



صكوك ادخار الذهب  
GOLD RESERVE SUKUK

(incorporated with limited liability under the laws of the Dubai International Financial Centre)

U. S . \$ 5,000,000,000  
TRUST CERTIFICATE ISSUANCE PROGRAMME

Dubai  
05 June 2016

*European parliament came to the conclusion that gold-backed bonds would be far more transparent, attractive and fair for investors than government bond purchasing programs. According to the study, gold-backed bonds would alleviate the sovereign debt crisis at least in the short term.*

*“The more Gold a country has, the more sovereignty it will have if there’s a cataclysm with the dollar, the euro, the pound or any other reserve currency.”*

*Evgeny Fedorov*

*“We can guarantee cash benefits as far out and at whatever size you like, but we cannot guarantee their purchasing power”*

Alan Greenspan

- 1 Gold Market Facts
- 2 Power of Gold
- 3 Gold Reserve Sukuk
- 4 Sukuk Structure
- 5 Advantages & Benefits



1 | GOLD MARKET FACTS

## MARKET ENVIRONMENT

- ≡ Real estate and stocks are still volatile and artificially supported by QE programme
- ≡ Sovereign bonds default has never at any time been as strong as it is today
- ≡ The volume of RMB currency transactions are strongly increasing
- ≡ US\$ currency has lost 98% of its value since 1913
- ≡ Long term impact of US and EU QE programmes
- ≡ Purchasing power has never been as weak as it is today

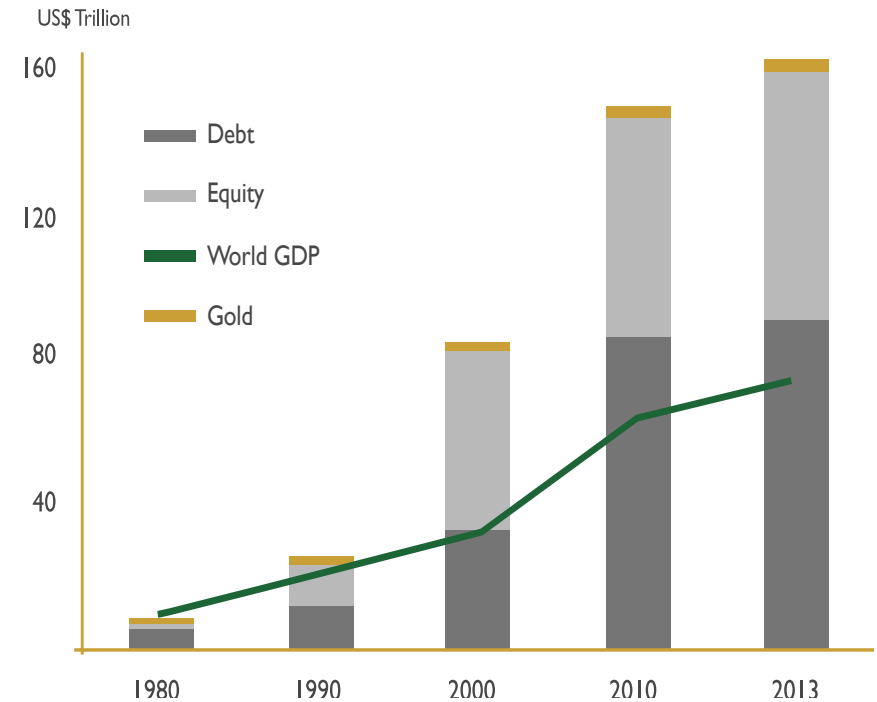
“We can guarantee cash benefits as far out and at whatever size you like, but we cannot guarantee their purchasing power”

Alan Greenspan (Former Chairman of the US Federal Reserve)”

