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- Gold cheque
- Gold purchasing order
- Gold participation account
- Gold savings account



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5 Editor's Note

COVER STORY

6 The Islamic Gold Rush

Gold has seen its fair share of peaks and troughs during the past 12 months. In a year characterized by some as one of the most perilous ever in the last few decades as geopolitical tensions heightened on the back of rising nationalism and protectionism, the year 2018 has revealed several interesting trends in the gold sector, including a strong movement from West to East, fuelled partly, by an increasing demand from Islamic investors.

FEATURES

10 AAOIFI Shariah Standard on Gold

The intention of this is to provide the reader with an initial understanding of the standards and this does not purport to be complete or is intended to replace the standard itself.

11 The role of gold in Islamic finance

The AAOIFI Shariah Standard on Gold developed in collaboration with the World Gold Council was a game-changer for the role of gold in Islamic finance. For the first time, the world's leading Islamic scholars issued a collective Fatwa on the trading of gold, clarifying the transactions that are permitted and enabling the development of new and innovative gold-backed products. Since its launch, new products have been developed including exchange-traded funds (ETFs) and gold investment accounts, enabling consumers across the Islamic world to benefit from the wealth preservation properties of gold.

13 How to offer gold as a Shariah compliant investment

Gold has always enjoyed a close connection with Islamic culture. Now, thanks to the Shariah compliant gold standard, the precious metal is playing a vital role in the future of Islamic finance.

16 Market outlook for precious metals in 2019

Multiple factors appear to be converging at the same time that will put immense upward pressure on the gold price moving into 2019 with the increasing likelihood of a super spike in precious metals prices moving forward.

19 Gold to power the future of financial inclusion in Islamic finance

The fintech phenomenon is not just reshaping finance but also bringing about a social change among the economically disadvantaged of the world. This is particularly true in the world of Islamic finance which seeks to serve some two billion Muslims around the world, a quarter of the world's population.

22 National Bank of Fujairah's journey in accelerating the growth of the precious metals industry in the UAE

Over the years, the UAE has witnessed an exponential increase in demand for bullion financing in parallel with the growth in demand for precious metals. The UAE's total estimated trade volume is US\$80 billion across diamonds and gold, with diamonds making up around a total of US\$35 billion. With its multidisciplinary approach and in-depth sectorial knowledge in the precious metals and diamond industry, the National Bank of Fujairah (NBF) has focused on addressing financing in the market as the sector continues to grow and further boost economic diversification efforts.

IFN Islamic Finance news

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Good as gold



Welcome to the inaugural IFN Gold Report!

When AAOIFI and the World Gold Council released their seminal Shariah Standard on Gold at the end of 2016, the response was phenomenal. Here at IFN – through both our editorial and event platforms – we received strong feedback from both market practitioners and industry outsiders who were genuinely excited over the immense opportunities the standard could unlock for the industry, with many eager to see what treasure trove of Islamic gold delights would come to market.

It is on the back of this enthusiasm that IFN decided to produce the IFN Gold Report, a collection of articles written by the leading players in the Islamic finance gold space expounding on the opportunities gold could offer in the Islamic space. We hope that the IFN Gold Report will serve as a comprehensive overview of the gold market and provide insightful perspectives on the role it can play for the industry.

In producing this report, we are fortunate to have had the support of our partners, all trailblazers in the Islamic gold area in their own right; without them, the IFN Gold Report would not have materialized. IFN would like to thank:

- The World Gold Council, the market development organization instrumental in the development of the Shariah Standard on Gold;
- The Perth Mint, Australia's official bullion mint and one of the first mints in the world to be certified as Shariah compliant;
- Physical Gold Fund, a Shariah compliant leading fund in privately allocated gold custody;
- HelloGold, the first digital gold fintech firm recognized by scholars as Shariah compliant;
- Kuveyt Turk Participation Bank, an innovative bullion bank with the widest range of Shariah compliant financial gold products; and
- NBF Islamic, an Islamic finance leader which completed the first AAOIFI-compliant Islamic bullion financing transaction.

It's been an absolute pleasure putting together this informative and insightful market-led publication and we hope you will enjoy reading it as much as we did producing it.

Most sincerely,



Vineeta Tan
Editor
Islamic Finance news



The Islamic Gold Rush

Gold has seen its fair share of peaks and troughs during the past 12 months. In a year characterized by some as one of the most perilous ever in the last few decades as geopolitical tensions heightened on the back of rising nationalism and protectionism, the year 2018 has revealed several interesting trends in the gold sector, including a strong movement from West to East, fuelled partly, by an increasing demand from Islamic investors.

Gold demand

A confluence of factors including a weaker Indian jewellery market and a fall in investment demand for gold bars and gold-backed exchange-traded funds (ETFs) translated into tepid gold demand in the first half of 2018. According to the World Gold Council (WGC), demand during January-June 2018 stood at 1,959.9 tonnes, the weakest since 2009.

Although full-year figures are not available yet, third-quarter data painted a slightly more optimistic picture: demand hit 964.3 tonnes, 6.2 tonnes higher year-on-year driven largely by robust central bank buying and a 13% increase in consumer demand which compensated sharp ETF outflows.

As the price of gold tumbled, hitting some of its lowest levels in the July-September period, retail investors began flooding the market again, pushing bar and coin demand up by 28% to 298.1 tonnes and jewellery demand by 6%. Central banks also ramped up their purchases which culminated in the highest level of quarterly net purchases since 2015 at 148.4 tonnes (up 22% year-on-year) while technology demand continued to grow, appreciating by 1% on a yearly basis. These however were offset by strong outflows in gold-backed ETFs (mostly US-based), resulting in the sale of over 116 tonnes of physical gold.

