

# **A new proposal on measuring gold and crypto-assets**



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**The views expressed are those of the authors and may not represent the views of the ONS or the Bank of England.**

# What will be covered

- The issue and the history
- Current treatment and consequences
- International engagement and proposed treatment

# Problem Definition

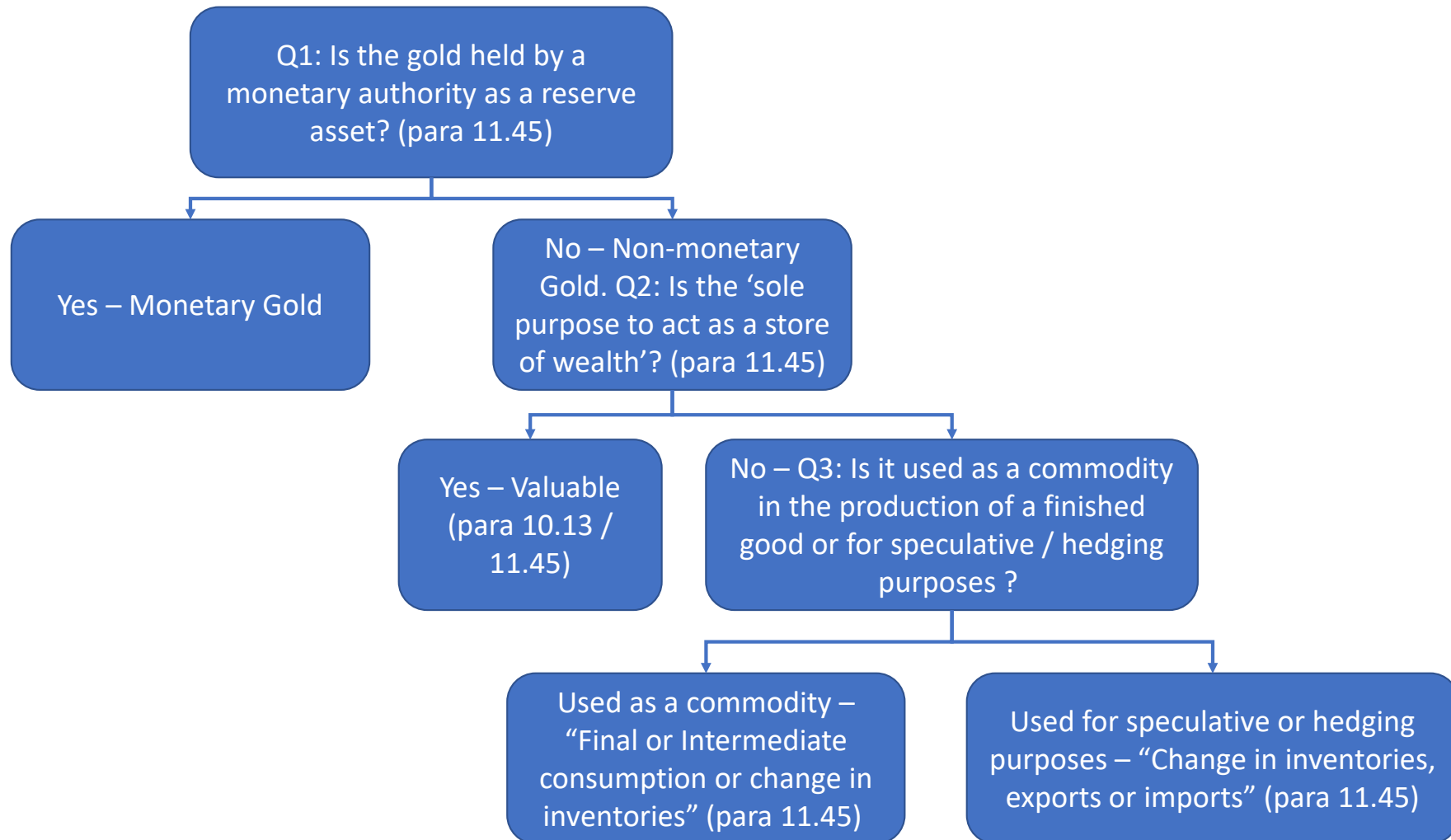
# Problem Definition

Gold challenges

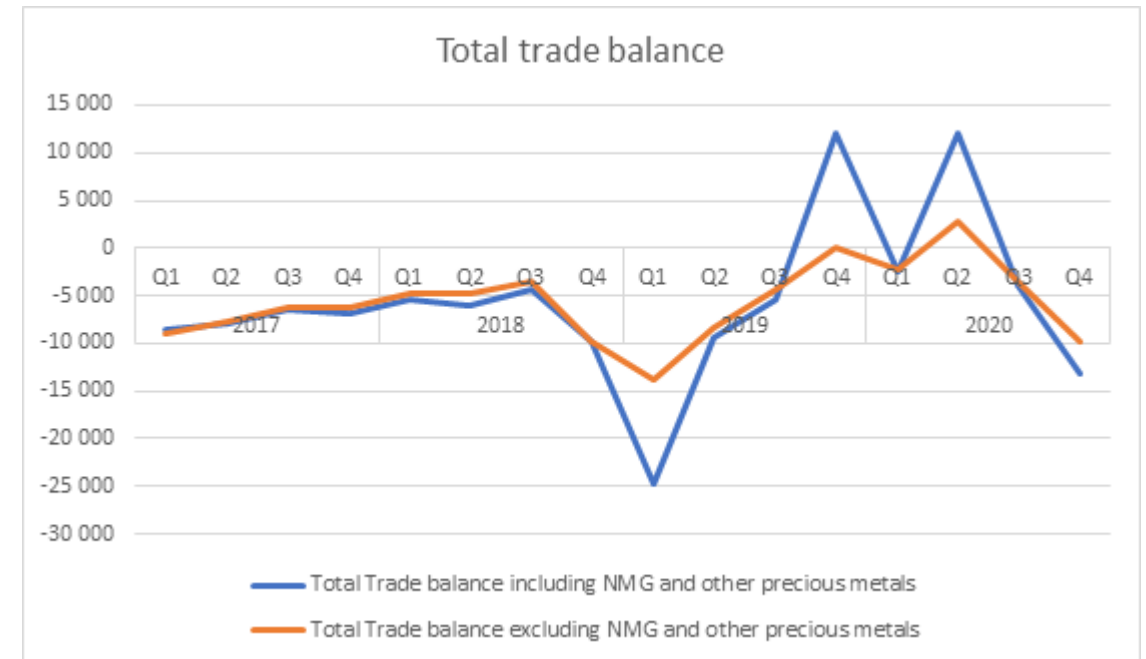
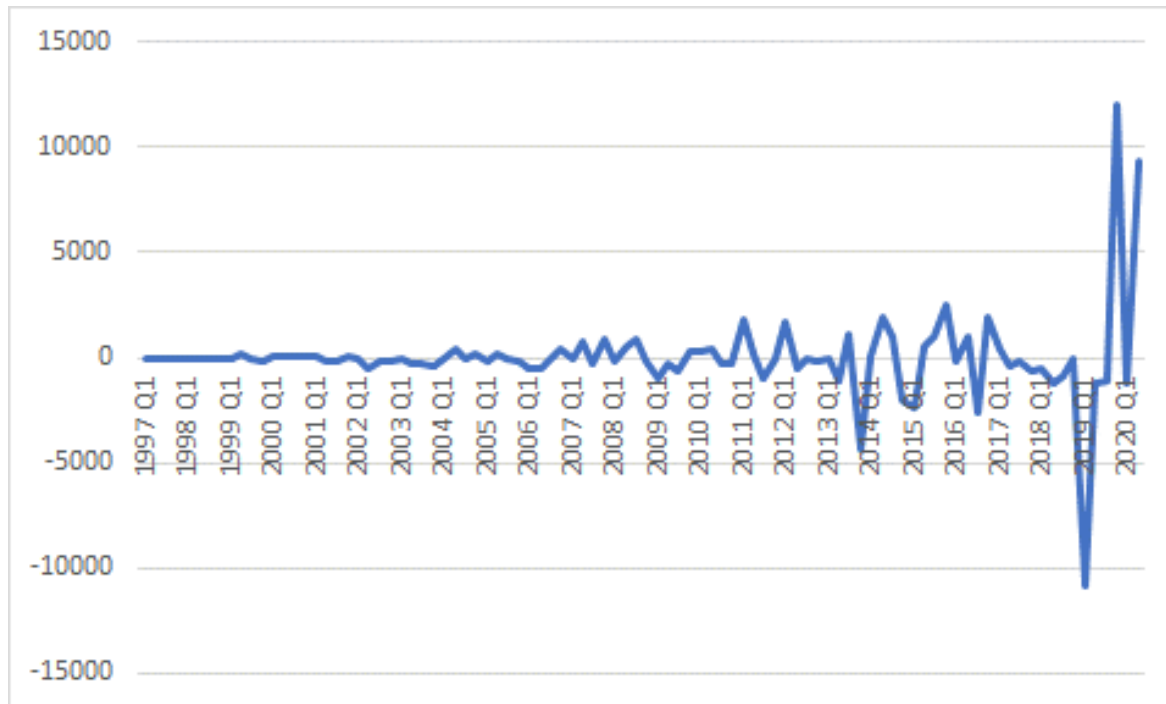
Crypto-asset – rising challenges

