that the principles and framework set out in this whitepaper are also highly aligned to the UK Government’s Wholesale Financial Markets Digital Strategy.[1]



1. HM Treasury, Policy Paper: Wholesale Financial Markets Digital Strategy, https://www.gov.uk/government/publications/wholesale-financial-markets-digital-strategy/wholesale-financial-markets-digital-strategy

The gold market today: Cornerstone of the financial system

The global gold market is a well-developed cornerstone of the financial system. At the heart of gold's enduring relevance is its distinct dual nature. It functions as both a tangible commodity with intrinsic value and a highly liquid financial asset. This dual characteristic drives gold's importance to a diverse range of stakeholders, from individual investors to central banks.

As a commodity, gold is prized for its physical properties such as its durability, conductivity and malleability, and, among other things, is used in jewellery and advanced electronics. As a financial asset, gold is a recognised store of value. It serves as a hedge against inflation and currency devaluation, and is seen as a 'safe haven' during periods of market volatility.

London hosts one of the largest wholesale gold markets in the world – the Loco London market. The Loco London market operates under the standards set by the London Bullion Market Association (the "**LBMA**") and operates 24 hours a day. It allows for trading in 'Loco London' gold, which refers to gold bullion physically held in vaults in London, and which underpins the Loco London market. As at the end of June 2025, Loco London gold amounted 8,776 tonnes valued at US$927.5bn, which equates to approximately 702,044 gold bars.[2]

The Loco London market operates on an OTC basis, meaning that trades are conducted bilaterally between market participants, without the involvement of a centralised exchange. A large number of market participants prefer trading OTC gold because it offers greater discretion and allows for direct, bilateral negotiation. As a result, the Loco London market is the largest and most liquid OTC gold market in the world, comprising 51% of global notional trading volume in gold in 2024.[3]

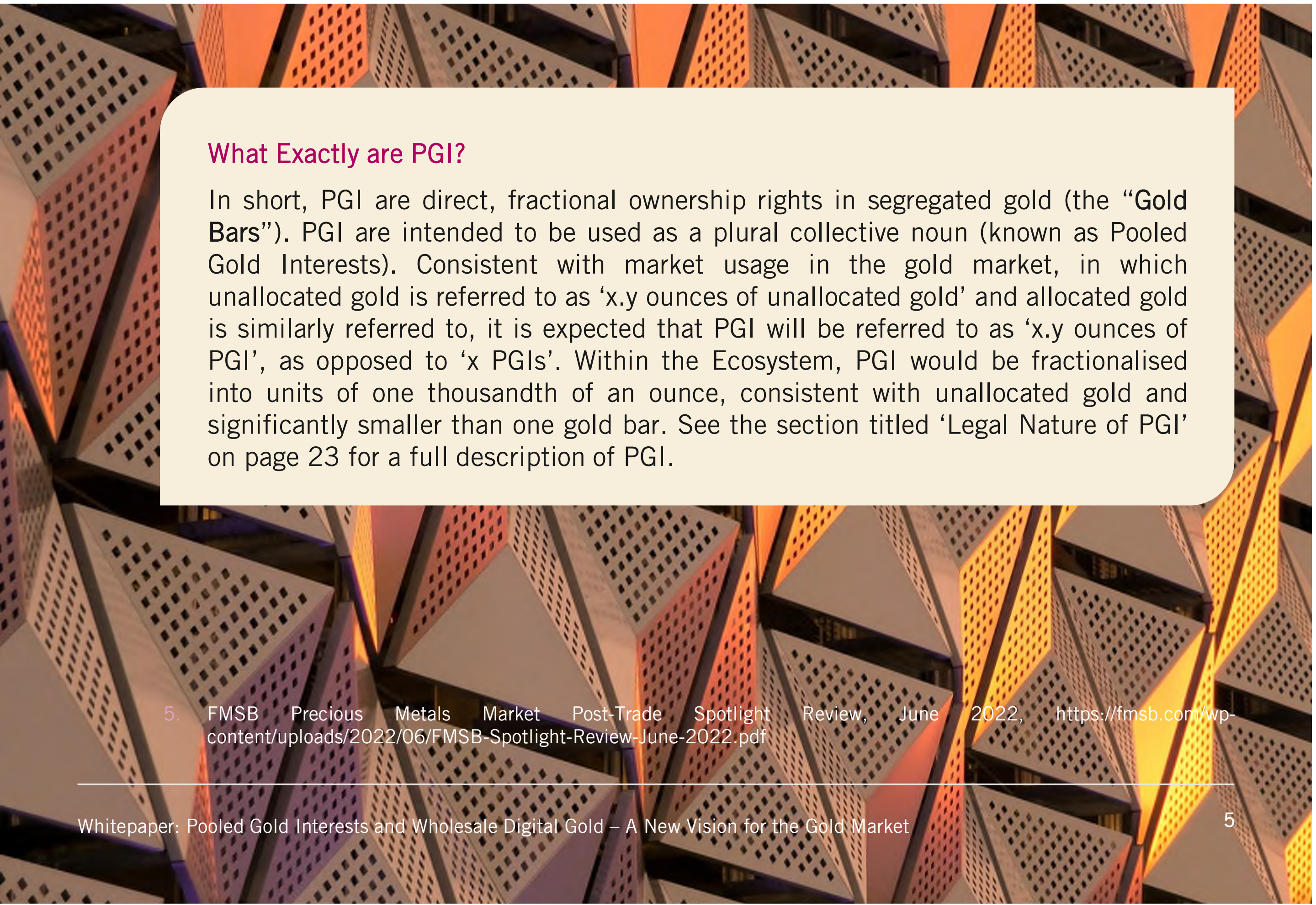
The LBMA sets standards for the gold which can be traded freely within the Loco London market. In order for gold bars to be accepted into the Loco London market, they must be certified as 'Good Delivery' bars. These gold bars must meet specific requirements as to their gold purity and weight, and can only be produced by refiners on the LBMA's Good Delivery list in order to be certified. As mentioned above, London Good Delivery gold can be held either in allocated or unallocated form. Due to unallocated gold representing a credit claim, gold does not need to be physically moved or stored when it is settled, increasing flexibility and convenience.[4] As a result, the vast majority of gold trades in the Loco London OTC market are settled over unallocated gold accounts.

2. LBMA, London vault data, https://www.lbma.org.uk/prices-and-data/london-vault-data
3. World Gold Council, Trading Volumes, https://www.gold.org/goldhub/data/gold-trading-volumes
4. LBMA, A Guide to the Loco London Precious Metals Market, https://www.lbma.org.uk/publications/the-otc-guide/precious-metal-accounts

Institutions that provide unallocated accounts to clients typically hold physical gold on their own balance sheet for two related purposes: (i) it hedges the institutions against mark-to-market swings when the gold price moves while the client holds gold in an unallocated account; and (ii) it provides immediate delivery capacity if the client elects to convert gold held in an unallocated account into allocated bars or withdraw metal outright.

A number of market reviews, such as those conducted by the Financial Markets Standards Board ("**FMSB**"), have highlighted opportunities for improvement across the financial gold market, especially concerning its post-trade processes.[5] The FMSB identified that the existing structure of the financial gold market may potentially lead to certain inefficiencies, risks, and increased costs within the current settlement and collateral management practices, which limit the full potential of gold as a financial asset. In addition, the FMSB has suggested ways in which efficiency can be enhanced in existing post-trade process, particularly through the greater adoption of post-trade automation.

These themes are also reflected in the three limbs of the UK's Wholesale Financial Markets Digital Strategy, which has identified market optimisation and transformation as key areas of focus of the strategy alongside a commitment on the part of HM Treasury to work with the financial sector to make digitalisation happen. This commitment includes providing innovative and flexible legislation and regulation to facilitate new digital infrastructures in the UK market.



What Exactly are PGI?

In short, PGI are direct, fractional ownership rights in segregated gold (the "**Gold Bars**"). PGI are intended to be used as a plural collective noun (known as Pooled Gold Interests). Consistent with market usage in the gold market, in which unallocated gold is referred to as 'x.y ounces of unallocated gold' and allocated gold is similarly referred to, it is expected that PGI will be referred to as 'x.y ounces of PGI', as opposed to 'x PGIs'. 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. See the section titled 'Legal Nature of PGI' on page 23 for a full description of PGI.

5. FMSB Precious Metals Market Post-Trade Spotlight Review, June 2022, https://fmsb.com/wp-content/uploads/2022/06/FMSB-Spotlight-Review-June-2022.pdf

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.

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 Capital

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

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).

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.

PGI as collateral

A key driver for the development of the Ecosystem and PGI, is unlocking the use of PGI (and by extension, gold) as collateral in the financial markets. Gold is in theory a highly attractive collateral asset because of the deep and liquid OTC gold market, and its reputation as a safe-haven asset.

However, gold held in unallocated accounts is not eligible as collateral under EU and UK EMIR, and allocated gold as a possessory interest is not well suited to use as collateral. To use allocated gold as collateral, there is a general expectation that it will need to be physically segregated for the collateralisation process, sometimes requiring the gold to move between storage locations, as the exchange or clearing house receiving it as collateral will typically require that the gold is held in a custody/vaulting arrangement under their control. As a result, while allocated gold is allowable collateral under uncleared margin rules (e.g., EU and UK EMIR and Dodd-Frank Act), and with many exchanges and clearing houses, it is not commonly used.

One way in which gold is used as collateral today is via a warrant structure for CME Clearing. However, to do so requires physically moving the gold bars out of an allocated account used for OTC settlement to a COMEX-approved depository and obtaining a COMEX gold warrant for the specific gold bars. The warrants can then be used as collateral exclusively for CME Clearing to cover margin obligations for certain products.

A key structuring consideration in designing the Ecosystem has been to ensure that holdings of PGI are able to integrate with existing collateral management infrastructures, including ensuring compatibility and interoperability with established systems for managing obligations under uncleared margin rules and with exchanges or clearing houses. The design of the Ecosystem would allow for this. In particular, PGI will be ‘things in action’ rather than possessory interests, which means that they can be used as collateral via a security mechanism and avoid requirements for physical transfers and segregation of the gold (as the underlying Gold Bars will already be segregated, no further segregation will be required). Additionally, as PGI can be held via custody agreements for securities and other financial instruments (even though they are not securities or financial instruments), this also facilitates their integration into existing processes.