Chart 1: Gold prices



Data as of 14th December 2018

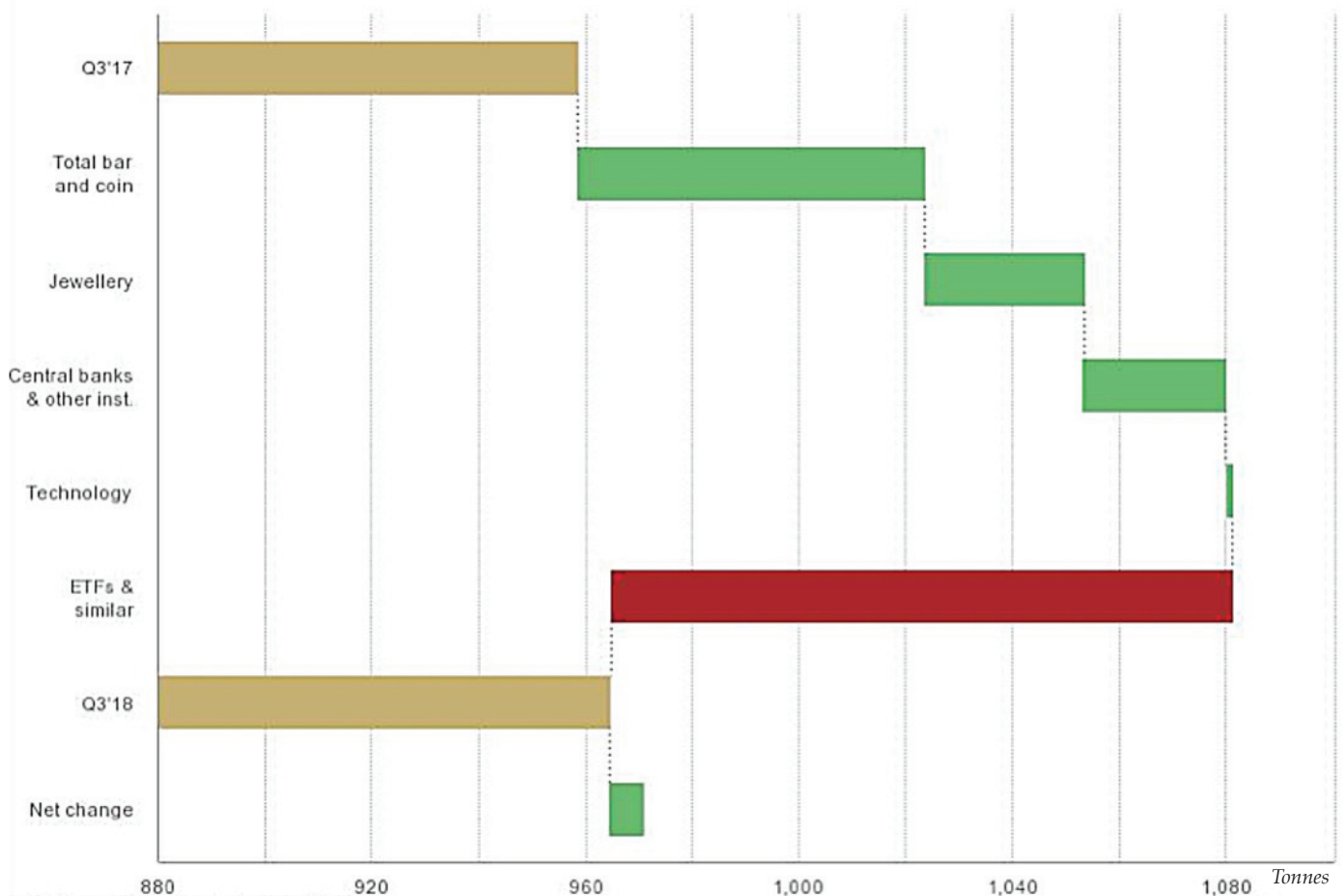
Sources: FastMarkets, ICE Benchmark Administration, Thomson Reuters, World Gold Council

See disclaimer on gold.org

“Most of this disinvestment has been soaked up by physical demand leading to physical gold leaving the vaults of the West and heading to the East and Far East to meet high Eastern and Islamic regional investment demand, both retail and institutional,” explained Philip Judge, CEO of Physical Gold Fund (PGF).

In 2016 however, a landmark development unfolded: global Shariah standard-setting body AAOIFI and WGC jointly launched the Shariah Standard on Gold (which also applies to silver), reconciling years of contrasting opinions and giving much-needed guidance on the Shariah rules and basis for the permissibility or impermissibility of gold in Islamic finance.

Chart 2: Strong central bank and consumer demand offset ETF outflows



Sources: Metals Focus; World Gold Council

While India and China accounted for the bulk of this flow, Judge emphasized the growing influence of an often-overlooked market.

“Of great importance is the fast-growing and often little noticed investment demand from the Middle East where evidence suggests that demand for physical gold far exceeds many of the estimated numbers of buying in this region,” Judge noted.

Unlocking Shariah opportunities

Although gold has a long history of being widely used as a risk management tool and investment instrument by individual and institutional investors, this isn't always the case in the Muslim world where there had been a lack of Shariah consensus or clarity over the permissibility of trading and investing in the yellow metal, making it problematic for investors and product issuers. As one of six items (the others being silver, wheat, barley, dates and salt) identified as Ribawi (staple everyday commodities), gold is subject to more stringent rules including the fact that it cannot be traded for future value or speculation.

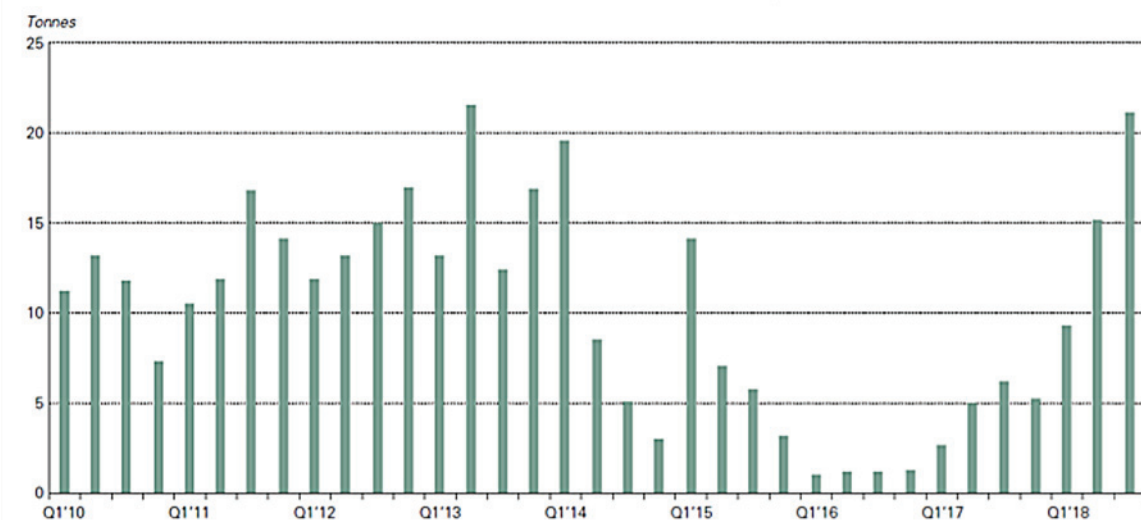
While gold-based Islamic finance products, albeit limited, were already available in certain markets (such as Iran and Turkey) prior to the release of the standard, and despite the existence of country-specific rules on highly specific Shariah issues on gold, it wasn't until the release of the internationally-recognized 2016 AAOIFI standard that more market participants were comfortable enough to begin manufacturing Islamic gold instruments. For example, despite Securities Commission Malaysia already outlining Shariah parameters on gold and silver-based Islamic ETFs as early as 2014, the country only welcomed its first Islamic gold ETF in 2017 after the introduction of the AAOIFI standard.

“Given its history and reputation, the opportunity for the use of gold in Islamic finance is clear... this standard will enable the foundation of what could be the most significant event for Shariah finance in modern times,” Dr Mark Mobius, the former executive chairman of Templeton Emerging Markets Group, said at the time when the standard was launched.