## PAPER ASSET BUBBLE

- Global financial wealth has doubled since 2000 alone.
- Growth stems primarily from the bond markets.
- The value of outstanding debt securities has almost tripled (from USD 33 trillion to USD 100 trillion)
- While the total capitalization of stock markets has increased by a mere 35% only (from USD 49 trillion to USD 66 trillion).
- During the same period, Gold nevertheless remains at an extremely low level

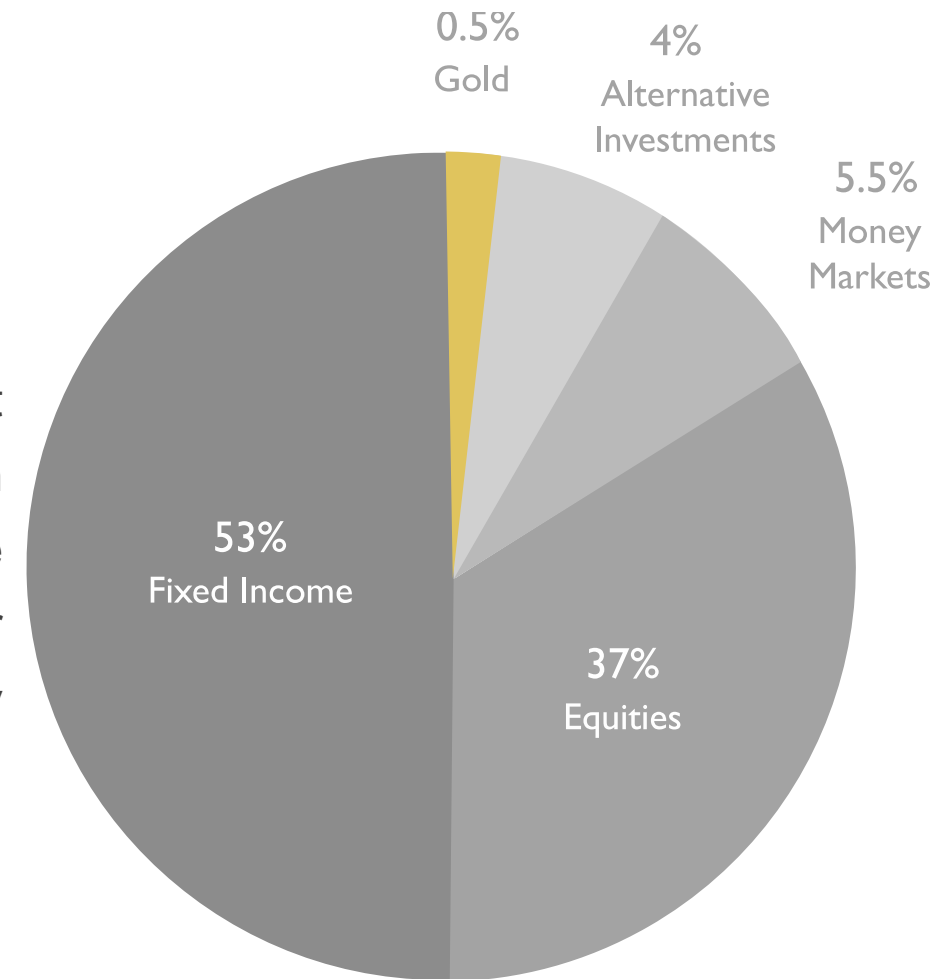
Global financial paper assets are increasing faster than ever





## ASSET ALLOCATION

- ≡ Only 0.5% of gold is allocated to global financial assets.
- ≡ A study of Evercore Pan Asset demonstrates that 14 of asset classes most favoured by UK Pension Funds, the median passive fund outperformed the median actively managed fund in 13 of them over the past five years. Only managers of commodity funds earned their corn.



## WHY INVESTORS ARE NEGLECTING GOLD?

- ≡ “Profit first, principal protection later!”
- ≡ Lack of knowledge and culture of gold
- ≡ Market psychology : “investing in the wrong assets at the wrong time”
- ≡ Investors mimic each other: “Acting with the crowd ensures an acceptable mediocrity; acting independently runs the risk of unacceptable underperformance.”

