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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 LEVERAGE

### 1. Background

- 1.1 Quantum Metal Sdn. Bhd. (hereinafter referred to as 'QM') is offering a product by the name of Gold Leverage (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) to purchase gold. The financing will enable the Customer who already owns certain amount of gold in his GSA to acquire more gold (hence the product name, i.e. leverage) by using the proceeds from the Tawarruq transaction. Upon completion of such purchase, 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.<sup>1</sup> 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.

<sup>1</sup> 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), QM, acting as the agent to the Customer, purchases gold on spot basis by using the proceeds from the Tawarruq arrangement. The gold, which now belongs to the Customer, shall be pledged to QM as security against the debt the Customer owes to QM from the Tawarruq arrangement.<sup>2</sup> The example below illustrates the flow of this financing:

*Assuming that:*

- 1g of gold = RM100.00;
- The Customer purchases (or already owns) 1g of gold through his GSA Account. Through this Product, the Customer seeks to acquire additional 4g of gold; and
- Selling price of 4g of gold = RM400.00 + 3% (gold spread) = RM412.00 (this will be the QM's Published Gold Price); therefore
- The Tawarruq financing = RM412.00 + 3.5% , that is the profit rate, i.e. RM14.42 = RM426.42
- QM will buy a Shariah-compliant commodity from a commodity trader at RM412 and sells to the Customer at RM426.42 on deferred payment. The Customer then sells the commodity to a commodity trader at RM412.00 on spot payment. The proceeds (RM412) will be used to purchase 4g of gold.
- The Customer, therefore, will have 1g of gold (initial amount in his GSA) + 4g of gold (via Tawarruq) = 5g of gold; and
- He is now indebted RM426.42 to QM. All 5g gold 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 8% as compared to the London Metal Exchange (LME) purchase price. The following example illustrates the situation:

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<sup>2</sup> 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 case, QM is responsible to surrender gold with the same value and quality upon redemption made by the Customer.

Assuming that:

- The financing amount = RM426.42; and
- The pledged gold original value = RM500.00; therefore  
RM500.00-8% = RM460.00
  
- In this case, the pledged gold value drops from RM500.00 to RM 460.00 (by 8%) 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 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