

FCA CALL FOR INPUT: TOKENISED GOLD – OPPORTUNITIES AND RISKS FOR UK WHOLESALE MARKETS

LBMA RESPONSE

23.10.2026

1. Introduction

London Bullion Market Association (LBMA) welcomes the FCA's Call for Input. It follows the May 2026 joint Call for Input on tokenisation in wholesale markets, in which gold was raised by respondents, and asks whether tokenisation could improve the way gold is traded, transferred, pledged and held in UK markets.

LBMA is an independent, not-for-profit, member-based precious metals association based in London. Its objective is to promote integrity and trust in the Loco London market through standards, guidance, assurance systems and market collaboration.

To prepare this response, we sought views from LBMA Members including commercial banks, trading firms, physical-market participants and technology firms. We also drew on discussion at the recent LBMA conference, involving Members and wider market participants. Individual Members may also respond to the FCA separately. The views we received were not uniform and are summarised in section 4. We have not attributed comments to individual firms.

2. Executive Summary

LBMA supports further development of tokenised gold where it can improve the efficiency and usability of the Loco London market, while preserving the integrity, liquidity and resilience of the market. The objective should be to make trusted physical gold more usable within modern financial markets, rather than to promote tokenisation as an end in itself.

Member feedback indicates that collateral mobility and settlement are the clearest areas in which tokenisation may provide additional wholesale utility, although views differ on the scale and pace of the opportunity. Tokenisation may also support more efficient transfer of ownership, interoperability with wider financial-market infrastructure and, where appropriately designed, improved links between digital records and information on the underlying gold. Any benefits should be assessed against the efficiency and resilience of existing Loco London arrangements.

Confidence in tokenised gold will ultimately depend on the integrity of the underlying physical gold. Tokenised arrangements should build on the standards and safeguards that underpin confidence in the existing Loco London market, rather than create a parallel framework for the underlying physical asset. Appropriate controls should ensure that digital records remain aligned with the underlying gold and that existing encumbrances or conflicting claims can be identified. Tokenisation should also complement existing market infrastructure and liquidity, avoiding unnecessary fragmentation or disconnected pools of liquidity.

Interoperability and regulatory certainty will be central to institutional adoption. Common or compatible market-led standards can help tokenised gold interact with existing Loco London and wider financial-market infrastructure. Regulatory treatment should reflect the underlying rights and risks: where these are equivalent, tokenised and non-tokenised gold should in principle receive equivalent regulatory and prudential treatment, with additional requirements where tokenisation introduces new risks. This includes providing sufficient certainty over whether particular tokenised gold arrangements fall within the collective investment scheme (CIS) or alternative investment fund (AIF) regimes.

LBMA considers that the immediate regulatory priorities are therefore to provide greater certainty on CIS/AIF treatment, prudential treatment, the application of the Financial Collateral Arrangements Regulations to gold and the wider regulatory classification of different token structures. Guidance should be used where it can provide sufficient certainty, with targeted regulatory or legislative change considered

where the existing framework itself creates a barrier. A bespoke regime should be considered only where the relevant risks cannot adequately be addressed through existing frameworks and targeted changes.

3. Loco London Gold Market

The existing structure and infrastructure of the Loco London gold market provide an important reference point when considering the development and regulatory treatment of tokenised gold.

3.1 Market structure

London is the world's leading wholesale over-the-counter (OTC) market for gold, with established trading, clearing, settlement, custody and vaulting arrangements. Transactions are predominantly conducted bilaterally rather than through a central exchange, with the market supported by established infrastructure and standards. Much of the market operates through account-based transfers rather than movements of physical bullion for each transaction. This is relevant when considering tokenisation, as any new arrangement should be assessed against the efficiency, liquidity and resilience of the existing market.

3.2 Good Delivery

The physical integrity of the Loco London market is supported by LBMA's Good Delivery standards.

Tokenised arrangements should build on this established standard where applicable, rather than create a parallel framework for the underlying physical asset. Where a token represents an interest in physical Loco London gold, the framework should continue to provide the foundation for the underlying metal.

