

**Shariah Pronouncement of the Shariah Committee  
of Bursa Malaysia Islamic Services Sdn Bhd**

*In the Name of Allah, the Most Gracious the Most Merciful*

**Subject: Bursa Gold Dinar**

*All praise is due to Allah, prayers and peace be upon the last Prophet Muhammad, and be upon his relatives and all his companions,*

Bursa Malaysia (“**Bursa**”) aims to develop the Bursa Gold Dinar (“**BGD**”) as an end-to-end Shariah-compliant gold investment product that is fully backed by physical gold and could be electronically traded on the BGD Platform. The BGD is envisaged to be a market that is predominantly disintermediated as Investors shall directly engage with the BGD Platform where Bursa will be able to offer live competitive price to Investors to invest and trade in gold.

The Committee is committed in resolving potential Shariah issues that may arise in offering the BGD to the public, as such, the following are the mitigation steps undertaken to ensure the Shariah-compliant status of BGD:

**i. Components of *Bai’ al-Sarf***

*Bai’ al-Sarf* refers to a contract of exchange of money for money of the same or different type. Money is a medium of exchange that shall be in the form of currency, gold, silver, or other forms accepted by Shariah.

**(a) Determination of Contracting Parties and Offer/Acceptance.**

The Contracting Parties and Offer/Acceptance shall be determined through the processes of Buy and Sell as transactions occur on the BGD Platform.

**Buy**

- The BGD Platform may offer to sell Gold at a quoted price and the Investor may buy Gold from the BGD Platform subject to the terms and conditions of the Platform Rules<sup>1</sup>. Once an order is entered, the price is locked for two (2) minutes for the Investor to complete and execute the order. In the event the order is not executed by the end of the two (2) minutes, the price may be refreshed and a new price may be offered for sale.

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<sup>1</sup> Platform Rules means any attached or referenced schedules, appendices, guidelines, circulars, terms of use including the General Terms and Conditions and any other requirements of general or specific application, issued by the Platform Operator from time to time.

- Prior to entering a buy order, an Investor shall ensure that it has sufficient amounts of cash in its Account to cover the purchase of the Gold, any fees and other charges. The Investor agrees that its purchase order may not be affected if there is insufficient cash in its Account at the time the purchase order is made.
- A minimum of RM10 or its equivalent in grams is required to enter an order. The maximum amount that a Investor can purchase is based on its Account limits.
- Once a successful buy transaction is made from or to the BGD Platform, confirmation of the Transaction will be issued to the Investor in the manner prescribed by the BGD Platform.

### **Sell**

- The BGD Platform may offer to buy Gold at a quoted price and the Investor may sell Gold to the BGD Platform subject to the terms and conditions of the Platform Rules. Once an order is entered, the price is locked for two (2) minutes for the Investor to complete and execute the order. In the event the order is not executed by the end of the two (2) minutes, the price may be refreshed and a new price may be offered for purchase.
- Prior to entering a sell order, an Investor shall ensure that it has sufficient amounts of Gold in its Account to cover the sale of the Gold. The Investor agrees that its sell order will not be transacted if there is insufficient Gold in its Account at the time the sell order is made.
- Once a successful sell transaction is made from or to the BGD Platform, confirmation of the Transaction will be issued to the Investor in the manner prescribed by the BGD Platform.

### **(b) Determination of Subject Matter**

The Gold Supplier stores the underlying physical gold in a secured vault and subsequently inputs information of the physical gold onto the BGD Platform. The BGD Platform then requests Auditor's<sup>2</sup> and Trustee's<sup>3</sup> confirmation on the existence of the underlying physical gold. The Auditor will also conduct regular audit on the physical gold post-issuance and will input their audit trails on the BGD Platform.

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<sup>2</sup> Auditor means Pre-launch verification and periodical audit on gold storage, mainly to check on existence and quality of gold.

<sup>3</sup> Trustee means independent trustee for funds (trust account held in settlement bank) and physical gold (stored in secured vault).

In the BGD Ecosystem, Proof of Asset documentation is crucial to ensure transparency of BGD, the documentation will include certification of physical gold, serial number, vault receipt and other documents provided by Auditor/Trustee.

### **(c) Transfer of Gold/Cash on a Real Time Basis**

Investors hold both a Cash Wallet and an Asset Wallet in the BGD Platform. As a trade is executed, the seller's BGD and buyer's cash will be transferred on a real time basis, the system will not allow any deferred payment and delivery.

## **ii. Equilibrium Mechanism and Joint-Ownership of Underlying Physical Gold**

Equilibrium mechanism is adopted in making sure that the BGD cannot be adjusted or manipulated. Each BGD is backed by an equivalent amount of underlying physical gold lodged by the Gold Supplier and confirmed by multiple independent parties including the Vault Operator, Auditor, Trustee, and Bursa. Apart from that, BGD adopted the joint-ownership arrangement where the pool of gold in Bursa's gold inventory will be jointly owned by investors as per the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") Shariah Standard<sup>4</sup>:

- "(a) It is permissible to jointly own gold where each partner owns undivided share of a specified percentage in the pool of gold.
- (b) In case of loss or damage, each co-owner shall bear the losses/damages pro rata.
- (c) Ingots stored in a warehouse and not distinguishable by serial numbers are considered unallocated and are thus subject to the Shariah rulings for joint ownership."

Regarding item (b), due to the nature of gold, the underlying physical gold is exposed to security risks that will result in monetary losses. Bursa shall ensure that the vault security measures are robust and there is sufficient takaful/insurance coverage for the underlying physical gold.

## **iii. Back-to-Back Trading Mechanism**

At any point in time, Bursa will purchase and keep X amount of gold (e.g., 10kg) under Bursa's ownership and it will be stored in a secured vault. This X amount of gold will be used as the underlying asset which is democratized (through the Equilibrium mechanism) into BGD for investors to purchase.

In addition, Bursa has taken steps to ensure continuous and adequate supply of underlying physical gold for BGD. Every time an investor buys/sells BGD with Bursa, the back-to-back trading arrangement will trigger the same transaction between Bursa and the Gold Supplier<sup>5</sup>. For example, an investor buys BGD from Bursa, Bursa will buy

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<sup>4</sup> AAOIFI Shariah Standard, 2017, Shariah Standard No. (57): Gold and Its Trading Parameters in Shariah, page 12.

<sup>5</sup> A Gold Supplier is an entity that supply LBMA certified physical gold, provide live competitive prices for BGD, arrange for the delivery of physical gold to customers, and facilitate back-to-back gold arrangements with Bursa.

the same amount of gold from the Gold Supplier. Vice versa, an investor sells BGD to Bursa, Bursa will sell the same amount of gold to the Gold Supplier.

Bursa will have an agreement with the Gold Supplier to ensure all back-to-back arrangements are supported with underlying physical gold.

#### **iv. Fees and Charges**

##### **(a) Trading/Administrative Fees**

There will be a trading/administrative fee charged to the Investors as they transact on the BGD Platform.

##### **(b) Physical Delivery Fees**

Physical delivery fees are charged upon the successful request of physical delivery by the Investor.

All fees and charges are informed upfront in the Platform Rules, Fee Schedule and Frequently Ask Questions (FAQs) under the BGD Help Centre.

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