Expanding the universe

The AAOIFI Shariah Standard on Gold triggered a domino

Chart 3: Sanctions push Iranian bar and coin demand to a five-and-a-half year high



Sources: Metal Focus; GFMS; Thomson Reuters; World Gold Council

effect. Within weeks of its release, financial institutions – Islamic and conventional – began rolling out, or announced intentions to introduce, Shariah compliant gold-based products.

At least 10 different types of instruments have hit the shelves since then, ranging from the more traditional gold coins and bars, the familiar gold-backed funds and ETFs, to groundbreaking gold Sukuk and exotic gold digital tokens.

But does the sudden surge in Islamic supply translate into corresponding Islamic demand?

“It is difficult to quantify Shariah demand at the moment but based on the number of new products and requests to develop new gold-backed products, it is reasonable to say that there is a healthy demand for Islamic gold products,” said Andrew Naylor, the director of central banks and public policy, at the WGC.

Muslim appetite

Muslim-majority nations are indeed demanding more gold.

As global financial markets are being riled up by the ongoing trade war between China and the US, escalating regional military conflicts as well as heightening geopolitical uncertainties, investors – particularly those from emerging markets – are finding refuge in the safe-haven asset class.

Demand for gold bars and coins in the Middle East hit a record five-year high in the third quarter of 2018. It spiked 144% on a yearly basis to 27.8 tonnes, with Iran accounting for three-quarters of the share (21.1 tonnes).

“Renewed sanctions and the plummeting rial – with expectations for it to fall further – underpinned this flight to gold. VAT-free bars and coins were preferred over jewellery, which is subject to 9% tax,” explained the WGC.

One of only two countries in the world to adopt a fully-fledged Islamic financial system, Iran boasts a rather sophisticated Islamic gold offering which includes gold futures, gold coin options and at least four gold ETFs.

Outside of the Middle East, the central banks of Russia, Kazakhstan and Turkey continued their buying spree. Central bank net purchases reached 148.4 tonnes in September 2018, up 22% year-on-year, the highest level it has been since 2015.

But in the context of Shariah gold, Turkey takes the spotlight. The Eurasian Republic has been buying more gold than ever – year-to-date, it has acquired 54.7 tonnes including 18 tonnes in the third quarter. Caught in political and economic turmoil, this rush to gold is motivated by its determination to gain independence from foreign currencies, particularly the US dollar as Turkey-US relations continue to hang precariously. To this end, the central bank in 2011 even allowed banks to hold a certain fraction of their Turkish lira reserve requirements in gold (or FX) to mitigate the adverse impact of capital flow volatility on the domestic economy.

What is impressive about Turkey is that the Republic has managed to leverage its gold-centric stabilizing policy strategy to also advance another national ambition: to be an Islamic finance hub for the region. With its sovereign gold-backed Sukuk launched in 2017, Turkey carved its name as a pioneer and demonstrated its leadership in Sukuk innovation.

The first of its kind by any government, Turkey’s gold lease certificates have been designed to mobilize 2,200 tonnes of household gold into the economy by allowing retail customers to buy the Islamic securities using gold.

The successful Sukuk program – which in December saw the expansion of its dealer network from just Ziraat Bank to include Halk and Vakıflar – is just one of many gold innovations Turkey has led. In fact, Kuveyt Turk was the first to roll out a gold ETF back in 2010. The participation bank now has 17 Islamic gold products under its belt, confirmed Selman Bayoglu, the bank’s treasury marketing manager. It is also exploring a gold-denominated Sukuk.

Gold 2.0

In recent years, the notorious bitcoin has been likened to gold for its scarcity, durability, portability and fungibility; in fact, some have argued that bitcoin is far superior to gold, even dubbing it as Gold 2.0 or the new gold.

"I would prefer having a cautious stance in naming cryptocurrencies as Gold 2.0. Though they still make headlines and are on the agenda of millennials, cryptocurrencies need to be more globally regulated and to be able to build more confidence among asset owners to topple gold from the throne," said Selman of Kuveyt Turk.

"It is product innovation, but we need to be careful," cautioned Naylor of the WGC. "The thing about cryptocurrencies is that it comes with a whole set of different issues – it is not to say that all cryptocurrencies are bad, but when it comes to investing in cryptocurrencies, there are additional factors you have to consider including how the product is structured."

While digital currencies remain a deeply divisive and contentious issue among Shariah scholars, asset-backed crypto tokens – particularly gold-backed crypto tokens – have found favor among several leading scholars.

Fintech company HelloGold, whose online gold trading platform was the first digital gold product to be certified Shariah compliant according to AAOIFI rules, also had its audited gold-backed HelloGold Token, approved as Muslim-friendly.

Following the unprecedented Fatwa issued to HelloGold, Islamic scholars out of Bahrain this year gave their stamp of approval to Swiss-based X8Currency, a virtual currency backed by gold and eight major fiat currencies.

Golden opportunity

Gold may have been lackluster in 2018 due to a strong US dollar but analysts are generally bullish about 2019.

"We see gold likely repricing lower through the middle of next year, at which point the Fed's policy will move into restrictive territory. The [Treasury yield] curve will invert, the expansion will slow and expectations of Fed easing will build. At this juncture, we would expect real rates to move lower and gold's fortunes to reverse, as gold tends to benefit from a consistent drop in real yields during the lead up to recessions and thereafter," according to Natasha Kaneva, the head of metals research and strategy at JPMorgan.

Volatility in the Middle East is also a potential uptick signal.

"Sweeping US economic sanctions and financial transaction restrictions against Iran will lead Tehran to forge new economic and financial alliances with non-US-aligned trading partners including Russia, China, Turkey and North Korea. It will also lead to non-US-dollar settlement in trade with the increasing likelihood of physical gold being used as a medium of exchange between Iran and its trading partners," opined Judge of PGF.

An expanding middle class in China and India, stronger economic growth, and the utilization of gold in technology, healthcare and energy would also likely lend strength to gold demand.

In the Islamic finance space where the universe of investable assets is limited due to the confines of Shariah, the importance of being able to diversify into a new asset class – especially one that is well established and liquid – cannot be overstated.

Not only is this an opportunity to improve the overall risk-return profile of one's investment portfolio, but it could also assist Islamic banks in meeting regulatory requirements, particularly Basel III which requires banks to hold a higher amount of high quality liquid assets as buffers against systemic liquidity crisis – a role the precious metal can play.

The Shariah gold momentum over the last two years has been stellar and the horizon is looking even brighter as market players continue to bolster their product suite and investors polish their knowledge on the asset class. It is understood that the International Islamic Financial Market is looking at engaging other international standard-setters such as the WGC and London Bullion Market Association on potentially co-developing a standardized Shariah compliant gold allocation agreement.

"Moving forward in 2019, we will continue to focus on product development," assured Naylor. There are a number of products under development that will be launched next year so the pipeline is looking healthy."

Islamic gold products launched since introduction of the AAOIFI Shariah Standard on Gold

Futures

Singapore Exchange had its Kilobar Gold Contract certified as Shariah compliant according to the AAOIFI standard in January 2017, claiming to be the world's first Islamic gold futures.

