

Product 1: Paxos Gold

Product Name: Paxos Gold

Product Link (rwa.xyz): <https://app.rwa.xyz/assets/PAXG>

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I. Executive Summary

Brief overview of the product

Paxos Gold is a tokenized gold product that is backed 1:1 by one ounce of gold stored in Brink's vaults. It allows investors to access the value of physical gold through a token.

Key facts

Asset Type: Commodity(Gold)

Issuer: Paxos Trust Company

Ticker: PAXG

Protocol: Paxos

Jurisdiction: New York State, USA

Minimum Investment (if applicable): Fractional ownership is allowed, as little as 0.01 PAXG

Why is this product unique

NYDFS regulates PAXG and offers physical redemption, separating itself from offshore gold tokens. It allows for fractional ownership, worldwide accessibility, and real-time price updates.

II. Basic Product Profile

1. Name of RWA Product: Paxos Gold

2. Issuer(s): Paxos Trust Company

3. Blockchain(s) Used: Ethereum

4. Legal Entity Structure: Trust Company

5. Jurisdiction of Incorporation: New York State, USA

6. Underlying Assets: (e.g., U.S. Treasuries, real estate, private credit) Physical gold

7. Minimum Investment / Investor Requirements: None. Additionally, fractional ownership is allowed.

8. Token Details:

- **Token name/symbol**
PAXG
 - **Redeemable? (Y/N)**
Yes
 - **Yield-bearing? (Y/N)**
No
 - **Peg mechanism**
Backed 1:1 with physical gold
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III. Key Stakeholders & Roles

Role	Entity / Description
Issuer	Paxos Trust Company - Creates and introduces the token to the market
Custodian	Brink's Global Services - Vaults, which store the physical gold that represents the token
Transfer Agent	Paxos Trust Company - Handles issuance and redemption
Infra Provider	Paxos Protocol - Proprietary infrastructure
Auditor	WithumSmith+Brown - Verifies that Paxos holds enough gold to back every token in circulation

IV. Legal & Regulatory Considerations

- **Disclosures:** Paxos provides public attestations and detailed terms via its website.

- **Redemption & Dispute Resolution:** Gold is redeemable for physical bars or cash. Any disputes are handled under New York law
 - **Applicable Legal Protections:** New York State law and regulatory oversight by NYDFS.
 - **Compliance:** It is treated as a commodity token, not a security. It operates under New York's Virtual Currency Business framework.
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V. Peg and Risk Mechanism

- **Peg Maintenance:** Each token is backed 1:1 with one ounce of gold, with reserves held in Brink's vaults.
 - **Redemption Windows:**
 - Can be redeemed at any time for USD.
 - 430 PAXG minimum for physical redemption
 - **In Case of Default:** In case of default, Paxos Trust holds gold on behalf of token holders, meanwhile, disputes are resolved in NY courts.
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VI. Economic Rationale

- **Issuer Motivation:** The issuer created this product in order to provide an accessible and tradable version of physical gold on-chain.
 - **Advantages Over Physical Gold:** It eliminates the need for physical transport or storage and allows for accessibility.
 - **Tokenization Benefits:**
 - 24/7 access and liquidity
 - Fractional ownership
 - On-chain transparency
 - Who is the target investor group and why?
 - Gold investors seeking easier logistics
 - Institutions wanting regulatory clarity
 - Retail users needing low minimums
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VII. On-Chain Activity Analysis

1. Tools Used: Etherscan, RWA.xyz

2. Summary of On-Chain Behavior:

- Monthly Transfer Activity:
 - Active Addresses: 5,401
 - Transfer Count: 63,147
 - Transfer Volume: \$1,227,376,790
- Tokens in Circulation: 268,245.73 PAXG
- Time-based activity trends: Mints, burns, and transfers

3. Key Patterns / Observations:

- In 2022, from 2/10 to 3/11, the market cap of the RWA grew \$261,567,063(around a 73% growth)
 - The growth signals increasing adoption of Paxos Gold as a credible representation of physical gold.
 - Transfers are consistent and likely held by a mix of institutions and retail.
 - Wallets are not publicly identified, although they are traceable on Etherscan.
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VIII. Market Implications

- **Impact on the Gold Market:** Paxos Gold shows that tokenized gold can be a strong alternative to owning physical gold or ETFs, offering more flexibility
 - **Room to Grow:** The product has strong potential to continue growing as it follows clear regulations, allowing it to gain the trust of more people.
 - **Traditional vs. Crypto Finance:** Paxos Gold is designed in a way that works well for both traditional investors and crypto users.
 - **Challenges:** Though the token is digital, redeeming it for real gold still involves steps such as shipping, potentially slowing things down.
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IX. Strengths & Weaknesses

Strengths:

- NYDFS-regulated
- Physically redeemable

- Secure gold custody by Brink's
- Transparent attestations
- Global accessibility

Risks / Limitations:

- High minimum for physical redemption
 - Not yield-bearing
 - Exposure to price volatility
 - Reliance on the issuer and custodian
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X. Open Questions

- Is there any protection if the gold is lost, stolen, or misplaced?
 - Do users get to see full audit details or just basic summaries?
 - How easily can investors redeem PAXG for physical gold, and how often does that happen in practice?
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XI. Sources

- <https://app.rwa.xyz/assets/PAXG>
- <https://www.paxos.com/pax-gold>
- <https://www.paxos.com/terms-and-conditions/general-terms-and-conditions>
- <https://bullionexchanges.com/charts/pax-price>
- <https://www.osl.com/hk-en/academy/article/what-is-paxg-exploring-this-gold-backed-cryptocurrency>
- <https://chain.link/education/asset-tokenization#:~:text=Tokenization%20can%20allow%20for%20increased,the%20trading%20of%20these%20assets>