London, 07 April 2025

Response to the EBA Consultation on the Draft RTS on the calculation and aggregation of crypto exposure values under Article 501d(5) of the CRR

The World Gold Council (WGC) welcomes the opportunity to comment on the Consultation on the Draft Regulatory Technical Standards (RTS) on the calculation and aggregation of crypto exposure values under Article 501d(5) of the Capital Requirements Regulation (CRR).

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.

The World Gold Council is a Partner Member of the Financial Markets Standards Board (FMSB) in the United Kingdom, and our CEO, David Tait, chairs its Precious Metals Working Group.

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.

A token representing direct ownership in physical gold avoids many of the risks associated with other types of tokens. There is no counterparty risk. The token is not a financial liability of the issuer but reflects the investor's ownership in physical gold. It does not incur asset-liability or maturity mismatch risks.

[1] https://www.gold.org/goldhub

Consultation

The World Gold Council welcomes amendments to the *Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024* (CRR III). Below we provide specific feedback to applicable consultation questions and recommend clarifying the classification of gold as a traditional asset. We appreciate your consideration of our comments and remain at your disposal should you have any questions.

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Yours sincerely,

The World Gold Council

Articles 5a and 501d of CRR III provide valuable transitional provisions on the prudential treatment of different crypto assets.
Article 5a(4) of CRR III defines a "traditional asset" as any asset that is not a crypto asset, and sets out an indicative and non-exhaustive list of assets, which fall under this category. Under this definition, we understand that that gold qualifies as a traditional asset, which is consistent with its treatment under the *European System of Accounts (ESA) 2010"*, which defines assets as stores of values that generate benefits over time. Gold is an asset held on bank balance sheets.

As a tokenised traditional asset, tokenised physical gold falls under Article 501d(2)(a) of CRR III, that stipulates that exposures to tokenised traditional assets should be treated the same as exposures to traditional assets under CRR. Article 134 (6) of *Capital Requirements Regulation (CRR)* states that "gold bullion held in own vaults or on an allocated basis to the extent backed by bullion liabilities shall be assigned a 0% risk weight". Therefore, for regulatory consistency, tokenised physical gold should be treated equivalently and assigned a 0% risk weight under CRR III.
This aligns with the Basel prudential framework, which provides that crypto assets granting the same legal rights as their non-tokenised counterparts should receive the same regulatory treatment.

It would be helpful to explicitly confirm that gold is classified as a traditional asset under CRR III.

We would also like to emphasise the need for clarity in the categorisation of digital assets under Article 501d of CRR III in light of *Markets in Crypto Assets regulation (MiCA)* regulation. To ensure regulatory consistency across CRR, CRR III, and MiCA, it should be clarified that asset referenced tokens as defined by MiCA may fall into two categories under Article 501d of CRR III: (i) tokenised traditional assets under Article 501d(2)(a) (for example tokens fully backed by physical gold), and (ii) asset-referenced tokens covered under Article 501d(2)(b) that reference an asset but are backed by a portfolio of different assets (for example tokens pegged to the price of gold but backed by other assets).

Q1: Do you agree that fair-valued crypto-assets within the scope of MiCAR should be included within the scope of the prudent valuation rules? If not, please explain.

We believe that fair-valued crypto-assets within the scope of MiCAR should be included within the scope of the prudent valuation rules. Financial institutions are showing growing interest in crypto assets, and the CRR framework should evolve to reflect this development.

Please find our comments in the attached file on the conditions necessary to align CRR III with MiCA, CRR, and Basel regulations.

Q2: Do you have any concern in relation to the application of the requirements specified in Article 105 CRR and Delegated Regulation (EU) 2016/101(RTS on Prudent Valuation) to crypto-assets? If so, please explain.

Please find our comments in the attached file on the conditions necessary to align CRR III with MiCA, CRR, and Basel regulations.

Q3: Do you agree that a one-size fits all RW of 250% should apply also to CCR transactions requiring specifications on netting set treatment (Alternative A) or do you prefer using the counterparty's RW as is standard in CCR (Alternative B)? Please briefly justify your assessment.

N/A

Q4: Are there any credit institutions considering implementing the alternative internal model approach during the transitional period, or consider implementing it in the medium to long term? Would there be an impact for the development of the crypto-assets market in the EU, and/or for the capitalisation and/or business activities of European credit institutions, if the use of the alternative internal models approach in the short to medium term is not permitted?

N/A

Q5: Do you agree that the risk of default of the issuer is relevant in certain specific circumstances and therefore should be considered within the scope of this draft RTS during the transitional period or do you believe that the 250% RW for direct credit risk is sufficient to capture for this risk during the transitions period? Please briefly justify your assessment.

N/A

Q6: How relevant is it to incorporate this differentiation for crypto-assets exposures referred to in Article 501d (2), point (c), of the CRR at this stage? Are institutions confident that they can assess their crypto-assets exposures against the criteria set out in these draft RTS? Is there sufficient market data available to make those assessments?

N/A

Q7: For ARTs subject to the calculation of own fund requirements for market risk in this paragraph, do you agree that the risk of default of the issuer is relevant in certain specific circumstances and therefore should be considered within the scope of these draft RTS during the transitional period as per Article 3(4)(d) or do you believe that the 250% RW for direct credit risk is sufficient to capture for this risk during the transitions period? Please briefly justify your assessment.

N/A