However, the Islamic Republic of Iran had already been using gold to hedge risks through Shariah gold derivatives such as futures and options even before the standard. Nonetheless, being isolated from the rest of the world because of sanctions, and due to varying interpretations of Shariah compliance between the Iranian model and the rest of the world, the Islamic gold finance arsenal that Iran has built remains mainly within its borders.

Spot contract

Launched by the Dubai Gold and Commodities Exchange on the 29th March 2018. In the three months since its launched, it traded over 520kg of gold worth US\$22 million.

Sukuk

The Turkish treasury began issuing gold-backed retail Sukuk in 2017 to diversify its borrowings and broaden the investor pool as well as attract idle gold.

ETFs

At least seven in the market including the world's largest physical gold-backed ETF, SPDR Gold Trust, which was issued a Fatwa in 2017. In the same year, Iran welcomed four while Malaysia launched its first Islamic gold ETF.

Bullion

The Royal Mint became the first mint to achieve compliance with AAOIFI's gold standard in 2017, followed by The Perth Mint in 2018.

Digital tokens

A number of gold-backed cryptocurrencies positioning themselves as Shariah compliant have emerged in the last two years (including Noorcoin and OneGram), however, only two have been formally approved as conforming to Islamic principles: HelloGold's HelloGold Tokens and GOLDX and Swiss-based X8Currency.

Digital gold trading platform

Malaysia's HelloGold and Indonesia's Tamasia

Gold Fund

Physical Gold Fund certified Shariah compliant in 2018.

Collateralized financing

First AAOIFI-compliant one offered by National Bank of Fujairah to Malabar Gold in 2017

Investment accounts/products

Offered by a number of Islamic banks prior the AAOIFI standard including Kuwaiti Finance House and Al Rajhi Bank. French Takaful provider SAAFI in 2017 launched a gold savings plan.

IFN GOLD REPORT

AAOIFI Shariah Standard on Gold



DAR AL SHARIA
www.daralsharia.ae

This AAOIFI Shariah Standard summary is brought to you exclusively by IFN in collaboration with Dar Al Sharia. The intention of this is to provide the reader with an initial understanding of the standards and this does not purport to be complete or is intended to replace the standard itself. It is also highlighted that the reader should not rely on the below for any Shariah guidance purposes.

About

Name of the standard: **Gold and its trading parameters in Shariah**
 Standard number: 57
 Standard issuance date: 19th November 2016
 Sections: Eleven sections; Sections 2 to 10 provide core rules of the standard.

Purpose

The purpose of the standard is to explain the contemporary types and forms of gold trading and investment and the applicable Shariah rules. The standard includes guidance for using gold in various contracts including commutative, noncommutative and security contracts.

Scope

The standard discusses the following aspects from the Shariah compliance perspective:

- Characterization of gold
- Rules for trading
- Sale of gold ingots for currencies
- Joint ownership in gold
- Gold in contracts of Musharakah and modern corporations and companies
- Gold in commutative (Mu'awadhat), noncommutative (Uqud Al-Tabarru'at) and security contracts
- Unilateral and bilateral promises (Waad and Muwaada) in gold
- Zakat of gold, and
- Applications.

The standard does not include precious metals; furthermore the rules for trading and investment in currencies are covered under Shariah Standard No 1.

Summary

Trade and investment in gold are not prohibited under Shariah; however, from a Shariah perspective it is considered as a Ribawi commodity (there are six types, namely gold, silver, dates, wheat, salt and barley) for which specific rules for trade and exchange are provided. These rules apply to modern currencies too which may be referred to as Sarf. The conventional approach does not fully take into account the Shariah guidelines, therefore this standard was developed to guide investment and trading in gold and gold-related products.

Some of the applications of the standard in banking and finance transactions

- ✓ Trading and investment in gold.
- ✓ Gold certificates/deposits.
- ✓ Gold exchange-traded funds (ETFs).

Highlights

Trading in gold	<ol style="list-style-type: none"> Sale of gold for gold is permissible provided the counter values are equal in weight and exchanged on a spot basis. Sale of gold for silver is permissible regardless of disparity in the weight of the counter-values. However, counter-values must be exchanged on a spot basis. Sale of gold for anything other than gold, silver or currencies as in the case of selling gold for commodities or usufruct or services is permissible at any price without the requirement of immediate exchange of the counter values.
General Shariah rulings	<ol style="list-style-type: none"> Investment Sukuk, units of investment funds and units of ETFs whose entire assets are gold shall also be subject to the rulings for gold. It is permissible to purchase gold using a debit card, credit card or charge card. It is permissible to charge a fee for safekeeping, allocating, minting and physical delivery of gold.

The role of gold in Islamic finance

The AAOIFI Shariah Standard on Gold developed in collaboration with the World Gold Council was a game-changer for the role of gold in Islamic finance. For the first time, the world's leading Islamic scholars issued a collective Fatwa on the trading of gold, clarifying the transactions that are permitted and enabling the development of new and innovative gold-backed products. Since its launch, new products have been developed including exchange-traded funds (ETFs) and gold investment accounts, enabling consumers across the Islamic world to benefit from the wealth preservation properties of gold. ANDREW NAYLOR writes.

Why is gold an attractive Shariah compliant asset class?

Gold has long been valued for its distinctive investment benefits. Although gold is no longer the basis of the international monetary system, its status as a pillar of stability persists, a role which has become ever more important in today's uncertain economic environment. Dr Hamed Hassen Merah, the former secretary-general of AAOIFI, said: "Gold has motivated civilizations through the centuries to aim higher and strive harder. Gold is more than just a financial asset; it is an integral component of human life".

“Gold is a well-established, deep and liquid asset – the market of financial gold is over US\$3.5 trillion, larger than all other Shariah compliant asset classes combined”

Over the years, gold's reputation for safety and stability has made it a mainstay for investors seeking to preserve their wealth, not least central banks around the world which consider gold to be the ultimate wealth preservation tool. New investors, such as pension funds, institutional investors and family offices recognize the benefits of gold.

The reasons for this are clear:

- Gold is a well-established, deep and liquid asset – the market of financial gold is over US\$3.5 trillion, larger than all other Shariah compliant asset classes combined.
- Gold is an effective diversifier. It exhibits little or no correlation to other asset classes in Islamic finance. This makes it a powerful diversification tool. This is even more important in Islamic finance where the breadth of available assets is smaller.