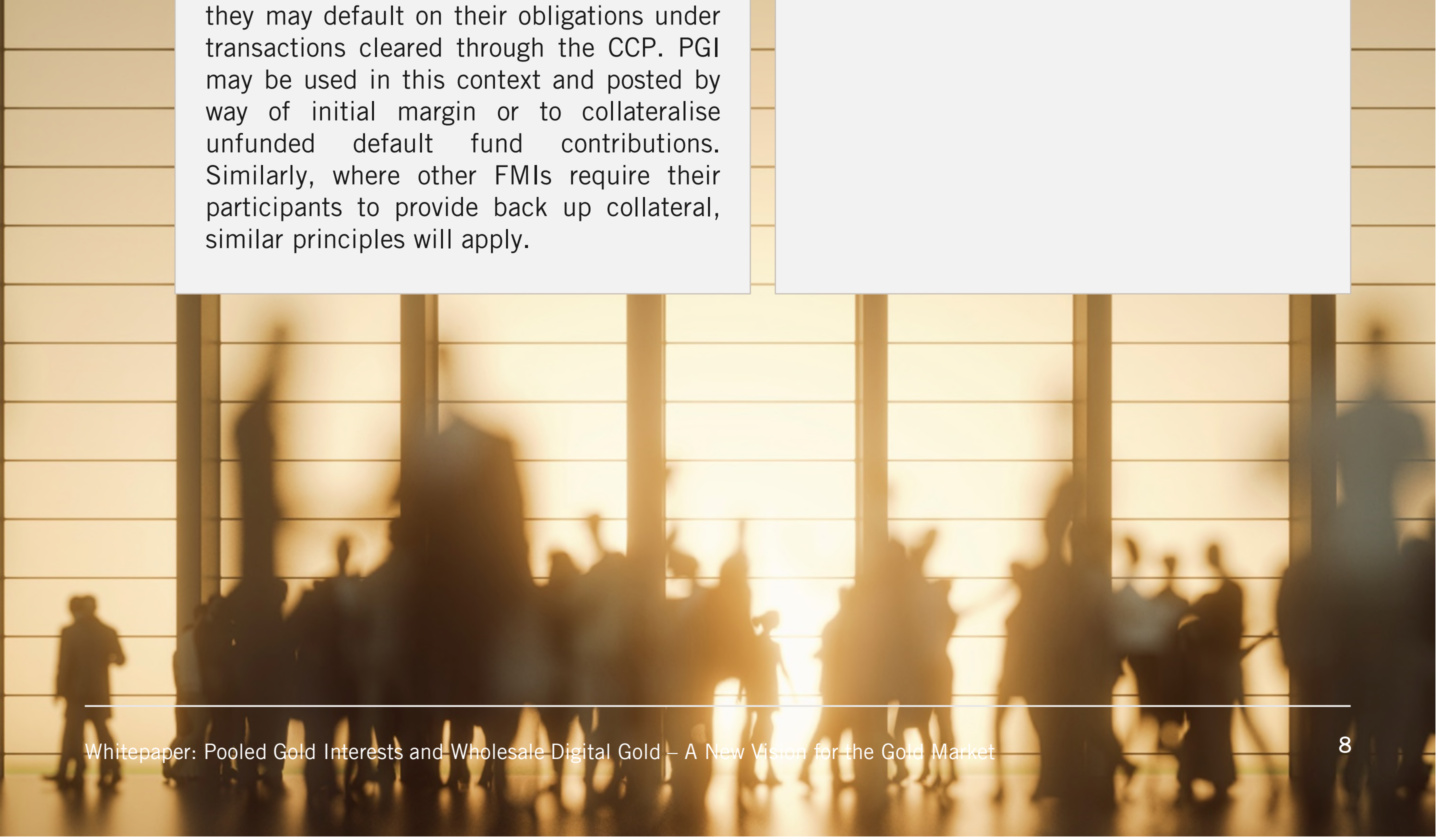
There is a potentially large range of use cases for the posting of PGI as collateral, however, for brevity, we anticipate the following two key use cases:

Posting as collateral to CCPs and other FMIs

A PGI Holder may clear derivative transactions at a CCP, either directly or through a clearing member. Members of CCPs and their clients are required to post collateral to CCPs (in the case of clients, by first posting the collateral to the clearing member) in order to mitigate the risk that they may default on their obligations under transactions cleared through the CCP. PGI may be used in this context and posted by way of initial margin or to collateralise unfunded default fund contributions. Similarly, where other FMIs require their participants to provide back up collateral, similar principles will apply.

Posting as collateral to OTC counterparties

A PGI Holder may enter into an uncleared OTC derivative transaction and use PGI to collateralise its position, either due to its regulatory obligations or as required by its OTC counterparty.



Integration of payments into the Ecosystem

Existing payment rails

The Ecosystem will initially use traditional payment rails, such as traditional USD payment mechanisms. This approach will provide operational familiarity for the participants, simplify the initial adoption of payment rails in the Ecosystem and minimise immediate integration complexity when the Ecosystem is first launched.

Delivery versus payment and delivery free of payment

If traditional payment rails are used, the settlement of PGI could take place on a DvP basis (in respect of a sale of PGI) or a FOP basis (for a posting of collateral). This is similar to how the current financial market operates.

Digital payment solutions and interoperable payment systems

As the Ecosystem becomes more frequently used, we anticipate the payment infrastructure will evolve in response to the payment demands of the participants, as well as the suitability of emerging digital payment solutions. The Ecosystem will therefore be built with a modern digital technology stack, which facilitates interoperability with a range of payment solutions, including DLT based payment systems.

If DLT or a digital payment solution is used, settlement could take place simultaneously through the synchronisation of ledger records. A key advantage of the Ecosystem is that it will be interoperable with other systems (both existing and future).

Fungibility of PGI with other forms of gold

PGI will be direct, fractional ownership rights in the Gold Bars. As such, while they can be classified as allocated gold for regulatory purposes, PGI would not be legally fungible with gold held in either an unallocated or allocated account. However, as all three foundational pillars will be valid settlement mechanisms for OTC gold transactions, the Ecosystem will allow for a Client to transfer holdings of PGI to allocated or unallocated gold or vice-versa subject to the terms of the custody arrangements between the Client and Participant providing access to the Ecosystem. This is expected to work similarly to how Clients can transfer between unallocated and allocated gold today.

Identifying the opportunity gap between unallocated gold and allocated gold

Wholesale financial markets have evolved to provide participants with a rich variety of tradable products and settlement choices, and gold is no exception. Unallocated and allocated gold settlement each provide desirable combinations of characteristics that satisfy different use cases.

However, the use of gold as collateral is less prevalent than one might expect due to the practical constraints of each: unallocated gold is not insolvency remote, and allocated gold is a possessory interest unlike typical financial collateral assets which are intangible (things in action) and can only be dealt in using integral numbers of gold bars.

There is an opportunity for the proposed Ecosystem to combine select features of unallocated and allocated gold to provide new utility that complements existing settlement mechanisms.

Unallocated gold

Benefits of unallocated gold

Enhanced fungibility

The account is denominated in fine troy ounces of gold to three decimal places, eliminating the management of varying bar sizes and purity.

Fractionalisation

Balances can be transferred in the desired small increments to give greater trading and settlement flexibility.

Efficient settlement

Electronic book-entry settlement facilitates netting and offers reduced logistical complexity compared to moving specific physical gold bars.

Liquidity

The convenience of unallocated gold settlement has led to a deeply liquid market with participants from throughout financial markets and the gold supply chain, and diversity of interest.

Constraints of unallocated gold

Counterparty insolvency risk

Unallocated gold represents a contractual obligation owed to the holder by the institution where their unallocated account is held. If the institution were to become insolvent, the holder's claim would rank alongside other unsecured creditors.

Ineligible as collateral

Due to the counterparty insolvency risk associated with unallocated gold, gold held in an unallocated account cannot be used as collateral.

Allocated gold

Benefits of allocated gold

Certainty

The holder of allocated gold has direct ownership over the allocated gold. Even in circumstances where the allocated gold is stored in a vault under a custody arrangement with a vault operator, the gold remains the sole property of the holder, who enjoys all the full rights of ownership over the allocated gold.

Credit risk

Legally, allocated gold does not form part of the reserve of any custodian bank or vault operator, meaning that the ownership of allocated gold is insulated from the creditworthiness of these entities.

Definition of a "holder"

In this whitepaper, unless otherwise indicated, "holder" of a gold bar means any owner or person beneficially entitled to a gold bar including where such gold is being held through an intermediated structure. Such meaning also applies to a "holder" of PGI.

Constraints of allocated gold

Operational complexity

Management of ownership and settlement of individual gold bars with varying weights and purity, and logistics of increased physical movement, leads to greater operational complexity compared to unallocated accounts.

Large unit size and indivisibility

Good delivery bars of approximately 400oz oblige any holder to trade in high value whole-bar increments, reducing flexibility of matching exact exposures and uneconomic overcollateralisation.

Difficult to use as collateral

Without the counterparty insolvency risk of unallocated gold, allocated gold is technically eligible as collateral. However, as a possessory interest, allocated gold is challenging to use as collateral via a security mechanism on account of the customary physical segregation and custody requirements of those taking security over allocated gold. These hurdles combined with the other identified constraints mean that allocated gold holdings are not commonly used as collateral today.

The proposed solution: Wholesale Digital Gold and Pooled Gold Interests (PGI)

The Ecosystem

As a ‘third foundational pillar’ and a solution to the ‘opportunity gap’, the Ecosystem has been designed to build on the key benefits of settling through allocated or unallocated gold while minimising the drawbacks.

At a high level, the core structure of the Ecosystem is based on a small group of ‘Core Participants’ co-owning Gold Bars held in vaults by Vault Operators. The Core Participants will issue PGI, which will be the beneficial interests in that co-ownership of Gold Bars, as explained in the section titled ‘Core Participant (legal title) to Segregation Layer’ on page 16 below.

