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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

SHARIAH PRONOUNCEMENT FOR QUANTUM METAL SDN. BHD. GOLD ADVANCE

1. Background

- 1.1 Quantum Metal Sdn. Bhd. (hereinafter referred to as 'QM') is offering a product by the name of Gold Advance (hereinafter referred to as 'Product') and seeks for Shariah compliance certification from ISRA International Consulting Sdn. Bhd. (hereinafter referred to as 'ISRA Consulting')
- 1.2 Through the Product, QM offers Tawarruq-based financing to the holders of Gold Saving Account (GSA) that will enable the Customer who already owns certain amount of gold in his GSA to obtain cash up to certain percentage of the gold's value. Upon completion of the transaction, the gold shall be pledged to QM as security against the indebtedness created through the financing.
- 1.3 Pursuant to the above, ISRA Consulting has received and reviewed the Product's Standard Operating Procedure ('the SOP') as well as the Quantum Metal System ('the System'), which is the System provided by QM to manage all trading and operation transactions at branches and departments.

2. Product Structure

- 2.1 The structure of the Product involves several steps, as follows:

Eligibility

- a) The Product is offered to the holders of GSA only.¹ For those who do not have GSA, they are required to open a GSA account before they can apply for the financing through this Product.

¹ GSA has been endorsed as Shariah-compliant pursuant to 'Shariah Pronouncement for Quantum Metal Sdn. Bhd. Gold Storage Account' issued by ISRA Consulting on 16 March 2020. The structure and operation procedures of GSA may be found in the same Pronouncement.

Financing

- a) Upon approval of the application for financing, the Customer will appoint QM as his 'agent to purchase' and 'agent to sell' and enter into a Tawarruq arrangement with QM. Via the Tawarruq arrangement, QM, upon acquiring a Shariah-compliant commodity from a commodity trader on 'Purchase Price', sells the commodity to the Customer via QM (acting as his agent to purchase) at 'Selling Price' (which comprises the Purchase Price and the profit) with deferred payment. Subsequently, the Customer sells the commodity to a commodity trader via QM (acting as his agent to sell) at a price equivalent to the Purchase Price with spot payment.
- b) Upon completion of (a), the gold, which the Customer already owns in his GSA, shall be pledged to QM as security against the debt the Customer owes to QM from the Tawarruq arrangement.² The example below illustrates the flow of this financing:

Assuming that:

- *1g of gold = RM100.00;*
- *Selling price of 1g of gold = RM100.00 + 7% (gold spread) = RM107.00 (this will be the QM's Published Gold Price);*
- *The Customer owns 10g of gold = RM1,070.00*
- *The approved percentage of financing = 75% of the gold value; therefore*
- *The Tawarruq financing = RM802.50+ 3.5%, that is the profit rate i.e. RM28.09 = RM830.59*
 - *QM will buy the commodity from a commodity trader at RM802.50 and sells it to the Customer at RM830.59 on deferred payment. The Customer then sells the commodity to a commodity trader at RM802.50 on spot payment.*
 - *He, therefore, obtains RM802.50 cash and is indebted RM830.59 to QM. All 10g of his gold (100%) will be pledged as security to QM.*

Settlement and Termination of Facility

- a) The Customer is expected to make settlement of the financing within the stipulated tenure. In the case where the Customer makes the settlement earlier than the maturity date of the financing, QM shall grant rebate (Ibra') on the unearned profit.
- b) QM may also decide to terminate the facility in the event where the value of the gold (that is pledged to QM for the purpose of security over the granted financing) falls below 13% as compared to the London Metal Exchange (LME) purchase price. The following example illustrates the situation:

² Based on the consent given by the Customer (pledgor), QM (pledgee) may utilise the charged gold (by charging it to any third party throughout the tenure of the Tawarruq financing, for instance), as entailed by the Deeds of Charge agreed between QM and the Customer. In this, QM is responsible to surrender gold with the same value and quality upon redemption made by the Customer.

Assuming that:

- *The financing amount = RM839.59; and
The pledged gold original value = RM1,070.00; therefore*
- *RM1,070.00-13%= RM930.90
In this case, the pledged gold value drops from RM1000.00 to RM930.90 (by 13%) and
QM may decide to terminate the financing facility.*
 - *For the sake of clarity, the termination of the facility shall necessitate the
Customer to make full settlement of his outstanding debt payment. In the event
where the Customer makes the full settlement, the pledged gold will be released
from any encumbrance. Should the Customer fail to make the full settlement, QM
may liquidate the pledged gold for the purpose of recovering the outstanding
debt amount. Subsequently, the balance amount from such liquidation, if any,
shall be returned to the Customer.*

3. Shariah Opinion

Pursuant to the system run-through exercise as well as the review process on the SOP conducted by us, we hereby are satisfied and of the view that the product structure, the SOP, and the system are compliant with the principles of Shariah.

4. Disclaimer

- 4.1 This Pronouncement is strictly based on 'the System' and 'the SOP' provided to us. ISRA Consulting shall not be held responsible for any variations made on both items after the issuance of the Pronouncement. The scope of this Pronouncement only covers the Shariah perspective of the Product documentation and does not include the Product's day-to-day operations.
- 4.2 It is also important to note that this Pronouncement does not include the Shariah-compliant status of QM as the operator of the Product.
- 4.3 This Pronouncement is valid for **ONE (1)** renewable year from the signing date that it bears. Nonetheless, any variation or additional features added in the reviewed documents within this one year will necessitate supplementary endorsement by ISRA Consulting.

Thank you.

Sincerely yours,



Prof. Dr. Ashraf Md. Hashim
Chief Executive Officer