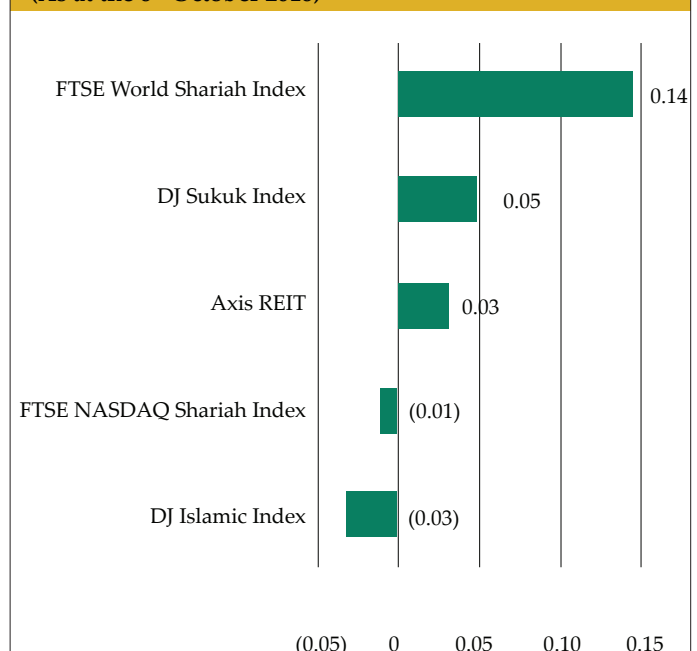
- Safety – gold has no default risk and performs well in times of crises. It is the ultimate Shariah compliant safe haven asset.
- Gold provides returns. Including gold in an Islamic portfolio can reduce volatility and help mitigate risks.

Chart 1: Gold is a large and liquid market

Asset class	Size of market (2017) (US\$ billion)
Financial gold	3,500
Islamic banking assets	1,600
Sukuk outstanding	400
Islamic funds assets	67
Takaful contributions	26

Sources: World Gold Council, IFSB

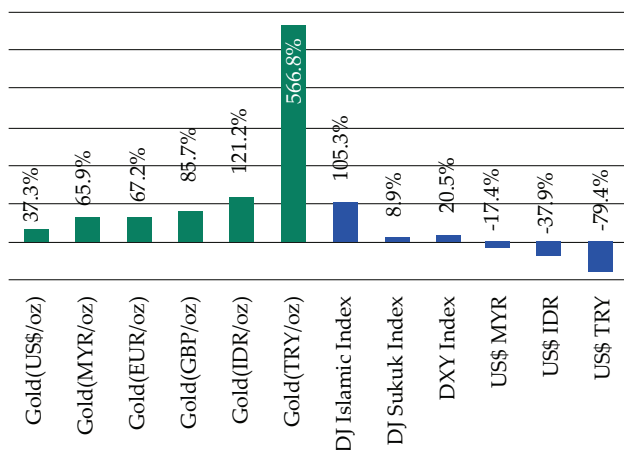
Chart 2: Islamic asset classes correlation to gold (10 years) (As at the 8th October 2018)



Sources: World Gold Council, Bloomberg

The gold market is larger and more liquid than other Islamic assets. At a current market size of US\$3.5 trillion, gold is one of

Chart 3: Performance of gold and selected asset classes over the last 10 years (As at the 8th October 2018)



Sources: World Gold Council, Bloomberg

the world's largest and most liquid asset classes. The financial gold market is over twice the size of global Islamic banking assets and is almost nine times larger than the current volume of outstanding Sukuk.

Gold is a powerful diversifier because it has virtually no correlation to major Islamic asset classes. A result of +1 or -1 implies perfect positive or negative correlation, with 0 implying no correlation at all. As our analysis shows, gold's correlation with major Islamic asset classes ranges from only 0.14 to -0.03, implying almost no correlation in performance. This lack of correlation makes gold a powerful diversification tool for Shariah-conscious investors.

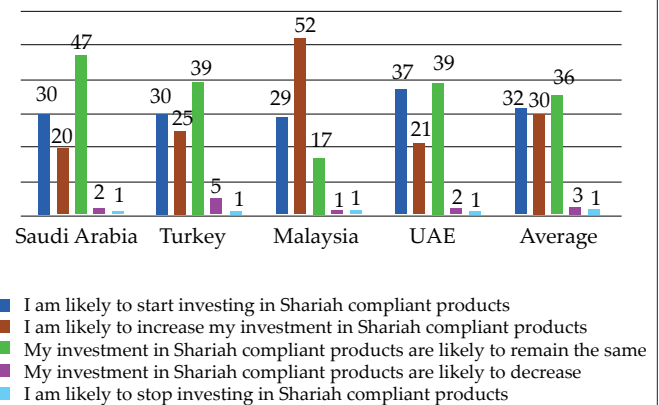
Over the last century, gold has vastly outperformed all major world currencies. For Islamic investors, gold's role as a preserver of wealth can take on a more pronounced role. Gulf-based investors generally hold positions denominated in US dollars or in a currency pegged to the dollar. Southeast Asia-based investors generally denominate their positions in local currency, typically Malaysian ringgit or Indonesian rupiah.

“Gold is a powerful diversifier because it has virtually no correlation to major Islamic asset classes”

Consumer views on gold in Islamic finance

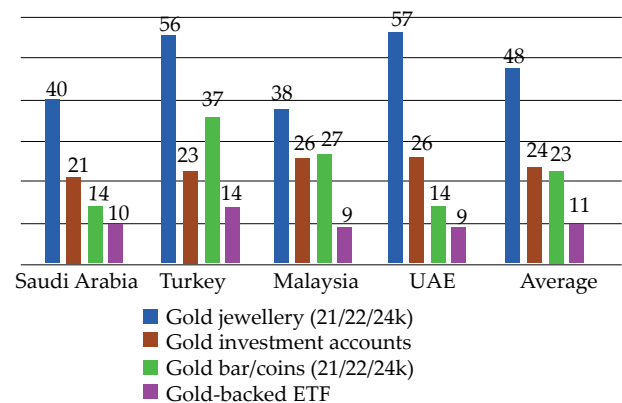
The main reasons why gold is an attractive asset class in Islamic finance are clear and well-understood. However, a survey was needed to better understand consumer perceptions of gold as a Shariah compliant asset. That is why the World Gold Council commissioned market research in key Islamic markets: Malaysia, the UAE, Saudi Arabia and Turkey. Qualitative and quantitative research was conducted with 1,000 investors completing a 20-minute survey in each market.

Chart 4: Which of the following statements best describes your investment decision in the next 12 months? (% agreeing with each response option)



Sources: World Gold Council, KANTAR TNS

Chart 5: Which of the following products do you currently have? (% holding each product)



Sources: World Gold Council, KANTAR TNS

The outlook for Islamic finance is positive – across all markets in the survey a majority of respondents are planning to start investing in Islamic products, or increase their current investments in Islamic products in the next 12 months. Consumers hold a range of gold products, and the outlook for these products is strong.

Conclusion

The results of the research show that the outlook for gold and Islamic finance is very positive. A key attraction of gold is its Shariah compliance and investors are interested in a range of gold products, including bars and coins, gold investment accounts and gold-backed-ETFs. These products meet different financial needs, but most consumers that we surveyed believe that investing in gold can protect their wealth and generate long-term returns. ☺



Andrew Naylor is the director of central banks and public policy at the World Gold Council



How to offer gold as a Shariah compliant investment

Gold has always enjoyed a close connection with Islamic culture. Now, thanks to the Shariah compliant gold standard, the precious metal is playing a vital role in the future of Islamic finance.

To provide consistent guidance on gold as an investment, AAOIFI introduced the Shariah compliant gold standard in late 2016.