Once issued, PGI can either be held by the Core Participants for their own account, or can be issued to be held by a broader group of ‘Participants’, who in turn can hold PGI for their own account or on behalf of Clients. In addition to holding legal title to the Gold Bars and issuing PGI, the Core Participants will be responsible for the custody and joint management of the Gold Bars, including making arrangements for the loading into and loading out of gold in the Ecosystem.

With each loading in and loading out of gold, the Ecosystem has been structured to automatically adjust and rebalance the Gold Bars, the rights of Core Participants and the number of underlying PGI. OTC gold trades can be settled through a transfer of PGI within the Ecosystem, which may also result in a rebalancing of the Gold Bars.

Wholesale Digital Gold: Overview of ownership and custody structure

The diagram on the following page presents an additional illustrative overview of the integration of the Ecosystem with Loco London allocated gold accounts. The Ecosystem will have Loco London allocated gold accounts. Once gold has been credited to the Ecosystem’s allocated accounts, it will be co-owned by the Core Participants in the proportions determined as part of the loading-in process into the Ecosystem. Beneficial interests in those co-ownership interests are then reflected by the issuance of PGI within the Ecosystem. The co-ownership interest and proportions will not directly correspond to the custody of Gold Bars. See diagram 1 for the custody structure, and diagrams 2 and 3 for the ownership structure.

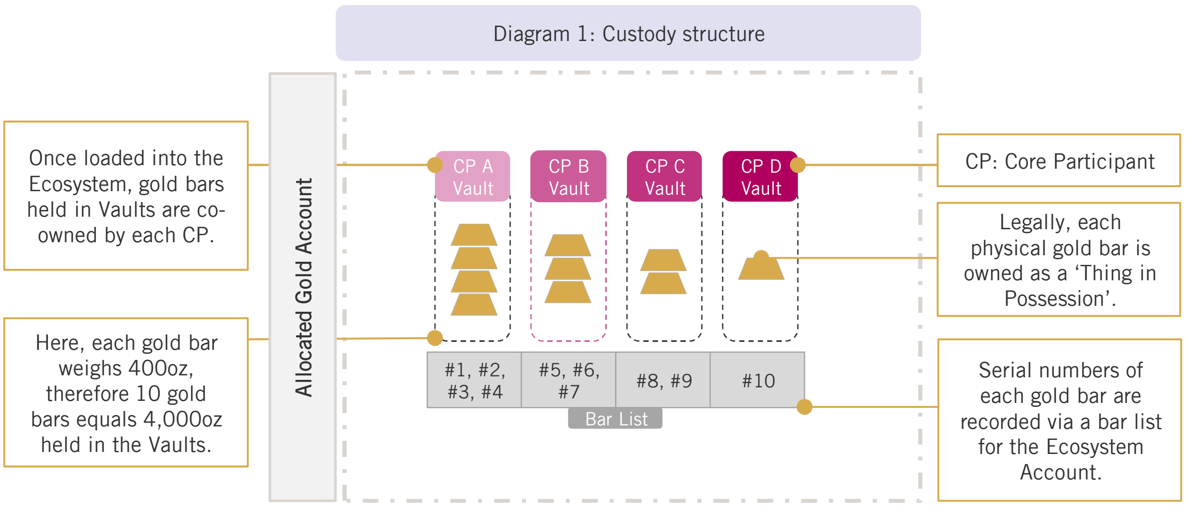


Diagram 1: Custody structure
Allocated Gold Account
Once loaded into the Ecosystem, gold bars held in Vaults are co-owned by each CP.
Here, each gold bar weighs 400oz, therefore 10 gold bars equals 4,000oz held in the Vaults.
CP A Vault
CP B Vault
CP C Vault
CP D Vault
#1, #2, #3, #4
#5, #6, #7
#8, #9
#10
Bar List
CP: Core Participant
Legally, each physical gold bar is owned as a 'Thing in Possession'.
Serial numbers of each gold bar are recorded via a bar list for the Ecosystem Account.

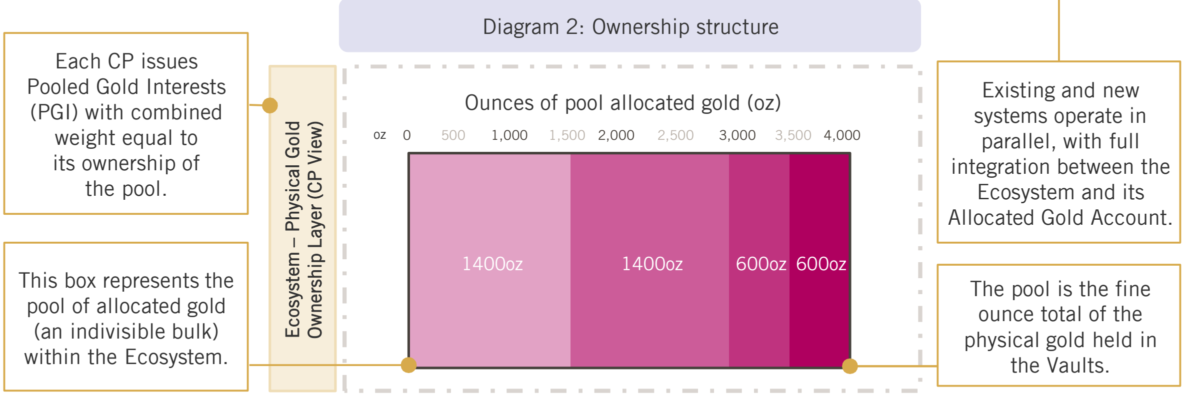


Diagram 2: Ownership structure
Each CP issues Pooled Gold Interests (PGI) with combined weight equal to its ownership of the pool.
This box represents the pool of allocated gold (an indivisible bulk) within the Ecosystem.
Ecosystem – Physical Gold Ownership Layer (CP View)
Ounces of pool allocated gold (oz)
oz 0 500 1,000 1,500 2,000 2,500 3,000 3,500 4,000
1400oz
1400oz
600oz
600oz
Existing and new systems operate in parallel, with full integration between the Ecosystem and its Allocated Gold Account.
The pool is the fine ounce total of the physical gold held in the Vaults.

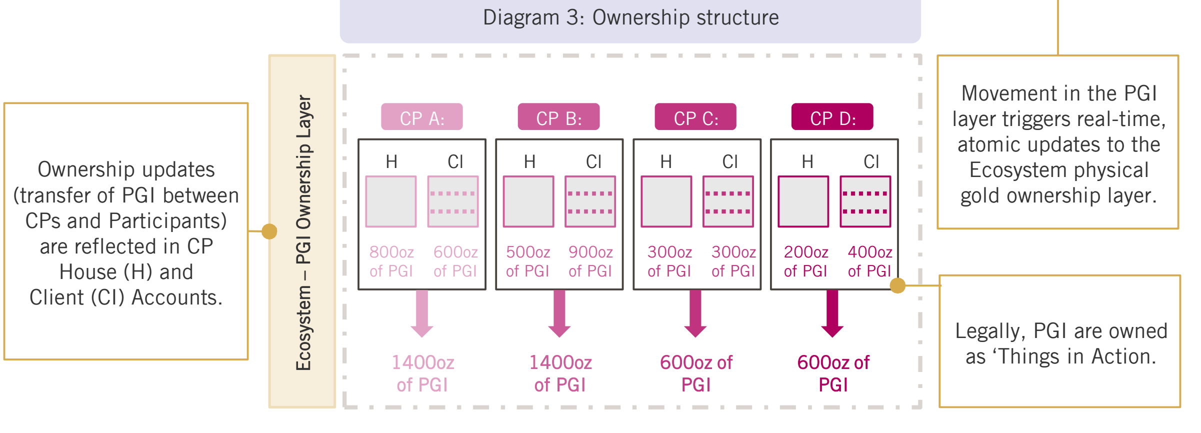
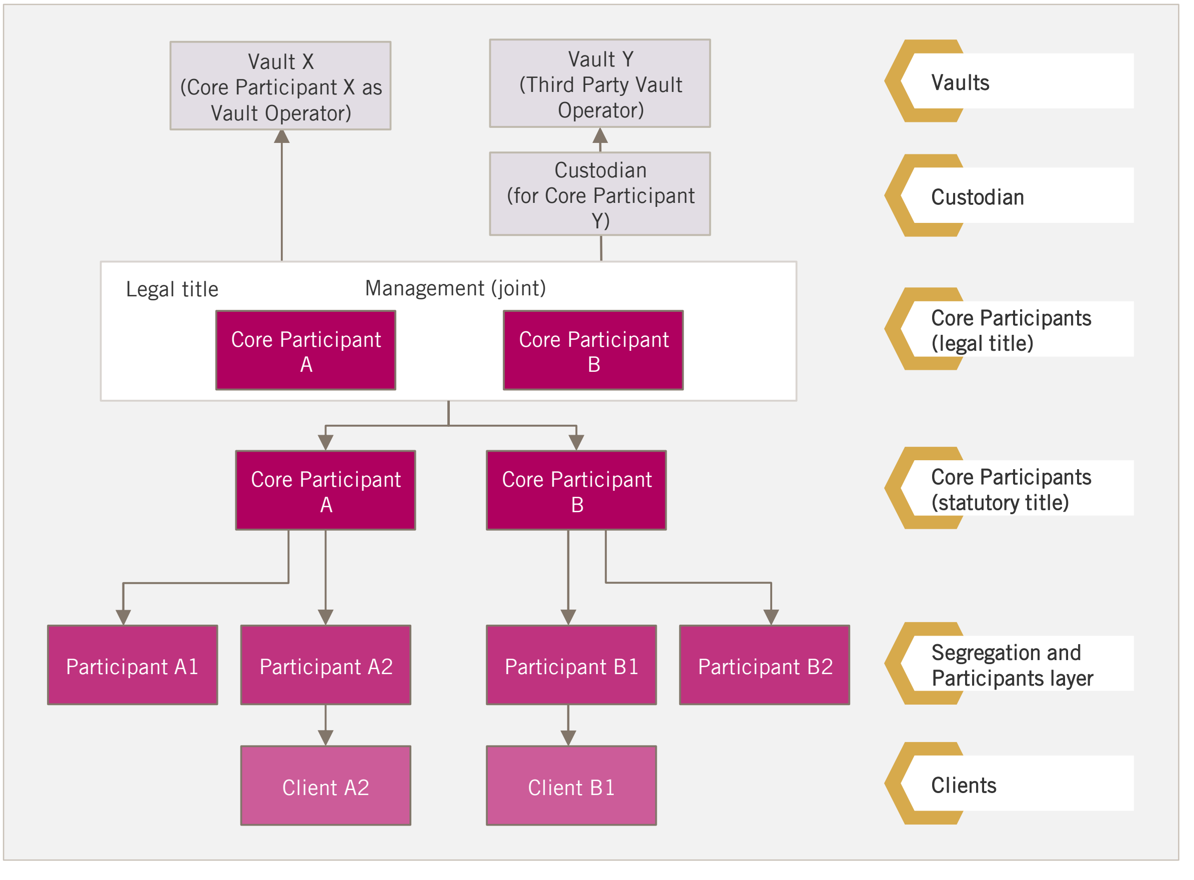


