Rupert Harrison & Kefei Wu
Capital Markets Division
Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

2 November 2026

Sent via email: tokenisedsecurities@fca.org.uk

Dear Rupert & Kefei,

Response to FCA's Call for Input on Tokenised Gold

The International Swaps and Derivatives Association, Inc. ("**ISDA**") welcomes the opportunity to respond to the FCA's Tokenised gold Call for Input. In particular, we support consideration of the use of tokenised gold as wholesale collateral.

ISDA recently conducted a series of interviews with buy- and sell-side firms across North America, the UK and Europe to understand the drivers of a growing use of non-cash assets as variation margin (VM) for non-cleared over-the-counter (OTC) derivatives and the barriers that remain to expanding the use of non-cash collateral[1]. The conclusion of that study was that the expansion of eligible VM collateral is inevitable and the challenge is not whether to expand the types of eligible collateral already approved by regulation but how to expand the use of already approved eligible collateral in a way that is operationally sound and does not introduce new risk. Firms are unwilling to hold cash at the expense of investment returns or rely on the repo market, and the events of recent years have underscored the value of a diverse and readily pledgeable pool of assets. In addition, using gold as collateral for non-cleared initial margin would enable a broader scope of assets.

In developing this market, our members wish to ask for the following:

1. A targeted statutory clarification, permitting the fractionalisation of interests in allocated London gold bars outside of the funds regulatory perimeter, rather than the tokenisation of whole bars. This is discussed in more depth in Q3.
2. The same regulatory treatment for the tokenised version of an asset as the non-tokenised version, provided the same legal rights apply.
3. Protection from insolvency-related events through reform of appropriate legislation.
4. A technologically neutral approach to regulating tokenised gold in its various forms that would allow for the co-existence of tokenised allocated gold, tokenised Wholesale Digital Gold, tokenised gold funds and other models that may emerge as practice evolves.

[1] Expanding the Universe of Eligible Variation Margin Collateral for Non-cleared derivatives (August 2026)

ISDA's comments in this letter are limited to wholesale use cases, focused on collateral. We do not comment on retail use of gold, other than to note that creating a dividing line between wholesale and retail use should not cast uncertainty over the effective use of tokenised gold as collateral.

Q1: Where do you see the greatest potential benefits of gold tokenisation for the UK market? What risks could arise from wider wholesale or retail use respectively, for example around market integrity, operational resilience and consumer protection?

Where we refer to "tokenised gold", we refer to a digital register of ownership for physical gold, not to a separate asset with physical gold underlying it. As a result, we consider that the same regulatory treatment should apply to the tokenised version of an asset as the non-tokenised version, provided the same legal rights apply.

We support the exploration of the use of tokenised gold as wholesale collateral. Although gold is already a type of eligible collateral for non-cleared OTC derivatives in most jurisdictions, including the UK, the delivery process is cumbersome. Tokenisation can mitigate those delivery challenges. Adding tokenised gold to the pool of eligible collateral will widen the ability to pledge a broad range of collateral, which will improve collateral optimisation, especially during market volatility events when counterparties may be forced to sell assets and raise cash or purchase other types of eligible collateral that are more easily processed during a falling market.

We have observed a number of operational pain points, such as managing credit support documentation, data interpretations, lack of workflow automation, concentration limits, and settlement processes, which makes it difficult for firms to pledge and receive a broader range of collateral today. Settlement, or delivery challenges, are the specific concerns related to gold as collateral. Solving many of these pain points via tokenisation would reduce the risks that may arise.

Q2: Where is interoperability most important for tokenised gold in wholesale markets, and why? What specific technological, operational and regulatory considerations need to be addressed for tokenised gold to be a trusted form of collateral among institutional market participants?

Our members wish to stress that the tokenised version of an asset, where it gives the same legal rights as the non-tokenised version, should attract the same regulatory treatment as the non-tokenised version. Tokenised gold should not be regulated as a crypto asset just because it happens to be in tokenised form.

To use physical gold as collateral, one of the key challenges to be resolved is the settlement or delivery mechanism. With tokenisation, the gold can be:

- settled with a near-instantaneous process

- accessible for 24/7 markets where these are appropriate[2]
- capable of being fractionalised, and
- used with smart contracts with workflow and settlement automation.

The regulatory and other considerations that would need to be addressed for tokenised gold to be a trusted form of collateral in wholesale markets include:

Financial regulatory requirements for collateral:

In order for tokenised gold to be eligible as collateral in wholesale markets, it will need to be capable of meeting the criteria set out in the relevant rules or legislation, and may also need to be specifically referenced in the relevant rules or legislation.