3.3 Clearing and settlement

A fundamental feature of the Loco London market is the distinction between allocated and unallocated accounts. Most bullion in London is traded and settled on an unallocated account basis, where the customer does not own specific bars but has a general entitlement to an amount of metal. Allocated accounts are opened when a customer requires title or ownership of specific bars, with the dealer holding them on the client's behalf.

Transactions are cleared and settled electronically on a net basis through a system operated by London Precious Metals Clearing Limited (LPMCL). LPMCL members offering clearing services use the unallocated precious-metal accounts they maintain with each other to settle mutual trades and trades on behalf of customers. This structure minimises the need for physical movements of precious metal between market participants.

These distinctions are relevant to tokenisation because different token structures may represent different legal rights in relation to the underlying gold. A token representing ownership of specific physical gold may therefore give rise to different rights and risks from one representing a contractual claim against an issuer or intermediary. The legal rights represented by any tokenised arrangement should be clear.

3.4 Custody, vaulting and record-keeping

The underlying asset remains physical gold held within established custody and vaulting arrangements. Relevant records identify either the specific bars held for an account holder or, in the case of an unallocated account, the holder's entitlement to an amount of metal.

Tokenisation may introduce an additional digital record into these arrangements. It is therefore important that the relationship between the token, the rights it represents, the relevant custody or account records and the underlying physical gold is clear. Where a token represents an interest in physical gold,

appropriate alignment between the digital record and the underlying holdings will be important to maintaining confidence in the arrangement.

4. Feedback from the Market

Member feedback was broadly supportive of further development of tokenised gold, while views varied on the scale of the opportunity, likely pace of adoption and where tokenisation could add most value. Banks and others active in wholesale trading and financing highlighted potential benefits from improving the mobility of allocated metal, supporting collateral use and, in some cases, settling metal against tokenised cash through Delivery versus Payment (DvP), with the potential to reduce settlement risk and associated credit-line usage. Several Members also stressed that the existing market is already efficient, so the clearest opportunity may lie in making gold more usable as collateral rather than changing the way it is traded.

Other Members were more cautious about the current business case. They emphasised the strength of the existing Good Delivery and Loco London infrastructure, the importance of maintaining confidence in the underlying physical metal, and the need to understand any implications for existing market liquidity and the functioning of the wider precious-metals market.

Across these different perspectives, several common themes emerged: trust in the physical backing, the need to avoid unintended fragmentation, legal certainty around ownership and insolvency, and clarity on prudential and collateral treatment. Members also asked that the response reflect the whole market, including non-bank participants that borrow and lend metal. Some Members also encouraged the FCA to consider whether legal and technical principles developed for gold could later be relevant for other precious metals, without delaying progress on gold.

Overall, Members saw potential benefits from tokenisation but differed on the scale of the opportunity and likely pace of adoption. There was broader agreement on the importance of preserving confidence in the underlying gold, avoiding unintended fragmentation and providing greater legal and regulatory certainty. Members also differed on whether guidance alone would provide sufficient certainty or whether targeted legal changes may be required. These themes are reflected in LBMA's responses to the FCA's questions below.

5. Responses to the FCA's Questions

Question 1: Benefits and risks

The Loco London market is already deep, liquid and supported by established account, custody, vaulting and settlement arrangements; average Loco London daily gold trading volumes equalled US\$200bn¹ in September 2026. The value of tokenisation will depend on whether it makes trusted physical gold easier to transfer, pledge or settle.

In wholesale markets, the clearest potential benefit is improved collateral usability. Tokenisation does not create gold's liquidity or change the fundamental characteristics of the underlying asset. It may, however, make physical gold easier to mobilise within collateral-management systems.

Some Members also pointed to the potential for DvP settlement of metal against tokenised cash, which could reduce settlement risk and associated credit-line usage.

¹ Source: LBMA trade reporting data.