Diagram 3: Ownership structure
Ownership updates (transfer of PGI between CPs and Participants) are reflected in CP House (H) and Client (CI) Accounts.
Ecosystem – PGI Ownership Layer
CP A:
H CI
800oz of PGI
600oz of PGI
1400oz of PGI
CP B:
H CI
500oz of PGI
900oz of PGI
1400oz of PGI
CP C:
H CI
300oz of PGI
300oz of PGI
600oz of PGI
CP D:
H CI
200oz of PGI
400oz of PGI
600oz of PGI
Movement in the PGI layer triggers real-time, atomic updates to the Ecosystem physical gold ownership layer.
Legally, PGI are owned as 'Things in Action.

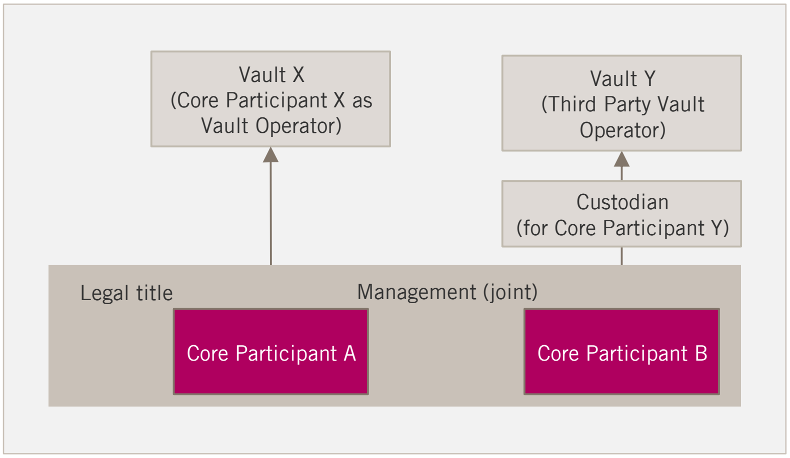
Automatic rebalancing

The Ecosystem will automatically issue and destroy PGI as a Core Participant's co-ownership interest in the Gold Bars varies as a result of loading in, loading out or (if relevant) a transfer.

The structure for the Ecosystem can be divided into three key 'layers'. Firstly, the 'Vault to Core Participant (legal title)' layer, which structures the bailment of the Gold Bars. Secondly, the 'Core Participant (legal title) to Segregation' layer, which creates the legal co-ownership arrangement and facilitates the issue of PGI. Thirdly, the 'Segregation to Client' layer, which demonstrates how PGI can be intermediated and reflects a typical custody chain.



'Vault' to 'Core Participant (legal title)' layer



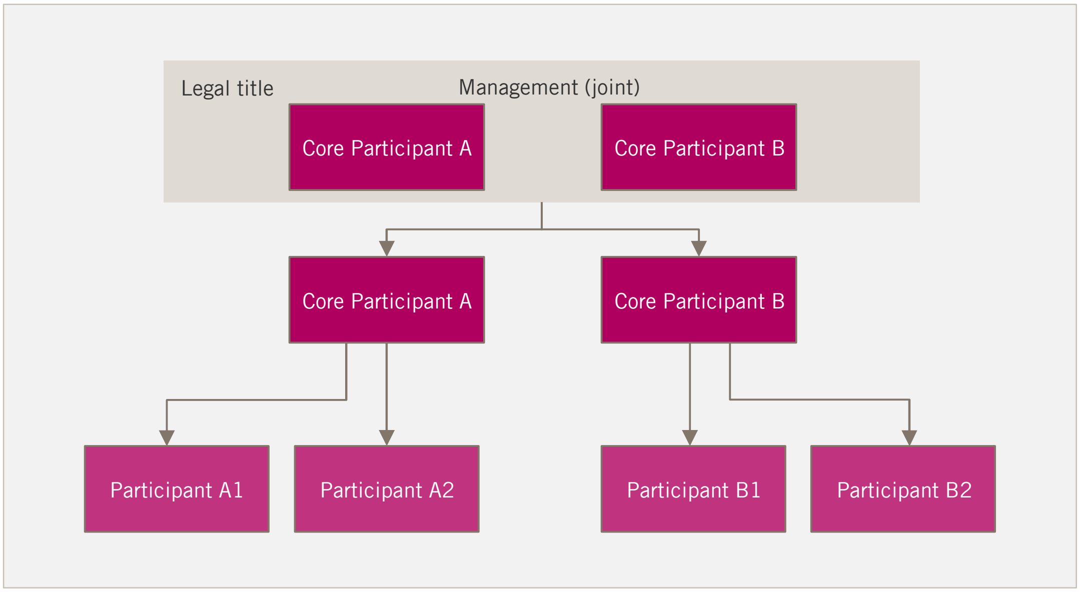
At this layer, Gold Bars meeting the appropriate integrity and delivery standards (e.g., the London Good Delivery standard) will be held in segregation in vaults by approved Vault Operators. For the purposes of the Ecosystem, Vault Operators may either be a Core Participant (see left hand side) or a third-party operator (see right hand side), in which case the Gold Bars will be held through a Custodian. Each Vault Operator, and if applicable, Custodian, will hold the Gold Bars under a bailment arrangement and will act as bailee of the Gold Bars for the Core Participants, who in turn will be the bailors and own the legal title to the Gold Bars. Gold Bars may be stored across multiple vaults, operated by multiple Vault Operators but will form one pool for the purposes of the Ecosystem and segregated from physical gold that is not held in the Ecosystem. The arrangement by which the Core Participants co-own the legal title to the Gold Bars is described below.

Bailment under English law

Under English law, a bailment is a common legal relationship that arises when one person (the 'bailee') takes possession of goods belonging to another person (the 'bailor') on the basis that the goods will be returned to the bailor or dealt with according to the bailor's instructions. The ownership of the relevant goods remains with the bailor, while the bailee only takes a possessory interest in the goods. The bailee has a duty to take reasonable care of the goods, and is liable for any loss or damage resulting from a breach of care.

In the context of the Ecosystem, the Vault Operator will act as a bailee over the Gold Bars for the Core Participants, who will be the joint bailors and retain legal title (left hand side) or where there is a Custodian, the Vault Operator will act as bailee for the Custodian who will in turn act as bailee for the Core Participants (right hand side).

‘Core Participant (legal title)’ to ‘Segregation’ layer



At this layer, the Core Participants will jointly hold legal title in the Gold Bars and assume responsibility to manage the custody and storage of the gold by providing instructions to the Vault Operator or, where applicable, the Custodian.

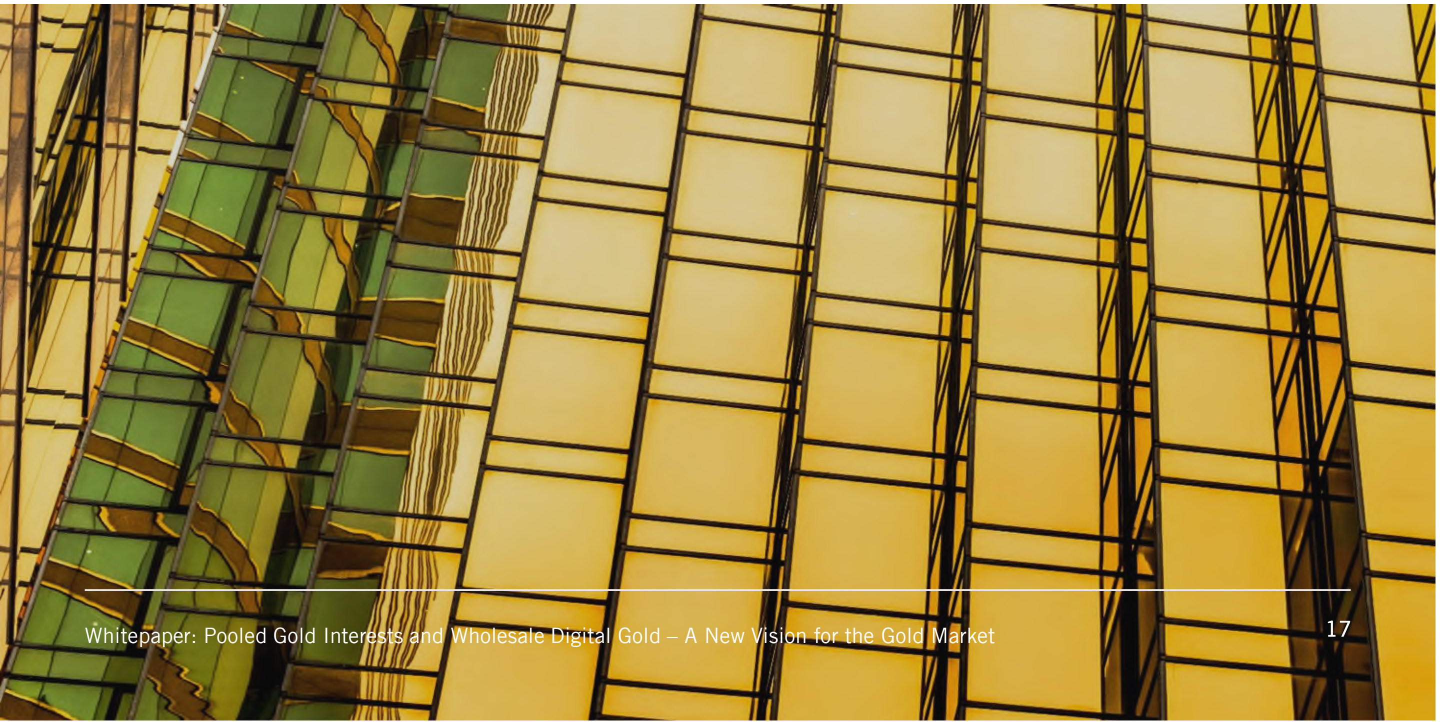
Joint management responsibility of Core Participants

The Core Participants, as joint legal owners of the Gold Bars, would collectively assume primary responsibility for actively managing the gold. These joint management responsibilities could include:

> entering into contractual relationships with the Vault Operators and Custodians;
> overseeing the loading in and loading out process for the Gold Bars;
> conducting audits of the Gold Bars in the Vaults; and
> ensuring the servicing, safekeeping and insurance of the Gold Bars.