For example, in order for an instrument to qualify as eligible funded credit protection under UK CRR:

- the technique used to provide the credit protection would need to be legally effective and enforceable in all relevant jurisdictions (so if credit protection is granted by way of security, it will need to be possible at least under English law to grant security over the instrument);
- the instrument must be sufficiently liquid and its value over time sufficiently stable to provide appropriate certainty as to the credit protection achieved;
- the firm must have the right to liquidate or retain, in a timely manner, the instrument in the default, insolvency or bankruptcy of the collateral provider;
- the instrument would also need to be included in the list of instruments eligible as funded credit protection.

Gold is already included in the list of instruments in Article 197 of UK CRR as an instrument eligible as funded credit protection, but it may be necessary to clarify that tokenised gold (i.e., gold which may be transferred by amending ownership rights on a digital register) is also "gold" for these purposes. The other points may require clarification as a matter of English law, depending on the structure and legal/regulatory categorisation of the tokenised gold.

Similar issues will apply in relation to eligibility of tokenised gold as margin under EMIR either in uncleared OTC derivative transactions or in transactions cleared through a CCP. In the case of collateral provided to a CCP, regulatory eligibility would not in itself determine acceptability. Acceptance would remain subject to the CCP's own collateral eligibility framework and assessment of, among other factors, legal enforceability, valuation, liquidity and liquidation under stressed conditions, concentration, custody and settlement arrangements, and operational risks associated with the relevant tokenisation structure.

It is also essential, both from a financial stability perspective and the interests of market participants, that the establishment and operation of any wholesale market in tokenised gold

[2] It may not be appropriate, for example, on some exchange traded markets.

benefits from protection against insolvency-related unwinds and avoidance of transactions effected through it (settlement finality) and achieves the effective use of such tokens as collateral more generally (collateral mobility). In the UK at least, those core features for a safe, secure and efficient wholesale market are delivered through the legal protections and specific collateral treatment established under the Settlement Finality Regulations (SFRs) and the Financial Collateral Regulations (FCARs).

As with UK CRR, both the SFRs and FCARs contain a list of eligible instruments. It is possible under existing law to create a gold-backed instrument that qualifies as an eligible instrument (e.g., a gold-backed ETF), but the aim of developing tokenised gold would be to ensure that ownership rights in physical gold can be created and transferred electronically, making physical gold capable of being widely traded and still eligible as collateral in the same way as traditional financial instruments.

Gold does not currently fall within the definition of "financial collateral" under the FCARs. Recognition of gold as financial collateral under the FCARs, or a similar workaround, would be necessary for the furtherance of this market.

Other issues to be addressed

It may also be necessary to distinguish between tokenised gold instruments and other tokenised assets, for example to ensure that not all tokenised assets become eligible collateral just because tokenised gold becomes eligible. While it may be appropriate for other tokenised assets to be treated as eligible collateral, it is likely that further work needs to be done to identify assets that meet all the criteria set out above (or that are capable of meeting those criteria).

Q3: Should an appropriately defined set of gold token arrangements be regulated outside of the CIS or AIF regime, and, if so, what specific conditions should determine the scope of that exclusion/exemption? What protections would be needed to ensure these tokens continue to operate in a safe way?

As noted in Q2 above, the tokenised version of an asset, where it gives the same legal rights as the non-tokenised version, should attract the same regulatory treatment as the non-tokenised version. Our members stress that tokenised gold should not be introduced as a separate, stand-alone new asset type, as implicit in the FCA's proposal that a new (pseudo-fund) regulatory regime be established. A technologically neutral approach to regulating tokenised gold in its various forms would allow for the co-existence of tokenised allocated gold, tokenised Wholesale Digital Gold, tokenised gold funds and other models that may emerge as practice evolves.[3]

We note that gold token arrangements that qualify as CIS or AIFs are already capable of qualifying as eligible collateral under the regimes listed in our response above. As a result, the added value of a specific tokenised gold regime would be in ensuring the eligibility of these instruments in circumstances where either they do not already fall within the CIS or AIF regime

[3] Note that unallocated gold is easily transferable and therefore does not require tokenisation or fractionalisation.

or where they do not meet the additional criteria that these instruments need to meet in order to qualify as eligible collateral.

Fractionalisation could make allocated gold more accessible and efficient to use as collateral, reduce reliance on unallocated gold and its associated credit exposure, as well as support more efficient collateral mobilisation and settlement. At present, however, fractionalisation of gold bars in London is effectively prevented by the risk that the relevant arrangement could be characterised as a CIS.

