



# Statement from World Islamic Mint on Current Issues

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*Friday 22 June 2012*

It has come to the attention of World Islamic Mint (WIM) various media writings concerning WIM that require clarification. Below are responses to the issues raised specific to WIM. This statement is not a comprehensive discussion on WIM but only serves to address points raised.

WIM only acknowledges Dinar dirham that is produced by licensed Mints. In the case of the Kelantan Dinar & Dirham issued by the Kelantan State Government, WIM licenses Kelantan Golden Trade Sdn Bhd (KGT) as the official Mint producing the coins. Among the conditions of a licensed Mint is that the coins are minted according to standards as certified by WIM, such as being minted by approved mints including Emirates Gold or the Kazakhstan State Mint, among others. WIM does not directly mint such coins but may coordinate such activities.

The licensing fee of 1% WIM obtains on production by licensed Mints is to support the operations of WIM.

Shaykh Umar Ibrahim Vadillo was among the founders of WIM as an international organisation, which include representation in Malaysia.

WIM sets an international recommended retail price (RRP) as a baseline guide for various convertible currencies. In Malaysia, a reference rate is published for the Ringgit Malaysia based on the RRP and applied foreign exchange. Both the RRP & the resulting reference rate represents the valuation that WIM sets for its coins, that is derived at using a formula consisting of the coins' base metal (gold or silver) market value and a premium which comprises of minting costs & non-minting costs. This formula reflects WIM's calculations to implement a viable model of the sharia currency, with the premium positioned to support the operations of such implementation. WIM's rates apply when the coins are distributed to the public through Wakalahs (agents) of the Mint(s). Mints licensed by WIM acknowledge the rates published by WIM and use the same valuation in buy-back mechanisms (less any applicable discounts) through the Wakalahs or the Mint itself. WIM is not responsible for valuations in subsequent sales/use of the coins as this is subject to mutual consent between the trading parties. However, in practice, users of WIM coins recognize the valuation as set by WIM and therefore appraise the coins with equivalent valuations in transactions using the coins.

It is important to point out above that the policy to set the RRP & rates in convertible currencies (of a fiat nature, e.g. USD \$, RM, etc.) is not to promote the equivalence of fiat money and sharia

currency, but rather is the reality of the role of the Wakalahs in exchanging the fiat money held by the public into Dinar dirham.

From the explanation above, it can be observed that the valuation published by WIM takes into account the responsibility of the Mint to introduce a viable model to implement the sharia currency. This responsibility includes the obligation of reconversion (buy-back) at published rates (less discounts to prevent speculation and discourage reconversion) and is not an arbitrarily enforced price that causes intentional loss to the user. This arrangement differs from fiat currency issued by the US Federal Reserve for at least two reasons: (1) Dinar dirham is not legal tender and its use is entirely optional by the user, and, (2) Dinar dirham is made of precious metals with intrinsic value, the product of which in coin form holds its own unique valuation to serve its function as the sharia currency.

The decision to designate KGT—as a 100% state owned subsidiary under Perbadanan Menteri Besar Kelantan (PMBK)—as the WIM licensed mint of the Kelantan State Government is an arrangement that best fits the current scenario and governance structure of the state, agreed by all parties from the onset. It is not the only option and any compatible arrangement can be considered given a better choice. The supervisory role of WIM is in the interest of uniformity in the implementation of the sharia currency throughout the world.

WIM does not attempt to monopolize the sharia currency. Although WIM promotes a unified standard of implementation under WIM for obvious reasons that benefit the users, it does not deny or refute other parties who attempt to implement their own model of the sharia currency on the condition that applicable sharia laws are observed.

WIM will not comment on the definition of riba by certain parties alleging the promotion of riba by WIM in its sharia currencies, due to the lack of proper references and credible sources of sharia judgement in such writings. However, it is worth pointing out that any argument basing the intrinsic value of a coin on fiat money values does not hold, as the intrinsic value of a coin is in its recognized attributes (e.g. for 1 Gold Dinar it is 4.25g of 917 gold), and comparison of valuation with any other object is entirely based on mutual consent. Hence, the arguments presented on riba vis-à-vis intrinsic value are flawed.

*For more information on this statement release, please contact:*

**IRWAN IBN IZHAR**

Wazir – Malaysia, World Islamic Mint

+60102662778

[wazir@islamicmint.com.my](mailto:wazir@islamicmint.com.my)