The active management of the Gold Bars is a key component of the structuring for the Ecosystem and has a significant impact on the collective investment scheme analysis of the Ecosystem.

The Core Participants' joint legal title will arise by virtue of Section 20A of the Sale of Goods Act 1979 ("**SOGA**"), which provides for legal co-ownership of unascertained goods forming part of an identified bulk. This joint legal title is a statutory legal co-ownership interest in the entire segregated pool of Gold Bars which would be held by the Core Participants for each other, in their relevant proportions. There will need to be some technical changes of ownership under SOGA as Gold Bars will be loaded into the Ecosystem to ensure that all gold in the Ecosystem will form a single bulk in respect of which all Core Participants will share joint legal title.



Each Core Participant will hold its statutory co-ownership interest in the Gold Bars as a custodian for those beneficially entitled to fractions of that statutory co-ownership interest. Those beneficial entitlements are PGI. PGI are therefore beneficial interests in the Core Participant's statutory co-ownership interest in the Gold Bars under Section 20A of SOGA. Each Core Participant will issue PGI which will be equal to its aggregate legal co-ownership interest in the Gold Bars (expressed as fine weight). The Ecosystem will ensure that precisely this weight of PGI is in issue at all times. The ownership of PGI issued by a Core Participant will therefore be a fractional beneficial interest in the Core Participant's legal co-ownership interest.

Section 20A of the Sale of Goods Act 1979 ("SOGA")

Section 20A of SOGA enables the transfer of ownership in an undivided share in a bulk of goods, without having to identify the specific share or segregating bulk which the purchaser owns.

The section applies to a contract for the sale of a specified quantity of unascertained goods if:

> the goods or some of them form part of a bulk which is identified either in the contract or by subsequent agreement between the parties; and

> the buyer has paid the price for some or all of the goods which are the subject of the contract and which form part of the bulk.

Pursuant to Sections 20A(2) and (3), the parties may agree that:

> property in an undivided share in the bulk is transferred to the buyer; and

> the buyer becomes an owner in common of the bulk.

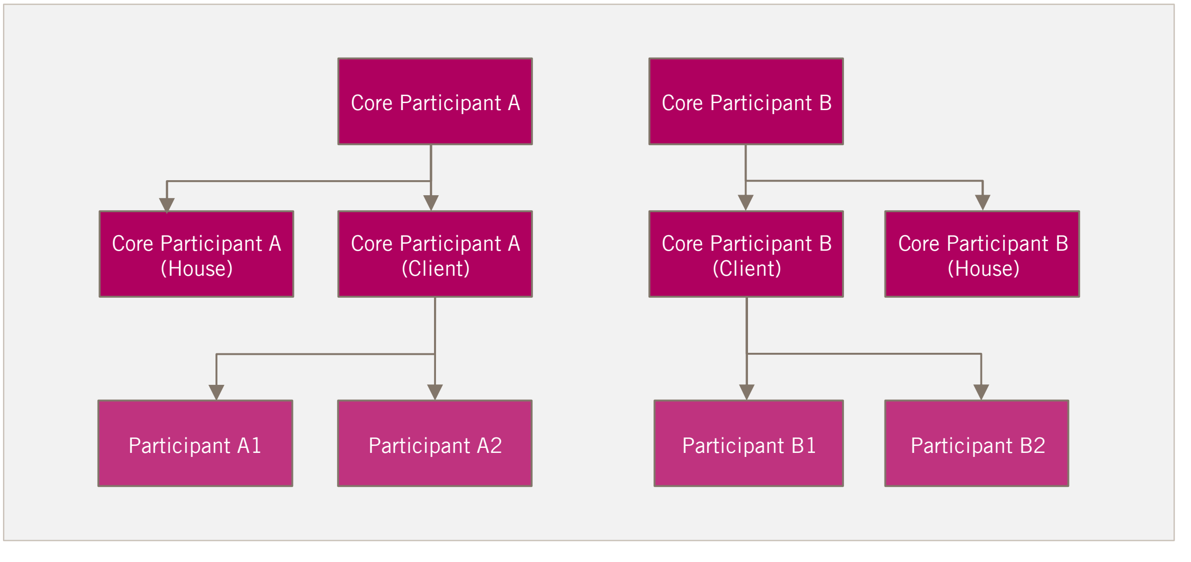
In the Ecosystem, the Core Participants will be owners in common of the Gold Bars (i.e., the bulk of goods), where they will each jointly hold legal title to the Gold Bars in a proportionate share which is equal to the proportion that the Core Participant's purchased portion of the Gold Bars bears to the entire pool at the time of purchase (by reference to the weight of such portion in fine ounces as a proportion to the weight of the entire pool).

The co-ownership interest of each Core Participant, which will arise pursuant to Section 20A of SOGA, will be in respect of the entire pool and not in individually identified gold bars. These co-ownership interests will automatically change as gold is added to or removed from the Gold Bars to reflect the relevant proportionate holding of each Core Participant.

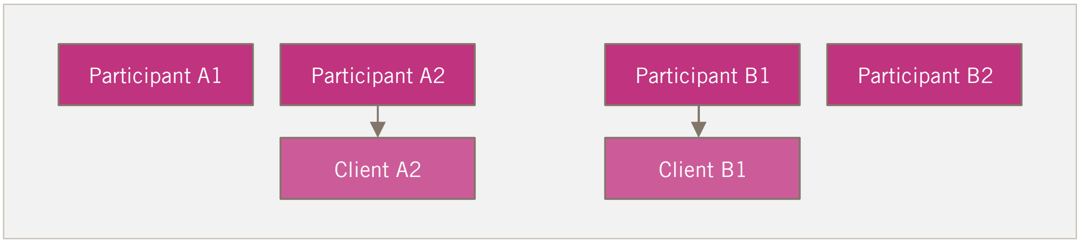
PGI will therefore create a proprietary right in the Gold Bars, rather than merely a contractual claim against a Core Participant, Custodian or Vault Operator. This is a key structuring cornerstone of the Ecosystem and is fundamental to achieving insolvency remoteness from these entities within the Ecosystem. An additional benefit of this structure is that it would avoid the need to segregate or allocate gold bars to each Core Participant, which would support the fungibility and transferability of PGI without requiring movements of, or changes in the segregation arrangements for, individual gold bars. The PGI issued by different Core Participants will be fungible in the sense that they will confer essentially the identical property interest in the co-ownership rights in the Gold Bars. However, the personal rights against each Core Participant under the respective custody agreement will be different and subject to the terms of the Ecosystem.

House accounts and Client accounts

In addition to issuing PGI to be held by clients/customers, Core Participants may also hold PGI for themselves. To the extent that a Core Participant holds its own PGI, it would own a fractional beneficial interest in its own legal co-ownership interest in the Gold Bars. We refer to PGI held by a Core Participant for its own account as being credited to the Core Participant House Account and PGI held by clients/customers of a Core Participant as being credited to the Core Participant Client Account.



'Segregation' to 'Clients' layer



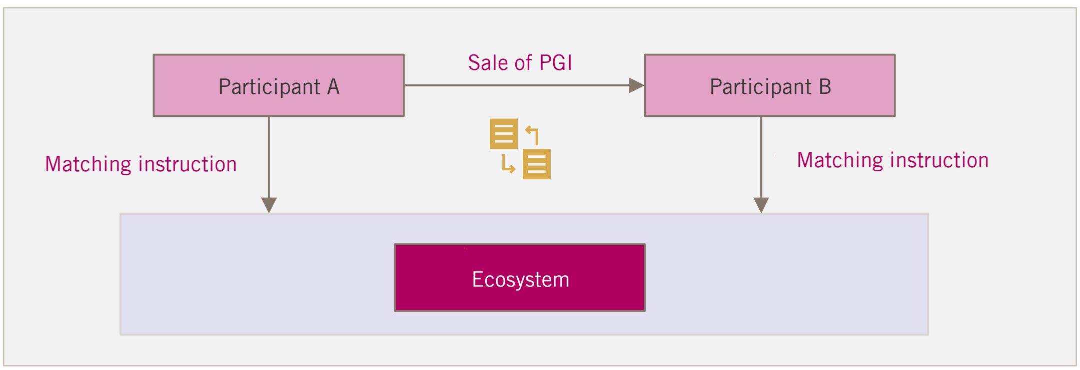
At this layer, the Ecosystem will allow Participants within the Ecosystem who are clients/customers of a Core Participant to hold PGI electronically within the Ecosystem. PGI held by a Participant will be held on the existing custody agreements in place between the relevant Core Participant and the particular Participant that is a client/customer of that Core Participant (subject to certain mandatory overriding provisions stipulated by participation in the Ecosystem). Participants (which for this purpose includes Core Participants) will be eligible to hold PGI issued by different Core Participants, provided that the relevant Participant has signed up to the relevant Core Participant's custody terms. The Participants may in turn hold the PGI either for their own account or for end-user Clients (who will be entities without direct access to the Ecosystem). The relationship between a Participant and a Client will be governed by the Participant's custody agreement with the Client. Core Participants may also hold PGI for their clients that are not Participants in the Ecosystem in the same manner that a Participant may hold PGI for its clients that are not Participants in the Ecosystem.