Tokenisation does not remove the physical characteristics of gold. Location, custody, availability, delivery requirements and jurisdictional risk remain relevant. The principal wholesale risks arise where the digital record, legal rights and underlying metal do not remain reliably aligned. Market participants need certainty over ownership, physical backing, custody, encumbrances, reconciliation, settlement finality, insolvency and collateral enforcement. Tokenised structures must also be resilient during disruption: the liquidity of the underlying gold should not become inaccessible because the digital infrastructure fails.

Tokenisation must not weaken the responsible sourcing and financial-crime controls already embedded in the market. Some Members also identified potential benefits from stronger links between digital ownership records and provenance or Responsible Sourcing information, provided that additional transparency is proportionate and protects legitimate commercial confidentiality.

LBMA's primary focus is the wholesale market. We recognise that tokenisation may support greater retail access to gold, including through fractional ownership. Retail investors should have clear information about the nature of the product, the rights associated with it and the extent to which physical redemption is available.

Question 2: Interoperability and wholesale collateral

LBMA considers interoperability fundamental to the wholesale use case. Tokenised gold will provide limited additional utility if it operates within closed platforms or cannot interact efficiently with the existing gold market and wider financial-market infrastructure. Interoperability is particularly important at the point where the physical asset meets the digital record, and between token platforms, vaults, custodians, clearing and settlement systems and the internal systems of banks. If every issuer evidences backing differently, a collateral taker must vet each one and liquidity fragments. We therefore support common, or at least compatible, standards for how tokens identify and evidence the relevant underlying holdings.

Interoperability is equally important between different digital platforms and with existing collateral, payment, clearing and settlement infrastructure. Common or compatible standards should support greater fungibility and help tokenised gold move efficiently across platforms and existing market infrastructure. Without this, separate token models risk creating isolated pools of liquidity and requiring institutions to maintain different operational processes for different platforms. This would undermine rather than improve collateral mobility. The objective should be to allow appropriately structured tokenised gold to interact with existing Loco London infrastructure and emerging tokenised financial markets, rather than creating a parallel ecosystem.

For institutional participants to accept tokenised gold as collateral, technology interoperability alone will not be sufficient. They will also need confidence in the legal rights represented by the token, the integrity and custody of the underlying gold, the ability to take control of and realise the collateral, and certainty over its regulatory and prudential treatment.

LBMA supports market-led, technology-neutral standards for the gold-specific aspects of tokenisation, developed in coordination with the relevant stakeholders and wider financial-market infrastructure providers. Existing standards should provide the foundation where applicable, with additional requirements developed only where needed. LBMA is willing to convene Members, relevant authorities and market infrastructure providers to assess where additional gold-specific standards may be required.

Question 3: CIS and AIF treatment

LBMA considers that certain gold-token arrangements should be capable of operating outside the CIS and AIF regimes where, in substance, they represent ownership or a direct and enforceable interest in physical gold rather than a collective investment product. Tokenisation should not in itself determine regulatory classification. The relevant consideration should be the legal rights and characteristics of the particular arrangement, including whether the holder has an ownership interest in physical gold or a contractual claim

against an issuer and whether the arrangement involves collective or discretionary management. This reflects Member feedback that digital-gold structures should not inadvertently become CISs where that is not their intended nature or purpose.

Member feedback differed on whether guidance alone can provide sufficient certainty in all cases. One Member considers that some structures may create statutory CIS/AIF risk that cannot be fully resolved through guidance alone. LBMA would support the FCA providing guidance on the application of the existing perimeter where this can provide a sufficiently clear outcome as well as further consideration with HM Treasury where the underlying statutory framework prevents that certainty from being achieved.

Any exclusion or exemption should remain subject to proportionate safeguards reflecting the structure and risks of the arrangement, including appropriate requirements around ownership rights, physical backing, custody, reconciliation and redemption.

Question 4: Other areas requiring regulatory clarity

For wholesale use, the principal areas where further regulatory clarity would support adoption are prudential treatment, financial collateral eligibility and the regulatory classification of different token structures. In particular, banks need clarity on whether and when an appropriately structured token can be treated by reference to the underlying physical gold for credit, market, leverage and liquidity purposes. LBMA considers that where the substantive rights and risks are equivalent, tokenised and non-tokenised gold should in principle receive equivalent regulatory and prudential treatment, with additional requirements addressing genuinely new risks introduced by tokenisation.