Type of Gold	SNA68	SNA93 & SNA08
Gold held by monetary authorities	Financial Gold (reserves – Financial Account)	Monetary Gold (reserves – Financial Account)
Gold used for store of wealth purposes	Financial Gold (deposits – Financial Account)	Non-Monetary Gold (Valuables – Capital Account)
Gold used for industrial purposes	Industrial Gold (Inventory or Intermediate Consumption – Use Account)	Non-Monetary Gold (Inventory or Intermediate Consumption – Use Account)

# The current treatment of gold



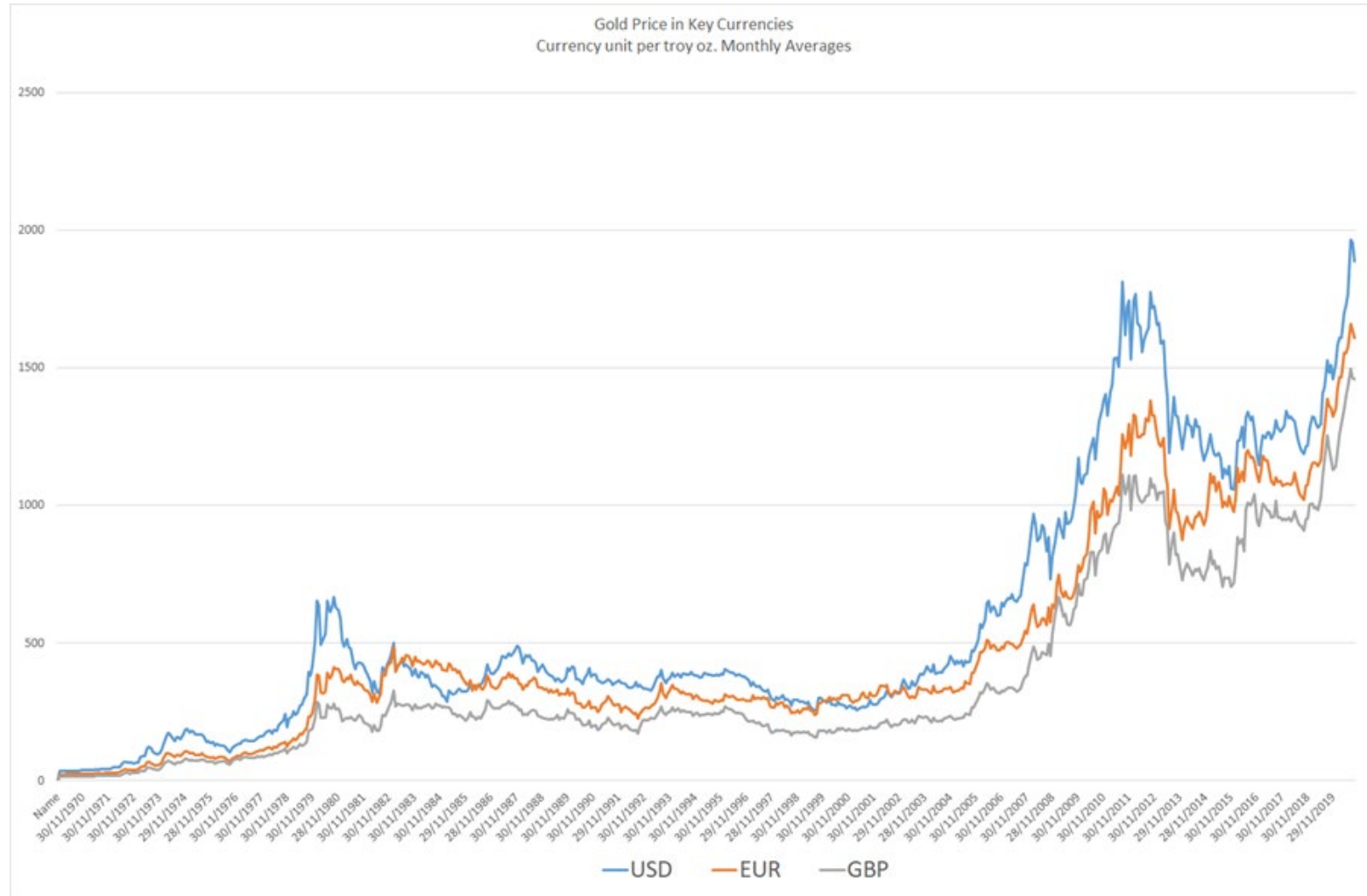
# Why is the current treatment of gold is problematic



# Recent experience of gold and bitcoin

GDS

# The impact of gold prices





# Similar Story around Bitcoin



# Initial OECD proposal

Asset class	Proposed Treatment
Crypto-assets acting as a general means of payment with a corresponding liability issued by a monetary authority	Currency (AF.21)
Crypto-assets acting as a general means of payment with a corresponding liability not issued by a monetary authority	New subcategory within Currency and deposits (AF.2)
Crypto-assets acting as a general means of payment without a corresponding liability	New subcategory within Currency and deposits (AF.2)
Payment Tokens with a corresponding liability	Debt securities (AF.3)
Payment Tokens without a corresponding liability	No asset
Debt security crypto-assets	Debt securities (AF.3)
Equity crypto-asset	Equity and investment fund shares (AF.5)
Derivative crypto-asset:	Financial derivatives and employee stock options (AF.7)
Crypto-assets acting as a store of value with a corresponding liability	Debt securities (AF.3)
<b>Crypto-assets acting as a store of value without a corresponding liability</b>	<b>As a new subcategory under Valuables (AN.13)</b>

Following discussions around an earlier draft of this paper on the treatment of gold, and the issues identified in it, the recommendation to the Advisory Expert Group for Crypto-assets acting as a store of value without a corresponding liability was amended to propose these also being defined as a financial asset. Discussion is ongoing in the international community.