This intermediation structure from Core Participant to Client mirrors traditional custody chains. While Core Participants and Participants will operate directly within the Ecosystem, Clients will interact with the Ecosystem indirectly through the Participant (or a Core Participant) and a Client's proprietary right to PGI will be derived through the custody chain.

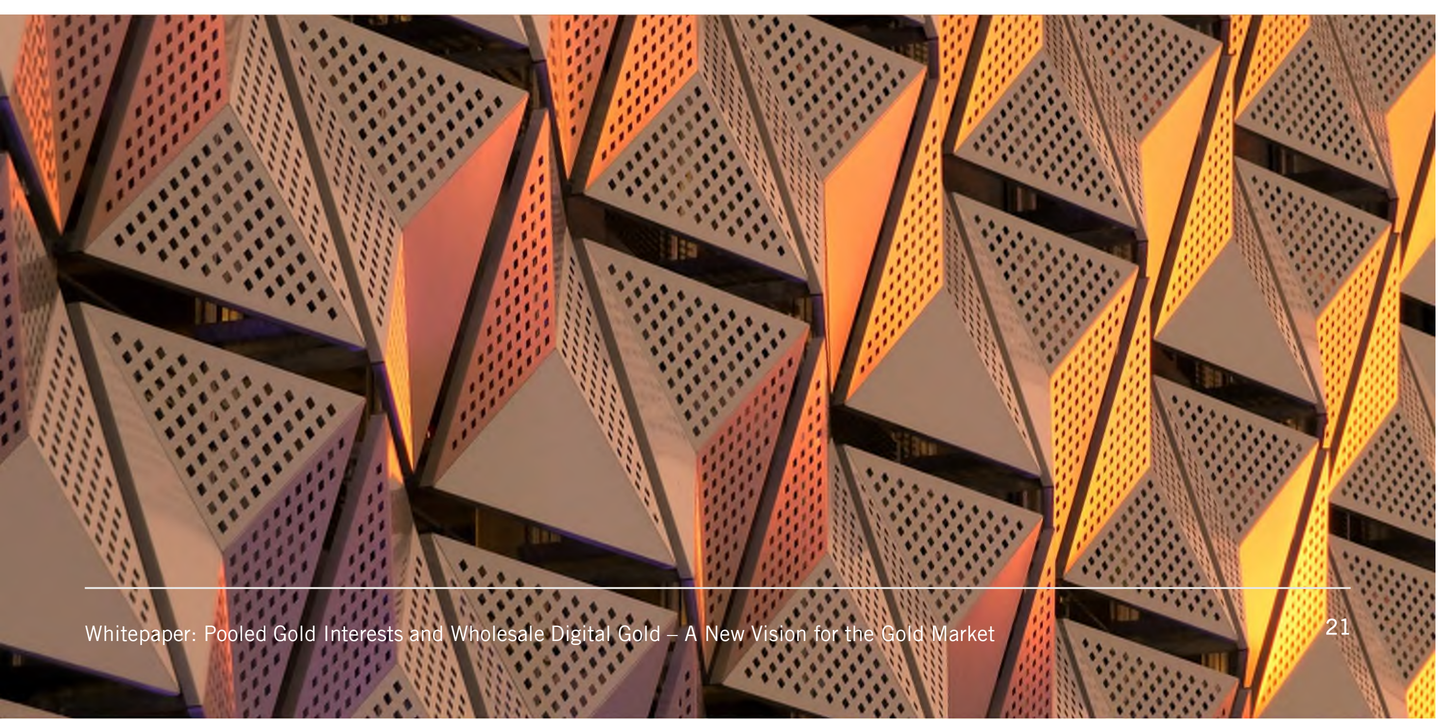
Transfer

PGI are designed to be readily transferable between Participants and Core Participants within the rules of the Ecosystem, with each transfer taking place in respect of the PGI and within the Gold Bars level (depending on the Core Participants involved in the transfer). We set out below the proposed legal methodology for transfers which could be supported by the Ecosystem.

Participants that are clients of the same Core Participant



In the case of a transfer between two Participants (Participant A and Participant B) who both have custody terms in place with the same Core Participant A, Participant A would be able to transfer the PGI using the Ecosystem to Participant B where both Participant A and Participant B submit matching instructions to the Ecosystem. Participant A would not need to surrender the PGI to Core Participant A in this case.

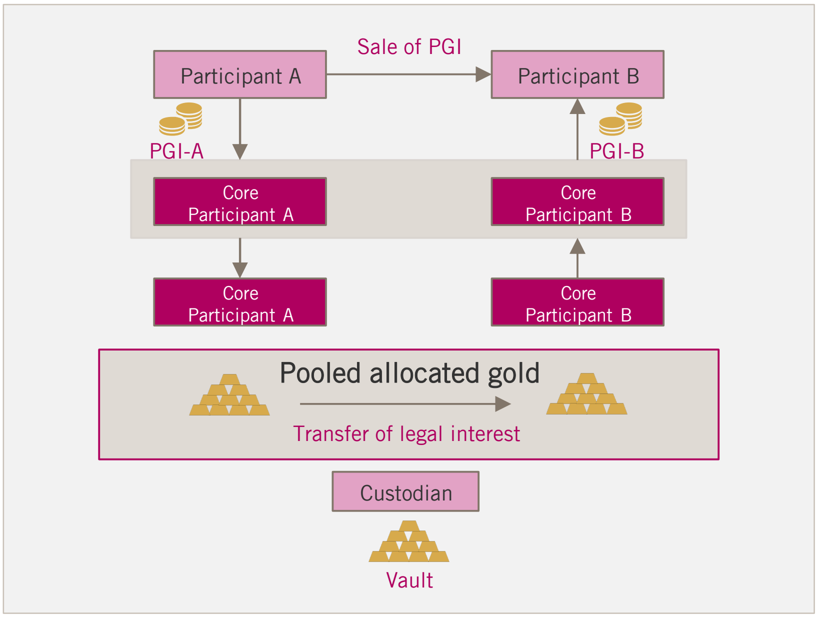


Participants of different Core Participants – Pooled Gold Rebalancing Model

Where Participant A transfers its interest in PGI issued by Core Participant A (PGI-A) to Participant B who is only able to hold PGI issued by Core Participant B (PGI-B), the transfer would need to be effected through the following steps:

1. PGI-A will be deemed surrendered to Core Participant A,
2. Core Participant A will be deemed to have instructed a rebalancing of the co-ownership interest in the Gold Bars between Core Participant A and Core Participant B in an amount equal to the PGI being transferred,
3. upon such rebalancing being effective, PGI-A, will be cancelled and a new PGI-B in respect of the transferred interest in Gold Bars will be deemed issued by Core Participant B, and
4. Participant B will receive the newly issued PGI-B.

The agreement between Participant A and Participant B for such transfer will be construed as an undertaking to procure the delivery within the Ecosystem of PGI issued by Core Participant with whom the ‘transferee’ has a custody relationship and, to the extent that the ‘transferor’ and ‘transferee’ utilise different Core Participants, the Ecosystem will effect an automatic rebalancing to ensure the transferor’s PGI would be surrendered and a new PGI would be delivered to the transferee. Although the concept of frequent Gold Bars rebalancings may seem complex, this can be achieved relatively simply operationally and supported by appropriate provisions in the rulebook for the Ecosystem.



Legal nature of PGI

In terms of the legal nature of PGI, at its core, PGI will be electronically transferable, fractional beneficial interests in Gold Bars, held within approved vaults. Legally, PGI will be characterised as a 'thing in action' (an intangible property right), meaning transfers of PGI themselves will not be governed by SOGA. That having been said, a transfer of PGI would be effective to transfer a fractional ownership interest in the underlying segregated Gold Bars.

What will be the legal characterisation of PGI?

PGI will be intangible property rights that are recorded digitally. PGI will be pro rata beneficial interests in a Core Participant's statutory co-ownership interest in the Gold Bars and will be individual to Core Participants as noted in the section titled 'Who can 'issue' PGI?', below. The statutory co-ownership interest would arise under Section 20A of SOGA.

How will PGI be represented and recorded?

PGI will be recorded in a digital record maintained by the Operator of the Ecosystem. PGI and the Ecosystem have been legally designed to be technologically neutral.

Who can 'issue' PGI?

Core Participants will 'issue' PGI through holding their statutory ownership interest in the underlying segregated Gold Bars as custodian for the PGI holders. PGI will be issued against a Core Participant's share of the Gold Bars in accordance with the Ecosystem's rules. A key point to note is that PGI issued by one Core Participant will not confer any entitlement to the co-ownership interest of other Core Participants, even if they relate to the same Gold Bars.

What rights attach to PGI?

PGI are a proprietary right in Gold Bars and would be classified as 'things in action' rather than possessory interests. They would confer a form of ownership of gold. A Participant holding PGI will also have a contractual and fiduciary personal rights against the Core Participant issuer of the relevant PGI, in their capacity as custodian.

These rights will arise under the terms of a custody agreement and any separate terms which may be embedded in the rules of the Ecosystem. For any Client holding PGI through a Participant, their rights will similarly be derived from the terms of the custody agreement of the relevant Participant. These terms would give rise to a proprietary entitlement to the PGI as well as personal rights against the Participant in very much the same manner as arises under conventional custody agreements in common usage throughout the financial markets.