Financial collateral treatment requires particular attention. Several Members identified the Financial Collateral Arrangements Regulations as a potential barrier to the broader use of gold as wholesale collateral. The framework is relevant because it provides legal certainty and facilitates the effective use of qualifying assets as financial collateral. Member feedback therefore highlighted the importance of considering physical gold and tokenised gold together: tokenisation alone does not change the treatment of the underlying asset. LBMA supports HM Treasury reviewing how the framework applies to physical gold and tokenised interests in gold, and whether targeted changes may be needed.

Greater clarity would also be helpful on how different token structures are treated under the wider regulatory framework. In some arrangements, the token may simply record existing ownership rights in physical gold; in others, the token itself may be a transferable asset carrying rights in relation to the underlying gold. These differences may have regulatory consequences, including under the developing crypto asset framework.

For a globally traded asset, cross-border compatibility is also important. Member feedback highlighted the risk that differing classification of the same structure across jurisdictions could limit its usefulness as wholesale collateral. While full international harmonisation may not be achievable, the UK framework should provide sufficient certainty over applicable law, ownership and enforcement, and should seek compatibility with major international markets where appropriate.

While LBMA's focus is the wholesale market, retail use may raise additional questions around consumer understanding, disclosure, safeguarding and redemption. We would expect these issues to be addressed through the appropriate retail regulatory framework.

Question 5: Industry standards and market infrastructure

Tokenised gold should be developed as part of the wider modernisation of UK wholesale market infrastructure, not as a standalone digital-asset project. It should be consistent with the work on tokenised securities, digital settlement assets and collateral management, while building on the standards and infrastructure that already support confidence in the Loco London market. This aligns with Member feedback

that tokenised gold should connect to wider UK tokenisation work rather than develop within closed, gold-specific systems.

Tokenisation can change how rights in gold are recorded and transferred, but it should not create a parallel framework for determining the integrity of the underlying physical asset. Where existing standards appropriately address the physical gold, tokenised arrangements should build on the Good Delivery framework and established custody and vaulting practices. The Gold Bar Integrity programme may also provide relevant infrastructure for connecting physical-gold information with digital records as that work develops. Member feedback consistently emphasised that confidence in tokenised gold ultimately depends on confidence in the underlying metal.

Interoperability with existing market infrastructure is equally important. This includes how tokenised gold interacts with LPMCL settlement arrangements and how participants can move between tokenised, allocated and unallocated holdings where appropriate. New digital infrastructure should complement the existing market rather than create disconnected pools of liquidity. Member feedback also highlighted the importance of considering the potential impact of tokenisation on existing market liquidity as these arrangements develop.

Any additional standards should remain product- and technology-neutral, and build on, rather than duplicate, existing standards and market infrastructure.

Coordination between the FCA, the Bank of England, HM Treasury and the PRA will also be important where industry standards interact with regulatory, collateral and settlement frameworks. The aim should be to allow useful innovation to develop while maintaining consistency with the standards and infrastructure that underpin the existing Loco London market.

6. Conclusion and Next Steps

LBMA stands ready to support the FCA, the Bank of England, HM Treasury and the PRA as this work develops. We are well placed to convene Members and relevant stakeholders to assess whether additional gold-specific standards are needed and how these could build on existing standards and market practices. LBMA also considers it important to remain closely engaged with relevant UK and international tokenisation and settlement initiatives where these may have implications for the development and use of tokenised gold.

LBMA's objective is not tokenisation for its own sake, but to make trusted physical gold more usable within modern financial markets. Tokenisation should therefore build on the integrity, liquidity and resilience of the existing Loco London market, while legal and regulatory issues that may prevent viable use cases from developing should be addressed.

Success should ultimately be judged by whether innovation improves the transferability and usability of gold without weakening the standards, liquidity or infrastructure that underpin confidence in the market.