

Response to Consultation Paper: Consultation on RTS to specify the minimum contents of the liquidity management policy and procedures under MiCAR

The World Gold Council welcomes the opportunity to comment on the EBA's Consultation Paper EBA Draft RTS to specify the minimum contents of the liquidity management policy and procedures under MiCAR.

About the World Gold Council

The World Gold Council is dedicated to ensuring that gold remains an integral part of the global economy.

We are an association whose 32 members are the world's leading gold mining companies with operations in over 45 countries, and our initiatives impact every aspect of the gold industry. We aim at:

- Improving access to gold by tackling regulatory and infrastructure barriers to gold investment
- Improving understanding of the gold market and the role of gold as an investment asset
- Developing industry standards and improving integrity and trust in gold.

Since we were founded in 1987, the structure and size of the gold industry has changed dramatically. The gold market has almost doubled in size and grown seven-fold in value. Today, gold is increasingly recognised as a mainstream asset that meaningfully contributes to prosperity, financial market stability, and society as a whole.

The World Gold Council's ambition is to further the digital transformation of the global gold market to meet the expectations of today's consumers, investors, and the financial services community. The tokenisation of gold and digitalisation of trading and supply management processes, is essential to the modernisation of the market.

Gold as an asset class

Gold has unique properties and is an essential investment for many individual and institutional investors. Private investments in gold account for nearly US\$ 3 trillion in holdings, and more than US\$ 2 trillion are held in gold reserves by central banks around the world.¹ Traditionally, investors purchase gold in the form of coins, bars, and gold ETFs. Gold tokens introduce an innovative approach to gold investment and offer a significant opportunity to modernise the market.

Several gold-backed tokens are already available to investors.

¹ Source: Gold Demand Trends and Above Ground Stocks, 2021, <https://www.goldhub.com>



Consultation

Below we provide specific feedback to applicable consultation questions.

We appreciate your consideration of our comments and remain at your disposal should you have any questions.

Our contact details:

Dr Tatiana Fic

Director, Central Banks and Public Policy

Email: Tatiana.fic@gold.org

Phone: +44 7525 990 059

Yours sincerely,

The World Gold Council

Responses to selected consultation questions

Question 1: Do respondents have any concerns of article 1 for the identification, measurement and monitoring of liquidity risk of issuers? do respondents think that the main aspects in the processes for issuers of tokens to properly manage liquidity risk are captured?

The WGC sees an issue around the procedures for identifying, measuring and managing liquidity risk in Article 1 of the draft RTS. Physical custody of gold does not work the same as having custody of other types of financial instruments with custodians. With gold the custodians are the vault operators which are limited in number. Thus in order for issuers of gold tokens as well as tokens referencing other physical assets to ensure custody based on the nature of the asset, we propose following change to Article 1 – paragraph 5 of the draft RTS:

Paragraph 5: Issuers of asset-referenced tokens and/or e-money institutions issuing e-money tokens that have to apply Article 45(3) of Regulation (EU) 2023/1114 shall have in place specific measures and limits **relevant to and reflecting the specific nature of the reserve assets** to avoid concentration of the reserve of assets by custodian

Question 2: Do respondents have any comment on the minimum content of the liquidity contingency policy proposed in article 2? in particular, do respondents have any concern on the inclusion of the required indicator to measure deviations between the market value of the token and the market value of the assets referenced as an early warning signal to be calibrated by the issuer?

N/A

Question 3: Do respondents find any challenge in the application of the segregation of the liquidity management policy as envisaged in article 3?

N/A

Question 4: Do respondents have any comment regarding the minimum content envisaged in article 4 of these rts about the liquidity stress testing under article 45(4) of micar to be included in the liquidity management policy?



N/A

Question 5: Do respondents find any provision unclear to apply?

N/A

Question 6: Do respondents have any comment on the impact assessment provided?

N/A