IN OTHER WORDS:

IT’S BETTER TO LOSE WITH THE REST, THAN TO LOSE  
ALONE.



## 2 | POWER OF GOLD

## GOLD IS UNIQUE

- ≡ Over the long term, Gold always preserves wealth.
- ≡ Gold is an absolute asset portfolio insurance
- ≡ Although the price of Gold can be volatile in the short term, it has always maintained its value over the long term while paper assets are devalued over time.
- ≡ Gold is a pure ownership and has no counterparty risk.
- ≡ Gold is an optimal way to pass on and preserve wealth from one generation to the next.
- ≡ Hedge against inflation and the erosion of major currencies

## GOLD IS REAL MONEY

- ≡ Gold has been money for more than 5,000 years whilst government deficits and money printing has consistently destroyed the value of paper money.
- ≡ Unlike paper money, physical Gold is the only currency that is unprintable at will thus excluding any promise of interest rates.

## CENTRAL REQUIREMENTS FOR A REAL MONEY

- ≡ Be easily divisible into standardised units
- ≡ Be negotiable
- ≡ Be easily transportable
- ≡ Be durable and practically indestructible
- ≡ Long track record of universal acceptance
- ≡ Recognisable and easily verified
- ≡ The existing holdings have to be large relative to the annual increments (high stock-to-flow ratio)
- ≡ Low storage and transportation costs
- ≡ Must defy random replication.

**ONLY GOLD AND SILVER SATISFY ALL OF THESE CRITERIA.**

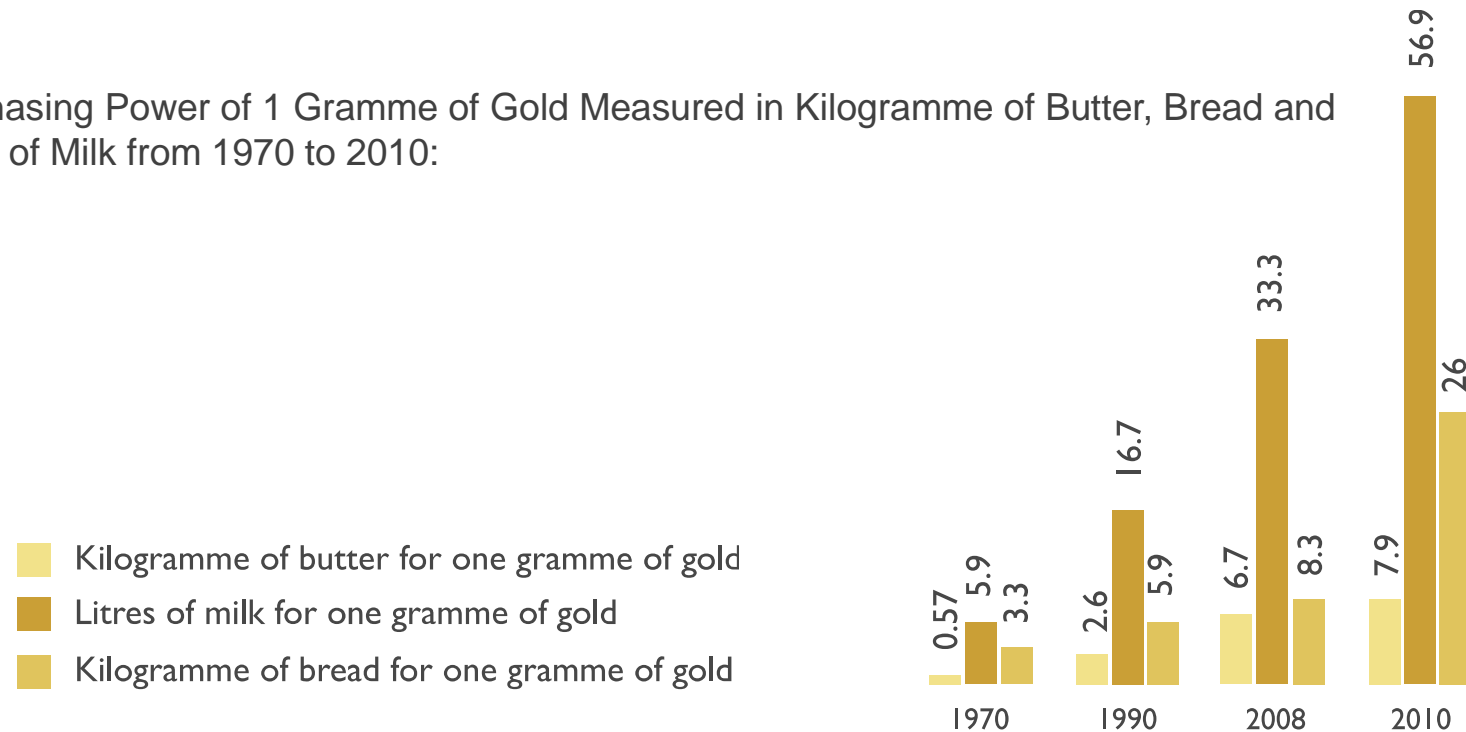
## WEALTH PRESERVATION AND PORTFOLIO INSURANCE