It is necessary to make a targeted statutory clarification for the fractionalisation of physical gold bars. The fractionalisation of physical gold may create uncertainty as to whether the arrangement could be characterised as a CIS, and FCA guidance or supervisory forbearance cannot fully address the resulting statutory and third-party liability risks. A narrow legislative clarification would provide the legal certainty needed for the proposed wholesale use case.

Therefore, our members support a targeted statutory exclusion to be created by HMT, permitting the fractionalisation of identified, segregated and allocated London gold bars. The exclusion should be limited to a record-only token, under which the token records ownership or entitlement to the underlying gold but does not constitute a separate asset or embody property rights in itself. This would address the specific CIS issue while preserving the distinction between fractionalised allocated gold and more broadly transferable tokenised assets, and would provide a narrow and proportionate basis for unlocking the use of gold as wholesale collateral.

Q4: In what other specific area(s) is greater regulatory clarity needed for retail and wholesale-focussed use cases respectively? Where possible, please provide specific suggestions on how this clarity could be achieved in each area.

We have commented on this in our responses to questions 2 and 5 in relation to wholesale-focussed use cases. We do not comment in this response on retail-focussed use cases.

Q5: How can gold tokenisation projects work alongside other industry-led projects or regulatory initiatives to improve the functioning of UK wholesale markets? For example, broader securities tokenisation initiatives or gold market standard and infrastructure initiatives.

Interaction with broader tokenisation initiatives

As mentioned above, there are a number of regulatory and legal issues that would need to be clarified in order to ensure that tokenised gold is capable of being used as collateral in wholesale markets. However, it may not be appropriate at this stage for all tokenised assets to benefit from the same treatment. In this case, it will be necessary to distinguish tokenised gold from other tokenised assets, and also to ensure that any broader tokenisation initiatives do not undermine the treatment of tokenised gold.

Interaction with gold market standard and infrastructure initiatives

The World Gold Council project provides a useful reference for how gold tokenisation can develop alongside wider industry-led initiatives and existing wholesale market infrastructure. Working with Linklaters and Hilltop Walk Consulting, the World Gold Council has proposed a Wholesale Digital Gold framework centred on Pooled Gold Interests, under which participants would hold fractional ownership interests in a segregated pool of physical gold that could be digitally transferred and mobilised, including for collateral purposes. The framework seeks to combine the legal certainty and proprietary ownership associated with allocated gold with the transferability and operational efficiency of unallocated gold. Taking account of initiatives such as this can help regulators draw on industry-led developments to inform regulatory outcomes and support a coherent approach to tokenisation across UK wholesale markets.

Confidence in the stability and reliability of the existing underlying gold market standards and infrastructure will be fundamental to the success of tokenised gold if it is to be capable of being used as collateral in wholesale market transactions. London already has long-established gold market standards (published by the LBMA), pricing/valuation mechanisms (via the LBMA/ICE), clearing capacity (via LPMCL), vaulting capacity (including both banks and unauthorised entities) and secure carriage and specialist insurance arrangements.

If the intention is to leverage London's existing position as the primary hub for global gold trading, it will be vital for the FCA to engage fully with the entities already involved in this market to ensure that their expertise is leveraged to make any tokenisation regime a success, as well as to ensure that the existing gold market is not undermined.

In particular:

- A robust and trusted verification process will be necessary to establish that the underlying gold exists, is unencumbered, is fully insured and that it meets the necessary criteria for weight, purity, provenance etc. The LBMA, as the pre-eminent standard-setting body for the global wholesale market for precious metals, is well placed to support the FCA in either identifying existing standards and mechanisms or developing new solutions.
- An established and widely-recognised benchmark for pricing gold instruments will also be important to smooth operation of a market in gold tokens (and to the eligibility of tokenised gold as collateral in wholesale market transactions). Again, the LBMA already publishes gold prices in conjunction with ICE Benchmark Administration, in compliance with the UK Benchmarks Regulation.
- An established and trusted network of vault providers will also be key to the success of tokenised gold, supporting services including verification, proof-of-reserve and record-keeping. The established vault providers in the UK include both PRA regulated banks and non-bank vault operators. It will be important to ensure that any new regime addressing tokenised gold leverages these existing service providers and does not disrupt physical gold market operations.

Contacts:

Fiona Taylor, Head of UK Public Policy, ftaylor@isda.org

Amy Caruso, Head of Collateral Initiatives, acaruso@isda.org

Mark New, Global Co-Head Digital Transformation and Senior Counsel, mnew@isda.org

About ISDA

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 79 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms, and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org.