AAOIFI secretary-general Dr Hamed Hassan Merah said the introduction of the standard was to ensure there were Shariah compliant investment solutions available for individuals and to help Islamic financial institutions manage liquidity. It is also assisting Islamic financial institutions attract more clients by enabling the creation of a broader range of products.

For institutions wishing to offer saving, hedging and diversification products, there are some compelling findings about holding gold within a Shariah compliant portfolio, as the World Gold Council concluded in its research paper, 'Advancing Islamic Finance Through Gold'. The findings are summarized in the following.

1. **Gold is a highly effective diversification tool**
Gold's correlation to major Islamic equity indices ranges

“

Gold is perhaps best known as a refuge during times of geopolitical and financial turmoil

”

from only 0.13 to -0.01, which means there is almost no linkage in performance.

In relation to Sukuk and Islamic REITs, gold exhibits a correlation of 0.02 and 0.1 respectively.

This lack of relationship can make gold a robust diversifier, helping investors minimize risk, reduce volatility and potentially enhance returns.

2. Gold exhibits relatively low volatility

Gold is less volatile than major Islamic equity indices, REITs and the Takaful index.

While gold can be more volatile than Sukuk, it is potentially a safer asset class because it carries no credit risk or third-party liability.

3. Gold offers strong risk management features

Gold's behavior as a risk management tool is particularly significant for Islamic investors given derivative-based risk management instruments such as credit default swaps and conventional futures or forwards are not Shariah compliant.

4. Gold is Shariah compliant whereas many traditional safe haven assets are not

Gold is perhaps best known as a refuge during times of geopolitical and financial turmoil.

US Treasuries, conventional money market funds or other developed market sovereign bonds can also be favored during times of market turbulence. However these, like many risk management tools, are not Shariah compliant.

Gold, on the other hand, now offers a larger and more liquid Shariah compliant asset pool than what has been traditionally available as a safe haven.

5. Gold is a long-term preserver of wealth

Gold's widely recognized role as a preserver of wealth may be especially pertinent in Islamic finance.

Gulf-based investors generally hold positions denominated in US dollars or a currency pegged to the dollar. However Southeast Asia-based investors tend to denominate their positions in local currency, usually the Malaysian ringgit or Indonesian rupiah. These currencies have historically fluctuated against G10 currencies and have tended to underperform during periods of severe market instability.

Adding gold to a ringgit or rupiah-denominated portfolio can greatly moderate exchange rate risk.

How Australia's precious metals specialist The Perth Mint is uniquely placed to facilitate investment in Shariah compliant gold

About The Perth Mint

Owned 100% by the government of Western Australia, The Perth Mint operates under a unique guarantee contained within an Act of parliament, the Gold Corporation Act 1987. This exclusive government guarantee covers fully the offerings and obligations of The Perth Mint's depository program.

In addition to its one-of-a-kind guarantee The Perth Mint provides peace of mind that every ounce bought is completely backed by physical precious metal.

The guarantee is further underpinned by the assurance that Western Australia holds the highest possible short-term S&P credit rating of 'A1+'.

Much more than a traditional mint, The Perth Mint is one of the world's largest fully integrated precious metals enterprises which:

- Refines more than 92% of Australia's newly mined gold.
- Secures billions of dollars of wealth for central banks, sovereign wealth funds, pension funds and individuals from across the globe within the southern hemisphere's largest network of state-of-the-art vaults.
- Has produced the highest purity gold bullion for almost 120 years.



Gold's widely recognized role as a preserver of wealth may be especially pertinent in Islamic finance



Shariah compliant products

The Perth Mint's allocated and pool-allocated products have been endorsed as Shariah compliant by highly respected Shariah advisory consultants Dar Al Sharia, in accordance with the Shariah Standard on Gold set by AAOIFI.

The products are offered via financial institutions and authorized distributors, which can share the benefits of The Perth Mint's expertise and unique offerings.

The Perth Mint's online platform at a glance

The Perth Mint's Depository Online platform is easily configurable as a white-labeled service and can be tailored to individual needs.

Enabling 24/7 live pricing, the mobile phone-friendly platform is underpinned by 128 SSL encryption which provides the highest level of security, with transactional confidentiality assured.

Through The Perth Mint's close relationship with the World Gold Council, it can facilitate the training of staff and product marketing among existing and new clients. ☺

** The Shariah Compliance Pronouncement on Tradability of Gold and Silver Products, made by Dar Al Sharia with regards to The Perth Mint investment products, may be found at perthmint.com/ShariaCompliance.*

Further details about The Perth Mint can be found at www.perthmint.com.



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This article is contributed by The Perth Mint.

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Market outlook for precious metals in 2019

The coming super spike in gold and silver prices

By Philip Judge – CEO, Physical Gold Fund

With Gerhard Schubert – Advisory Board, Physical Gold Fund

Multiple factors appear to be converging at the same time that will put immense upward pressure on the gold price moving into 2019 with the increasing likelihood of a super spike in precious metals prices moving forward.

The aforementioned report looks at the growing military, economic, financial, technological and trade tensions internationally that are likely to only escalate in the medium term. Gold is becoming a major factor in moving away from US dollar dependence to enable non-US-dollar trade among newly-forming geopolitical alliances. Many analysts see the potential for regional or global military conflict to be at the highest in decades.

The strength of the US dollar in recent years, which has seen poor performance in precious metals in US dollar terms, is unlikely to continue in the medium term.

Central bank gold-buying has been significantly higher in 2018. As a combination of price opportunity buying, it is more importantly an indication of the rebalancing of central bank reserves and disinvestment from US dollar assets. This is most likely to continue as the geopolitical world becomes more uncertain.

The paper derivatives markets and physical gold market have become increasingly disconnected. An infinite amount of

paper contracts can be printed and traded, and the size of the derivatives markets has grown exponentially in recent years, as has the size of open shorts in that market.

Meanwhile, the physical market, which is dictated by supply/demand only, has reached the tightest supply levels in many decades. Disinvestment from the West has seen increased gold flows from the West to the East. When the West becomes a net buyer again, this will place additional stress on supply/demand adding yet more upward pressure on the price.

Retail and investment demand remain high and has been growing from the East and the Far East. This is likely to continue as international geopolitical tensions remain. The Shariah standard on gold has opened a whole new market for investment grade products in the Islamic world and is only expected to grow in 2019.

In an already extremely tight physical supply/demand market, we appear to have reached peak gold production. This may change slightly as gold prices rise and some reserves become economic to produce again; however, in most cases, it takes many years to bring new projects into production (production lag). Gold mine supply is expected to continue to decline even in a rising price market.

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- Competitive fees/cost ratios

Cryptocurrencies were thought by some to be the 'new gold' but it seems there has been a shift from that thinking in 2018 leaving the precious metal where it has always been – the ultimate protection and store of value in uncertain times.

Let's take a look at how the 10% allocation to gold works:

If gold declines 20% (unlikely in Physical Gold Fund (PGF)'s view), the impact on the portfolio is a 2% decline ($20\% \times 10\%$). That's not highly damaging and will be made up as other assets outperform.