Transfer

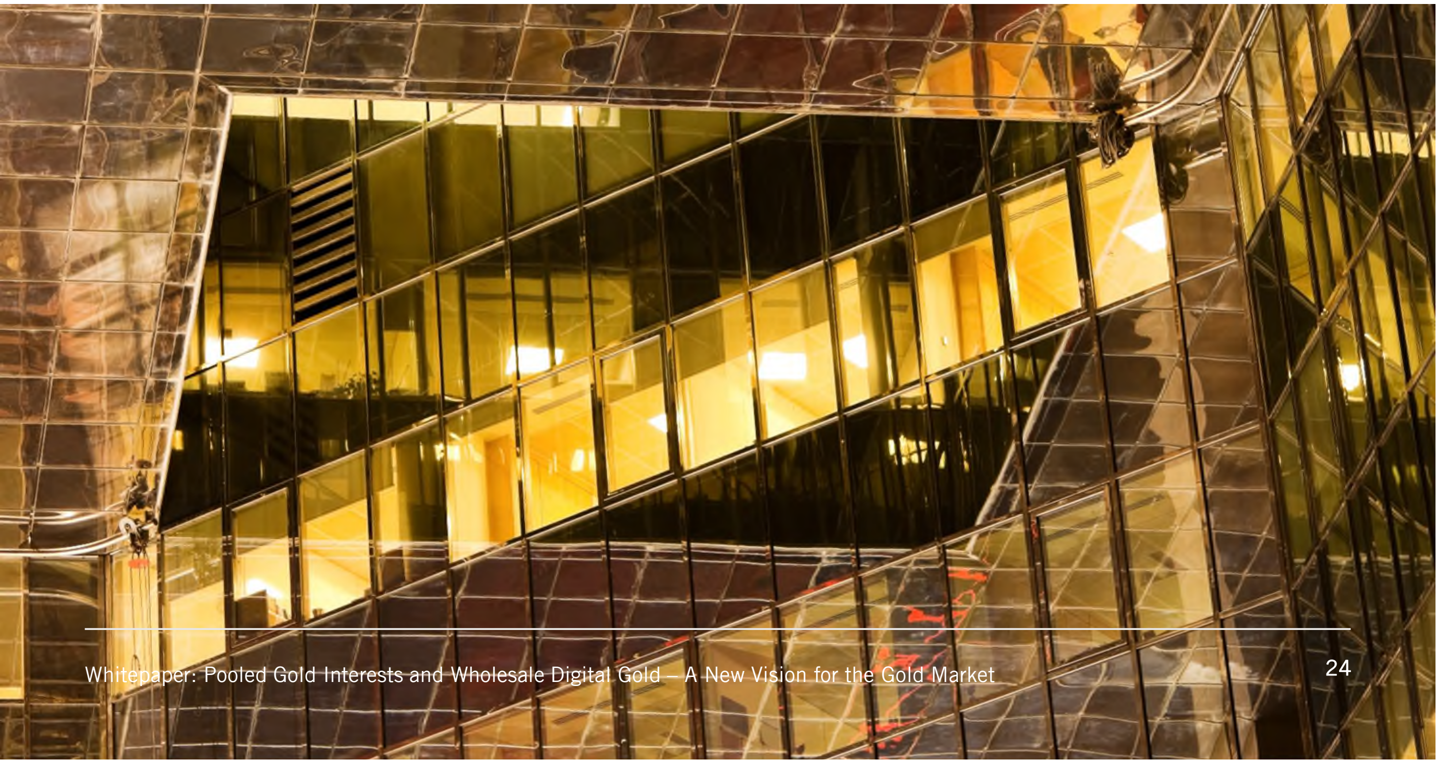
Core Participants will issue PGI in respect of their co-ownership interest in the Gold Bars. These PGI are designed to be readily transferable between Participants within the Ecosystem's rules. A direct transfer between Participants would not be possible if there is no existing custody agreement between the transferor's Core Participant and the transferee Participant. Therefore, rebalancing is the mechanism the Ecosystem uses to facilitate the transfer of PGI between Participants who have custody relationships with different Core Participants. The rebalancing process could solve this by cancelling old PGI and issuing new PGI, without the need to require new custody relationships to be agreed between the Participants and Core Participants. It would ensure that while the Participants and the Clients can seamlessly transfer, the underlying legal co-ownership of the Gold Bars would be accurately adjusted between their respective Core Participants. Transfers would take place both at the Gold Bars level and at PGI level. See the section titled 'Transfer' on page 21 above for more details.

What is the smallest unit/amount of PGI?

Given that PGI are fractional interests in Gold Bars, there would be no legal restrictions on the smallest unit/amount of PGI. The Ecosystem's rules are expected to determine that PGI will be defined by reference to a weight of gold in fine ounces calculated to three decimal places to match unallocated gold accounts.

How will PGI be referred to?

PGI are intended to be used as a plural collective noun (known as Pooled Gold Interests). Consistent with market usage in the gold market, in which unallocated gold is referred to as 'x.y ounces of unallocated gold' and allocated gold is similarly referred to, it is expected that PGI will be referred to as 'x.y ounces of PGI', as opposed to 'x PGI'.



Fungibility within the Ecosystem

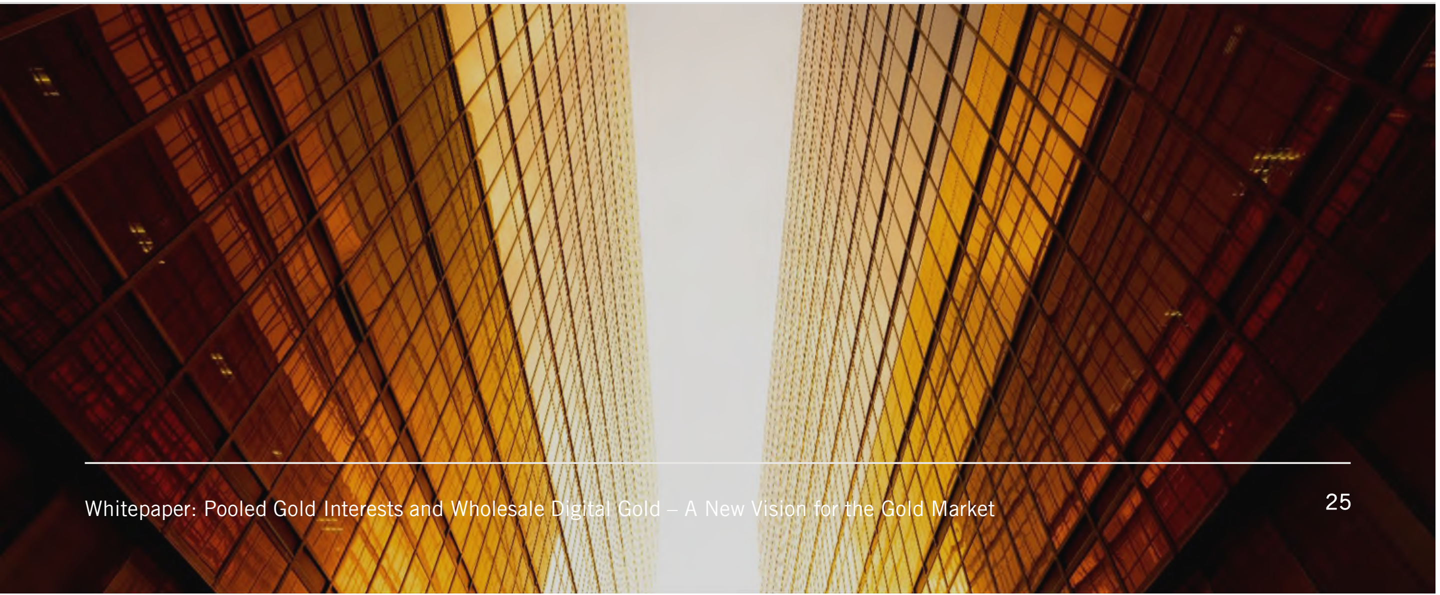
PGI issued by one Core Participant will be fully fungible. PGI issued by different Core Participants will not be fungible for the purposes of property law, but can be structured under the rules of the Ecosystem to be contractually fungible within the Ecosystem. See the discussion in the section titled 'Participants of different Core Participants – Pooled Gold Rebalancing Model' on page 22 above. For example, the rules may provide that PGI issued by any Core Participant may be used to settle any other PGI delivery obligation. The section titled 'Fungibility of PGI with other forms of gold' on page 9 above describes how the Ecosystem will ensure PGI holdings can be transferred to allocated and unallocated gold and vice-versa.

Benefit of the Ecosystem's structure in terms of fungibility

As explained in the section titled 'Core Participant (legal title) to Segregation Layer' on page 16 above, PGI issued by different Core Participants will be commercially fungible as they will provide identical property entitlement, however the personal rights against the Core Participants would be different. This would allow Participants to agree to different commercial arrangements. In other words, Participants may keep their existing customer relationships with Core Participants, and also to enter into custody agreements with multiple Core Participants on different terms.

Do PGI constitute a collective investment scheme?

A focal point for the structuring of the Ecosystem has been to ensure that it would not constitute a collective investment scheme under Financial Services and Markets Act 2000 ("**FSMA 2000**"). Based on the analysis of Linklaters LLP, the Ecosystem should not, therefore, constitute a collective investment scheme.



Hurdles for the Ecosystem and PGI

While the Ecosystem offers an innovative approach to gold ownership and a novel way to collateralise financial transactions, its successful implementation and adoption faces certain ongoing hurdles from a legal and regulatory perspective, albeit these mirror hurdles in the current gold market. While these challenges do not impact the viability of the Ecosystem, they would need to be addressed as part of the ongoing development of the Ecosystem:

The Financial Collateral Arrangements (No. 2) Regulations 2003 (“FCARs”):

Currently, under the FCA Directive and FCARs, financial collateral is defined as ‘cash’, ‘financial instruments’ or ‘credit claims’. Consequently, gold (including ownership interest in gold) does not currently constitute ‘financial collateral’ under the FCA Directive or FCARs, meaning that any form of gold – allocated gold, unallocated gold, and by extension, PGI (which are beneficial interests in Gold Bars) – will not benefit from the protections and provisions under the FCA Directive and the FCARs.

Introduction to the FCARs

Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on Financial Collateral Arrangements (the “**FCA Directive**”) and the FCARs provide the legal framework for “financial collateral arrangements” in the EU and UK respectively. Financial collateral arrangements can be split into two types: security financial collateral arrangements and title transfer financial collateral arrangements. The FCA Directive and the FCARs give rise to a beneficial regime for financial collateral arrangements, by (amongst other things) modifying the formalities requirements and insolvency law and clarifying certain rights in relation to financial collateral arrangements, which provide a legal framework within the UK for streamlining and simplifying the enforcement of certain security arrangements. Amongst other requirements, in order to benefit from the regimes, the relevant asset subject to a collateral arrangement needs to constitute ‘financial collateral’.