# Proposed way forward

# Principles

Two underlying implicit principles drive the composition of these two parts of the accounts:

Principle 1: items in the supply and use accounts should either contribute to production or consumption\*

Principle 2: within the financial account, all assets should be balanced with corresponding liability

*\*Noting the difference between flows and stocks*

# Long-list to short list

Many conceivable options – so let’s just look at those which comply with at least one principle:

Option	Monetary Gold	Non-Monetary Gold used for financial portfolio purposes	Specified Valuables (e.g. silver and platinum)	Other Valuables (e.g. wine, cars and fine art.)	Crypto-assets without corresponding liability
1	Valuables (Capital Account)	Valuables (Capital Account)	Valuables (Capital Account)	Valuables (Capital Account)	Valuables (Capital Account)
2	Financial Account	Financial Account	Financial Account	Financial Account	Financial Account
3	Financial Account	Valuables Account	Valuables Account	Valuables Account	Valuables Account
3	Valuables Account	Valuables Account	Valuables Account	Valuables Account	Valuables Account

# Classic Sequence of Accounts

<b>1. Non-financial accounts</b>	<i>Uses</i>	<i>Resources</i>
Production Account	P2 Intermediate Consumption B1: Value Added Gross	P1 Output
Generation of Income Account	D1 Compensation of Employees D29 Other taxes on production (minus subsidies) K1. Consumption of fixed capital	B1 Value Added Gross
Distribution of Income Account	D4 Property income D5 Current taxes on income and wealth D6 Social benefits (paid by employers) D7 Current transfers B8N Saving, Net	B2N Operating surplus, net
Capital Account	P5 Gross capital formation - K1 Consumption of fixed capital B9A Net lending / net borrowing	B8N Saving, Net D9 Capital transfers
<b>2. Financial Accounts</b>	<i>Net acquisition of financial assets (Changes in financial assets)</i>	<i>Net incurrence of liabilities (Changes in liabilities)</i>
	F1 Monetary Gold and SDRs <sup>1</sup> F2 Currency and deposits F3 Debt securities F4 Loans F5 Equities and investment fund shares F6 Insurance, pension and standardised guarantee schemes F7 Financial derivatives and employee stock options F8 Other accounts receivable / payable	F2 Currency and deposits F3 Debt securities F4 Loans F5 Equities and investment fund shares F6 Insurance, pension and standardised guarantee schemes F7 Financial derivatives and employee stock options F8 Other accounts receivable / payable  B9B Net Lending / net borrowing

# New Proposal

1. Non-financial accounts	<i>Uses</i>	<i>Resources</i>
Production Account	P2 Intermediate Consumption B1: Value Added Gross	P1 Output
Generation of Income Account	D1 Compensation of Employees D29 Other taxes on production (minus subsidies) K1. Consumption of fixed capital	B1 Value Added Gross
Distribution of Income Account	D4 Property income D5 Current taxes on income and wealth D6 Social benefits (paid by employers) D7 Current transfers B8N Saving, Net	B2N Operating surplus, net
Capital Account	P5 Gross capital formation ( <b>excluding P53 Acquisitions less disposals of valuables</b> ) - K1 Consumption of fixed capital <b>B9A* Net Change in holdings</b>	B8N Saving, Net D9 Capital transfers
2. Financial Accounts	<i>Net acquisition of financial assets / stores of wealth (Changes in financial assets)</i>	<i>Net incurrence of liabilities (Changes in liabilities)</i>
Valuables Account	<b>P53 Acquisitions less disposals of valuables (inc. crypto-assets without contingent liability &amp; F1a Monetary Gold)</b> <b>B9A Net lending / net borrowing</b>	<b>B9A* Net Change in Holdings</b>
	F1b SDRs <sup>1</sup> F2 - F8 Different classes of assets	F2 - F8 Different classes of liabilities  B9B Net Lending / net borrowing

# Conclusions

No current treatment for crypto-assets, and the current treatment of gold is unsatisfactory

Need to develop new coherent proposition

Potential to address outstanding issues whilst protecting key principles around the non-financial and financial accounts

Leads to proposal for a new 'store of wealth' account within the financial accounts