Conversely, if gold goes up 500% (highly likely in PGF's view, on the way to US\$10,000 per ounce), you have a 50% gain on your portfolio ($500\% \times 10\%$).

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Cryptocurrencies were thought by some to be the 'new gold' but it seems there has been a shift from that thinking in 2018 leaving the precious metal where it has always been – the ultimate protection and store of value in uncertain times
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There is a conditional correlation between the world where gold goes up that much and where stocks, bonds and other assets are declining. The gains on the gold (500% overall and 50% on your total portfolio) will preserve your wealth against an 82% decline in the 60% stock portion of your portfolio (the 30% cash holds constant). So, if 60% of your portfolio drops 82% (about equal to the stock market drop in 1933's Great Depression), you lose 50% of your portfolio on stocks, but you make 50% on your portfolio on gold, so your total wealth is unaffected. That's the insurance aspect!

In summary:

1. Gold has asymmetric performance characteristics. It has a limited downside (20%) but a huge upside (500%).
2. The gains on gold are likely to come at a time when stocks are crashing, that's conditional correlation.
3. In the scenario where gold rises 500% and stocks fall 82%, the gain on gold (10% allocation) equals the loss on stocks (60% allocation), so the overall portfolio is unchanged. You have survived the storm with your wealth intact.

Another aspect to consider which PGF representatives can talk about while other managers promoting other products

cannot do is the huge risk within the current economic system because they will stop selling their products if they do! This is the incredible underlying systemic risk in the banking system – the too-big-to-fail banks before the global financial crisis (August 2008) are now approximately 20 to 30 times more riskier than before the August 2008 crisis hit. The debt has grown to alarming proportions and cannot be paid back without a collapse in the economy or a war which resets debts on a sovereign level. Also, there is a huge amount of risk in the geopolitical situation globally among nation leaders that can come at any time randomly and does affect asset prices negatively for equities in the case of a nation's disputes being unresolved.

Prior to 2008, a 10% allocation to physical gold which is non-correlated with equities (paper assets) only discounted the global financial crisis decline of all equities by 7% for approximately 30 to 90 days while many assets dropped by 75% or more and some were even delisted and went into bankruptcy. Over the period of the crisis and the next 12 months, gold became the best-performing asset doing exactly what it is supposed to do as insurance. Basically, the insurance transferred to becoming the best investment in the portfolio.

Gold is insurance and as all insurance products go, the fund manager must have the allocation (policy) in place before the event occurs for their clients. PGF is not a mining operation or a traded fund, where there are managers making decisions which adds counterparty risk to your investment dictated by those managers' decisions being either good or poor decisions; this risk aspect is totally eliminated with physical allocated (bars with serial numbers on them) gold within PGF.

PGF meets these requirements for protection, insurance, investment and above all, peace of mind to the clients and the managers. PGF has full theft and geopolitical confiscation insurance.

PGF is only for managers who really care about their clients over and above commissions.

We at PGF trust this helps in your prudent decision-making process. ☺

To request a copy of the full report
**(Market outlook for precious metals in 2019
The coming super spike in gold and silver prices)**

or gain further information on Physical Gold Fund please contact us:



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Gold to power the future of financial inclusion in Islamic finance

The fintech phenomenon is not just reshaping finance but also bringing about a social change among the economically disadvantaged of the world. This is particularly true in the world of Islamic finance which seeks to serve some two billion Muslims around the world, a quarter of the world's population.

Introduction

HelloGold started in Malaysia, with the inspiration coming from Malaysia's financial ecosystem. With the average household savings rate at 1.6% of disposable income, one of the greatest challenges the country faces is the income disparity between the rich and the poor. Despite having one of the lowest levels of an unbanked population in the region, Bank Negara Malaysia said that more than 75% of Malaysians find it difficult to raise RM1,000 (US\$238.47) in the event of an emergency and have insufficient private investment. As the United Nations Capital Development said, financial inclusion is not solely focused on the percentage of the population with bank accounts, but should also focus on the usage of financial products to save, invest, insure and plan for the future.

HelloGold products

In April 2017, HelloGold launched the fintech savings HelloGold app, available on Android and iOS. It is the world's first Shariah compliant app that digitizes the entire gold buying and selling process for people to overcome financial challenges that are prevalent in emerging markets. It allows individuals to purchase gold through a mobile application, for as low as RM1 (23.85 US cents), underscoring the affordability and accessibility of financial products through digitization.

Earlier this year, HelloGold launched the world's first tokenized gold product, GOLDX, an ERC20 token representing ownership of fully allocated investment grade gold on the blockchain. Recently, HelloGold's token, HGT, also received Shariah compliance, making HelloGold a fully Shariah compliant entity.

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About 71% of Muslims are unbanked, against a global average of 38%, despite the growing popularity of Islamic finance over the last 40 years

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HelloGold's products revolve around a unique business model which allows users to buy and sell gold and eventually other financial assets, using an app. Gold is fully insured and

custodied in secure vaults in locations like Singapore and soon, in Dubai, and can be used for savings or as collateral for loans. With a growing presence in Southeast Asia, HelloGold's mobile app is the world's first Shariah compliant fintech gold app used to buy and sell gold.



Gold is one of the few investment assets that has a truly global appeal – it has resonated and continues to resonate with all people across cultures and throughout history



Islamic finance and Shariah compliance

HelloGold believes that no one should be excluded if a product is to be truly financially inclusive. HelloGold strives to make financial services and products more accessible to people who are not well served by traditional financial services firms today and at dramatically lower costs than the current incumbents.

Shariah compliance crucially ensures no one is excluded regardless of religion and culture. HelloGold's Shariah compliant gold-backed savings and credit products and services are readily available to those who are underserved and are not afforded appropriate financial services.

About 71% of Muslims are unbanked, against a global average of 38%, despite the growing popularity of Islamic finance over the last 40 years. With some 500 Islamic banks in the Islamic world, well-capitalized, established firms are well placed (and funded) to bank the unbanked.

However, the distribution of Islamic financial assets shows that three countries make up 60-plus% of all financial assets (according to ICD Thomson Reuters) but only make up 7% of the global Muslim population.

Clearly, the assets are not evenly distributed to serve the majority of the Muslim population globally. Islamic finance is, all too often, available to sovereigns, large corporates and banks. Only in the case of the more advanced economies is Islamic finance available to retail consumers. Islamic finance is not pervasively and easily accessible to vast tracts of the Muslim population and remains exclusive to the 'top of the pyramid'. As a Shariah compliant entity, HelloGold is capable of identifying and addressing untapped market segments in emerging markets to help the unbanked and underserved.

Technology

The growing penetration of smartphones and the advent of other technological advances make it possible now to penetrate, profitably, lower income level groups with new cost structures.

HelloGold has been able to scale with relatively little capital expenditure for things like physical infrastructure or equipment with its technologically empowered solutions. The team can test and adapt customer acquisition and user experience more cheaply and more quickly, using technology to make significant improvements on operational efficiency and to optimize delivery channels. This has helped in creating and improving margins in market segments where previously there were little or no margins.

