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As good as gold

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IGD Practice (Labuan) Ltd has taken a giant step forward in its journey to establish a dinar economy and to revive and promote the use of the International Gold Dinar (IGD) in international trading. With the company's Internet trading platform (www.idgexchange.com) already up and running, IGD Practice is now adding a gold mining operation to its stable.

The company inked a deal last month to acquire a 34% stake in Kazakhstan Gold Mining Corp (KGMC) for US\$ 17 million cash, to be settled via a share swap. KGMC owns Artel Trud Closed Joint Stock, which operates the 476-hectare open pit Bolshevik mine, touted as one of the largest gold mines in the world.

KGMC also owns Altyn Aymak Closed Joint Stock Mining Metallurgical Corp, the supplier of the breakthrough biotechnology used to extract the gold. The original owners of the mine and biotechnology companies, Artel Trud and Altyn Aymak respectively, each own a 33% stake in KGMC.

According to IGD Practice Group Managing Director Dr Shamshudeen Yunus, the company plans to inject a further US\$ 35 million over the next three years into the two operations. This will be used to acquire equipment, build housing for workers, and other improvements. The funds will be raised through an Islamic hybrid instrument.

Plans are also in the offing to float the biotechnology company on Mesdaq or Nasdaq, he says. 'We are looking at a possible listing, but not for commercial reasons. This is to enable Malaysia to gain from the technology transfer,' Shamshudeen tells Malaysian Business.

However, the company aims to invest some US\$ 10 million to further enhance the technology through repackaging before franchising it to other mines.

The breakthrough in the biotechnology last year was the culmination of 20 years of work, and was developed in Kazakhstan. Although the technology exists in other countries such as Australia and South Africa, the mechanism used by Altyn Aymak is distinctly different.

'Our biotechnology achieves a higher rate of gold extraction at a lower cost, up to 90%, compared with conventional technology which can only extract less than 40% of gold from hard ore,' Shamshudeen says, adding that the biotechnology is also environmentally-friendly.

He says that the gold mine has been certified to contain 31 tonnes of gold with potential deposits estimated at 80 tonnes. About half a tonne of gold is to be extracted in the next six months. Gold content at the mine is also high, at 7.02 gm per tonne (a gold content of 2.5 gm per tonne of ore commands an international rating of AAA).

IGD Practice is owned by Brunei-based investment group IGD Practice Ltd. The latter has a paid-up capital of US\$ 50 million and was set up by a group of five shareholders - Datin Farida Effendi, Datuk Zaitoon Datuk Othman, Syed Anwar al-Bana Syed Noor, Ong Kong Lai and Shamshudeen himself. Syed Anwar is the trustee of the Albukhary Foundation.

Its aim is to revive and promote the use of IGD in international trading, not just among the business communities but also among individuals, especially in the payment of zakat and dowry. The gold coins can also be used as savings and for trading as they are a legitimate medium of exchange.

The group has also established Islamic Mint Sdn Bhd, a self-regulating entity practising the exact standards of gold assaying, weight and

measurement in accordance with syariah laws.

The group also owns a 51% stake in Prime Jade Sdn Bhd, which operates a RM5-million mint factory in Klang. 'We can safely claim to be one of the major facilities that mints Gold Dinar in the last 100 years,' says Shamshudeen.

According to him, the factory uses 40 kg of gold a week and has already touched the 400 kg mark. Minting, he adds, generates healthy profits for the company. For every coin minted, the company gets a fixed margin of 8.33%. The company currently has a ready order amounting to 2.3 tonnes, which is valued at RM180 million.

According to Islamic Law, the Gold Dinar must be of a certain size and measurement, namely 22k gold (917) weighing exactly 4.25 grams. The silver dirham's 2.975 gm of pure silver must also meet specific diameter and thickness requirements. There is a standard relationship between the two coins. Seven dinars must be equivalent to 10 dirhams, as set by the second caliph Umar al-Khattab.

IGD Practice also operates the group's website. 'People have misunderstood this module. It is not a stock exchange but a platform where coins can be exchanged for other coins or gold swapped with dirham. It's a place where people can freely buy and sell at real time prices,' Shamshudeen explains.

The scope of services offered by IGD Exchange includes safekeeping of IGD, monitoring of wakala (franchise holder) operations relating to safekeeping services, repository operations, regulating clearing and settlements (domestic and international) and regulation of IGD exchanges.

Since its launch last year, the website has already attracted over 182,000 hits, and response has been encouraging with some 4,500 accounts opened to date. The exchange also offers wakala operations, and has approved 31 wakala in various stages of development in seven countries, including Malaysia.

Two master wakala, which are allowed to operate 50 branches each, have been approved. These are Kazakhstan and Malaysia. The other overseas wakala are in Indonesia, South Africa and England.

Apart from the listing of the biotechnology company, the group has no intention of floating IGD Exchange. 'Business is growing, so we'll just continue with our existing operations. We would like to grow systematically with a solid foundation, rather than to be a "fly high fly down" business.'

'When we started it was almost impossible, like knocking our head on a big wall,' Shamshudeen reminisces.

According to him, the establishment of the IGD Practice group and launch of the website is the result of over 35 years of research and development by the Murabitun movement. The group made a psychological breakthrough in 1997 when it was allowed to get involved in economic matters. The Murabitun programme is today the first post-modernist platform that unifies all Muslims and is aimed at the direct establishment of Islam today.

He says promoting the dinar and using gold for trading does not indicate a stance against the monetary practices of other countries. Indeed, Western experts have come out in full force to promulgate that the possible return of the Gold Dinar as a global trading instrument spells big trouble for the US dollar.

'They are saying that the Gold Dinar is going to kill the dollar. We are not anti-US or other currencies. What we are doing is bringing back fair trade using gold and silver. Our cause is commercial but the source is syariah,' Shamshudeen says.

Malaysia is a strong proponent for the use of IGD to replace the US

dollar in international trade. The idea was mooted as early as 1995 by the-then Prime Minister Tun Dr Mahathir Mohamad. Malaysia has also proposed gold-based trade payment arrangements involving the use of gold for settlements between central banks.

The market for IGD is still small. 'It will take time to be implemented globally,' says Shamshudeen. 'It will be implemented gradually, in stages.'

On the outlook for the IGD market, he says the appointment of Tan Sri Mohamed Nor Yakcop as Second Finance Minister is good news, as he has been advocating the use of IGD to settle bilateral payment agreements among Organisation of Islamic Conference member countries.

There are also some positive signs emanating from several other countries. Shamshudeen foresees China adopting the IGD in trading before any of the OIC countries. The Chinese government has reopened the long dormant Shanghai Gold Exchange, and has authorised the Bank of China to trade in gold. Add to that the fact that the country has also allowed its people to buy gold as an investment since 1949, and the future has a warm yellow gleam to it.

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