The importance of the FCARs

Structures which qualify as “financial collateral arrangements” under the FCARs benefit from a number of advantages including:

Statutory formalities

Certain statutory formalities will not apply to the financial collateral arrangement.

Simplified enforcement

The FCARs modify certain insolvency law processes to allow collateral takers to enforce the arrangement through simplified enforcement procedures.

No registration required

There is no need to register a financial collateral arrangement against an English incorporated entity (although parties often still choose to do so).

In light of this regulatory hurdle, since PGI could address the practical challenges associated with using gold as collateral historically, the immediate question would be how best to overcome the limited application of the FCA Directive and FCARs to gold. Linked to existing advocacy to have gold recognised as a High Quality Liquid Asset under Basel capital rules, the World Gold Council is leading a dialogue with regulators on different approaches to amend the FCA Directive and FCARs to include gold within the definition of ‘financial collateral’.

Technology structure

The Ecosystem is intentionally designed to be technologically neutral, to ensure flexibility and future-proofing for market participants. Rather than binding the Ecosystem to any single technical build, the architecture can accommodate a spectrum of digital technologies, including blockchain and DLT, alongside traditional systems. This flexibility ensures that existing systems can be leveraged, while providing a robust foundation for future scale and development.

Any technology model which is chosen for the development of the Ecosystem will facilitate integration with existing financial infrastructure, and would have capacity to support asset custodians, triparty agents, and other market participants, while remaining adaptable for future innovation, including new digital payment methods. This will be particularly important for ensuring interoperability between the Ecosystem and the existing allocated and unallocated gold markets. The technology structure for the Ecosystem will provide a flexible and reliable foundation for the digital evolution of the gold market, balancing innovation with legal and operational certainty.

The FMSB Post-Trade Spotlight review highlights that the introduction of new technology in the post-trade process of the OTC gold market, such as the innovation provided by the Ecosystem, can bring significant benefits, including faster and more accurate trade confirmation through automation, reduced operational and settlement risk via shorter cycles and delivery-versus-payment mechanisms, and lower capital and liquidity demands through netting and optimisation platforms. As noted above, this is fully aligned with the UK's Wholesale Financial Markets Digital Strategy, and supported by the UK government's commitment to provide innovative and flexible legislation and regulation to facilitate new digital infrastructures in the UK market.

The road ahead

The Ecosystem is underpinned by a clear vision – one that builds on the existing concepts of gold trading, ownership, settlement, and collateralisation and is designed to unlock further potential benefits. With the support of the leading market participants, the Ecosystem has the potential to evolve the physical gold and financial gold markets and better connect and integrate the two.

Strategically, the Ecosystem will follow a phased participation model. Initially, a core group of market participants will be onboarded, which will pave the way for more market makers, and their clients, to participate in the Ecosystem, as the platform expands its market reach.

Stakeholders who engage now will be uniquely positioned to shape the future standards, governance, and protocols for the Ecosystem and digital gold. As the initiative gathers momentum, collective participation will ensure the resulting platform has substantial scale and reach, tailored to meet the evolving needs of the global gold market as well as its integration with the financial markets.

Conclusion

The Ecosystem represents a transformative step for the gold market, offering a compelling legal and operational model for a new foundational pillar of gold settlement, and collateral management. By combining direct, fractional ownership of allocated gold with frictionless electronic transferability, the concept of the PGI addresses the current 'opportunity gap' in today's market.

The benefits are clear. In addition to modernising post-trade workflows and reducing settlement risk, the Ecosystem would create new value streams by enabling gold to evolve its potential as a widely accepted, bankruptcy-remote collateral asset that is already recognised as eligible collateral for derivative contracts under applicable legislations. This would increasingly position gold as not only a store of value but as a functional, liquid asset meeting the highest regulatory and collateral standards. With each layer carefully designed to effect the ownership structure of the underlying Gold Bars, the legal architecture of the Ecosystem has been constructed to navigate the requirements of FCARs and other regulatory frameworks and is both robust and adaptable.

The Ecosystem is not simply about digitalising gold; it is also about driving efficiency, deepening trust in the collateralisation framework and growing the UK financial market. Together with other salient technology advances in the financial markets (including DLT, blockchain and smart contracts), there is no doubt the Ecosystem can bring about a meaningful change in how gold can be used as collateral or otherwise to facilitate transactions. The alignment of this proposal with the UK's new Wholesale Financial Markets Digital Strategy is also a compelling factor. Now is the moment for stakeholders to shape and participate in the Ecosystem to capitalise on the future of gold and to utilise its full potential.

Glossary

CCP means a central counterparty financial institution that acts as an intermediary between a buyer and a seller in a financial market transaction, which reduces counterparty risk between the two counterparties due to its status as a highly regulated entity.

Client means an end user within the proposed Wholesale Digital Gold ecosystem who can access PGI pursuant to a client agreement with one or more Participants (as defined below).

CME Clearing means the clearing division within the CME Group that acts as a CCP for its clearing members.

COMEX means the Commodity Exchange, a leading exchange for futures and options trading of metals.

Core Participant means the legal and statutory co-owner of Gold Bars; acting as custodian of co-ownership interests in Gold Bars; and eligible issuer of PGI.

Core Participant Client Account means the account through which the Core Participant will hold the PGI for the account of Participants who will derive their title to PGI from such Core Participant.

Core Participant House Account means the account through which the Core Participant will hold the PGI for its own account and, potentially, for its affiliates.

Custodian means an authorised provider of safe custody services in relation to London Good Delivery Gold stored at a London vault within the Loco London ecosystem.

DLT means distributed ledger technology.

Dodd-Frank Act means the Dodd-Frank Wall-Street Reform and Consumer Protection Act.

DvP means delivery versus payment as a mechanism of settlement where transfer of assets and the corresponding payment occur simultaneously, so as to eliminate the risk that one party may transfer an asset but the other does not.

Ecosystem means the Wholesale Digital Gold ecosystem.

EU EMIR means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

FCA Directive means Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on Financial Collateral Arrangements.

FCARs means the Financial Collateral Arrangements (No. 2) Regulations 2003.

FMI means a financial market infrastructure which facilitates the clearing and/or settlement of monetary and other financial transactions.

FMSB means the Financial Markets Standards Board.

FOP means free of payment as a mechanism of settlement where transfer of asset occurs without corresponding payment occurring simultaneously.

FSMA 2000 means the Financial Services and Markets Act 2000.

Gold Bars mean a pool of physical gold bars underlying the PGI that will be stored in one or more vaults, segregated for and co-owned by the Core Participants.

LBMA means the London Bullion Market Association.

Loco London means the precious metal market where the trading and settlement of gold bullion takes place in London.

London Good Delivery means a set of rules and specifications published by the LBMA which describes the physical characteristics of gold bars for the settlement of transactions on the Loco London bullion market.

Operator means the platform operator of the Ecosystem.

OTC means the Over-The-Counter market where financial instruments or assets are bilaterally negotiated between private parties.

Participant means any entity onboarded to the Wholesale Digital Gold platform that will be eligible to hold PGI issued by Core Participants and who may provide services to Clients as end users in the proposed Wholesale Digital Gold ecosystem.

PGI means ‘Pooled Gold Interests’ ‘issued’ by a Core Participant within the Wholesale Digital Gold ecosystem.

PGI Holder means any entity or person that will be recorded in the Ecosystem’s ledger as owning PGI, whether for its own account or on behalf of others. This includes Core Participants who hold PGI in its house account, Participants and Clients who will be the ultimate beneficial owners of PGI.

SOGA means the Sale of Goods Act 1979.

UK EMIR means the UK European Markets Infrastructure Regulation.

Vault means one or more secure storage areas operated by a Vault Operator to custody identified gold bars for a Custodian (or directly for Core Participants if no separate Custodian is appointed) under a single contractual arrangement, though not necessarily at the same storage location.

Vault Operator means an authorised provider of vaulting services in relation to London Good Delivery Gold stored in a London vault within the Loco London ecosystem.

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 standards for a perpetual and sustainable gold market.

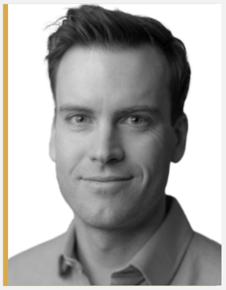
You can follow the World Gold Council on X (Twitter) at @goldcouncil and LinkedIn.

Mike Oswin

Global Head of Market Structure and Innovation, London
mike.oswin@gold.org

Allan Guild

Hilltop Walk Consulting, Advisor to the World Gold Council
allan.guild@hilltopwalk.co.uk



James Chapman

Hilltop Walk Consulting, Advisor to the World Gold Council
james.chapman@hilltopwalk.co.uk

About Linklaters

Linklaters is one of the world's leading law firms. We are a high-performing, diverse team of exceptional, talented and highly motivated individuals who handle the biggest and most transformational mandates for the world's leading corporates, banks and financial sponsors.

We are bold and ambitious. Our goal is always to deliver the best results for our clients and each other. We focus relentlessly on innovation, efficiency and agility to meet our clients' commercial needs and deliver beyond their expectations. If you are a major corporate or financial services company undertaking complex deals globally, Linklaters is the firm for you.

Our people are creative, commercial and committed, working with you to crystallise your organisation's opportunities and manage your risks. Their expertise and our reach, through 30 offices in 20 countries, will enable you to achieve your corporate goals. Your success is key to us. With almost 200 years of guiding business through historical, economic and commercial changes, we have a heritage of long-lasting relationships and groundbreaking work.

Michael Voisin

Partner, Derivatives and Financial Markets, London
Tel: +44 20 7456 4606
michael.voisin@linklaters.com

Richard Hay

Partner, Derivatives and Financial Markets, London
Tel: +44 20 7456 2684
richard.hay@linklaters.com

Adjoa Abekah-Mensah

Managing Associate, Derivatives and Financial Markets, London
Tel: +44 20 7456 4767
adjoa.abekah-mensah@linklaters.com