Gold-backed savings

HelloGold uses blockchain technology to enable its customers to access affordable financial products and services starting with gold. The mission is to democratize asset-based savings and lending products for the underserved and the unbanked in emerging markets through digitization.

The widespread use of commodities in Islamic financial products from cash deposits to derivatives ensures adherence to a key tenet that makes sure that returns must be derived from a genuine business activity, such as trading goods.

HelloGold chooses to manufacture financial products through the commodities building block – starting with gold. Gold is a simple but effective tool for portfolio diversification, especially in periods of high market stress. It is extremely liquid – accepted and traded the world over. With its unique attributes of scarcity and durability, gold has earned a reputation as a great means to preserve wealth across time and cultures. In fact, gold is one of the few investment assets that has a truly global appeal – it has resonated and continues to resonate with all people across cultures and throughout history and is the most widely understood and accepted investment asset for the global community.

Gold has for centuries been used as a store of value and as a means of exchange and especially to maintain stability in market ups and downs. Everyone everywhere understands the role that gold can play in their financial future. Gold is also extremely stable and tangible in today's unpredictable market and is an attractive choice for savings and investments. HelloGold has plans to expand into additional asset categories, but gold was an obvious first choice of asset. We see steady demand for gold through the HelloGold platform.

Road map

HelloGold continues to fundraise and is having ongoing discussions with institutional and private equity investors for its long-term strategic road map. HelloGold is also preparing for market expansion in Asia and the MENA region and is planning product/service extensions. The firm is also focusing on the extension of its financial savings platform with more features and asset categories. HelloGold is in discussions with partners in a number of countries as to the applicability of its platform to facilitate financial services. (2)



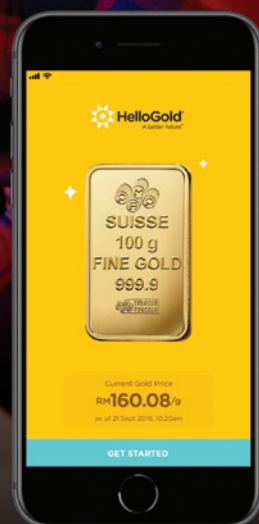
This article is contributed by HelloGold.

GOLD FOR ALL

Today, basic financial products and services remain unaffordable and inaccessible to many in emerging markets. At HelloGold, our mission is to democratise asset-based savings and lending products through digitisation using blockchain technology. Founded in 2015 and launched in Malaysia, HelloGold is the world's first shariah-compliant gold fintech platform changing the way people buy, sell and save anytime, anywhere. Find us at hellogold.com



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National Bank of Fujairah's journey in accelerating the growth of the precious metals industry in the UAE

Over the years, the UAE has witnessed an exponential increase in demand for bullion financing in parallel with the growth in demand for precious metals. The UAE's total estimated trade volume is US\$80 billion across diamonds and gold, with diamonds making up around a total of US\$35 billion. With its multidisciplinary approach and in-depth sectorial knowledge in the precious metals and diamond industry, the National Bank of Fujairah (NBF) has focused on addressing financing in the market as the sector continues to grow and further boost economic diversification efforts.

The NBF's journey with bullion banking commenced with gold financing in 2002, when the bank first established its relationship with a prominent European bank to supply bullion. Prior to that, the bank had been financing trade via conventional credit facilities. Starting with a small core team and a handful of customers, the NBF was quickly able to make a mark as a reliable partner in the industry.

Building strong supply relationships with European bullion banks and refineries across the world was instrumental to the inception of the NBF's bullion offerings, and to catering to the local jewelry industry. As such, the bank began providing specialized lending in the form of gold in an aim to finance the core working capital requirements of the jewelry industry. It then launched its product offerings in several categories including gold loans, unfixed gold, gold

variation margin overdrafts and other working capital and hedging facilities.

Boasting a growing team, the NBF's dedicated precious metals and diamond unit has focused on providing personalized services to UAE-based clients in the jewelry and diamond industry. The bank's specialized team has also focused on serving the jewelry and diamond industries covering major verticals, namely gold and diamond jewelry, and rough and polished diamonds. Based in Dubai's Almas Tower, in the heart of one of the world's biggest diamond trading centers, the NBF's diamond financing team focuses on providing short-term trade finance products to established rough and polished diamond traders and manufacturers. With its vaulting facilities, both in-house and with Transguard in Deira Gold Souk Dubai, the bank's services entail facilitating trades in gold, platinum and silver.

Following the successful launch of NBF Islamic in 2014, the bank broadened its suite of offerings and launched its Shariah compliant corporate banking services to cater to businesses looking for a reliable and trusted banking partner in the UAE.

Today, the bank's priority is to continue developing NBF Islamic into a fully-fledged proposition encompassing a comprehensive range of solutions for both the retail and corporate banking segments. Testament to the exponential growth that Islamic financing is witnessing globally, the UAE's Ministry of Economy and the Dubai Islamic Economy Development Centre estimate that Shariah compliant assets worldwide could hit the US\$3.3 trillion mark by 2021. As such, the introduction of the Shariah standard for gold in 2016 would boost the demand for gold globally. Experts estimate that if just 1% of Islamic finance goes into gold, demand could increase up to a massive 1,000 tons a year.

“**NBF has developed a unique Shariah compliant bullion financing solution to cater to the complex needs of its customers, thus cementing its position as a key financing partner for the precious metals industry**”

Banking on its position as one of the leading bullion banks, the NBF went to structure the Shariah compliant bullion financing solution for Malabar Gold, making the first-ever transaction of its kind in accordance with AAOIFI standards in the precious metals industry in the UAE. This partnership followed the launch of the AAOIFI Shariah Standard on Gold in December 2016 in collaboration with the World Gold



Council. Working closely with Amanie Advisors and its own Shariah Board, the NBF has developed a unique Shariah compliant bullion financing solution to cater to the complex needs of its customers, thus cementing its position as a key financing partner for the precious metals industry. In a nutshell, the bank boasts the capability to provide alternatives to all its conventional gold products under Islamic structures to corporate clients in the UAE.

The NBF developed Shariah compliant bullion financing which will pave the way for other players in the industry. The banking sector has long been keen to make gold a Shariah compliant asset for their customers as well as motivate Islamic financial institutions to align their current product offerings, if they are keen to have the wider market for their products, by being inclusionary. This will further encourage the gold industry to fulfill their financing needs in accordance with Shariah principles.

The NBF showcased its steady focus on growing the bank's Islamic offerings in this space and catering to clients' evolving requirements across retail and corporate banking.

Given the global economic slowdown, Islamic finance has made some significant strides in terms of penetrating new customer segments and benefiting from breakthroughs in the sector like the establishment of the Shariah standard for gold. As we move forward, we can expect further growth in this space as the UAE focuses on transforming itself into a global hub of the Islamic economy. ☺



This article is contributed by the National Bank of Fujairah.

A partnership that's worth its weight in gold

As one of the few banks with a dedicated precious metals unit for the gold and jewellery industry in the UAE, our specialised services based on the Shari'a principles allow us to offer bespoke solutions to meet our clients' requirements.

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