- The more Gold an asset manager has within his investment portfolio the more stable his portfolio remains.
- With the likely acceleration of money printing leading to further destruction of paper money, investors have started to realize the necessity of owning real money.
- Institutional investor should allocate 5% to 15% of gold in their portfolio
- Private investor should allocate 25% to 50% of gold in their portfolio.

## PURCHASING POWER

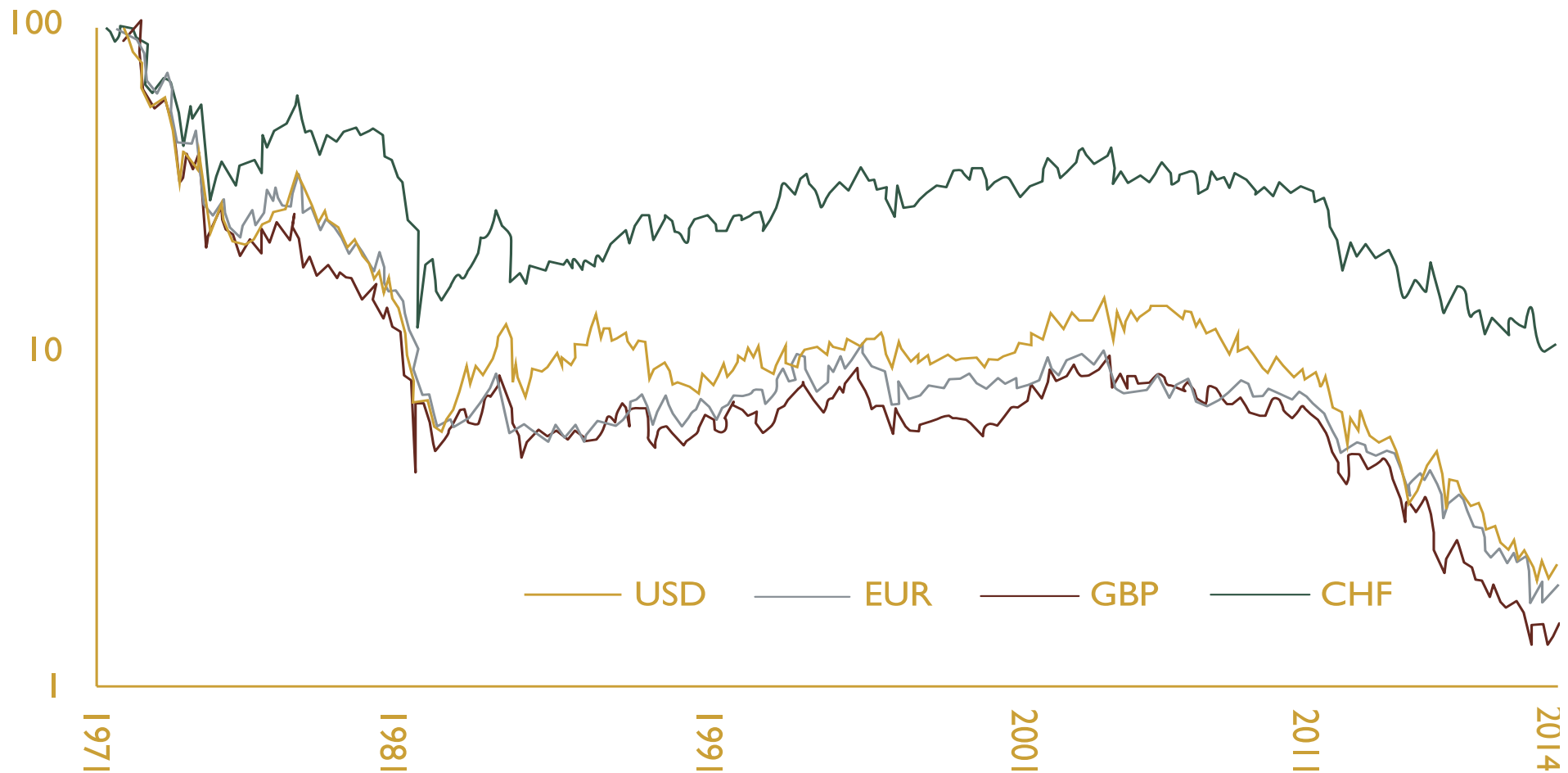
- ⇒ In 1913 you could buy nearly 50 oz of Gold for \$1,000 and today only 0.75 oz
- ⇒ Since Nixon abolished the Gold backing, money printing started in earnest and in the last 41 years the dollar lost 98% in real terms.

Purchasing Power of 1 Gramme of Gold Measured in Kilogramme of Butter, Bread and Litres of Milk from 1970 to 2010:





Purchasing Power In Various Currencies – How Much Gold Does One Unit Of Foreign Currency Buy?  
(logarithmic scale and indexed to 100)



## PAPER GOLD IS ONLY PAPER PRETENDING TO BE GOLD

- The illusion that investor own Gold when all what investor have is a piece of paper with no physical Gold backing it.
- The paper market in Gold is at least 100 times greater than the physical market.
- Gold dealers such as Comex or ETFs, have no possibility of delivering physical Gold against all their paper commitments.
- We anticipate investors in paper Gold realize that they need to take physical delivery in order to have the certainty of owning Gold and eliminating counterparty risk.
- Paper gold market has become one of the most leveraged markets.

*European parliament came to the conclusion that gold-backed bonds would be far more transparent, attractive and fair for investors than government bond purchasing programs. According to the study, gold-backed bonds would alleviate the sovereign debt crisis at least in the short term.*



### 3 GOLD RESERVE SUKUK



## THE CONCEPT

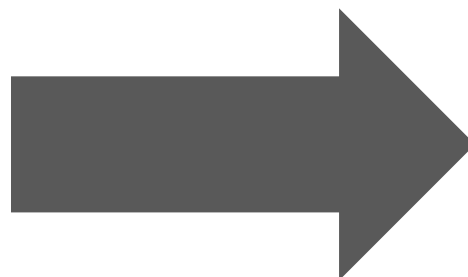
- Gold Reserve Sukuk was born out of the identification of a lack of transparency and numerous conflicts of interest in the Gold investment proposed by traditional actors of financial sector and the wealth management. The traceability and the full ownership of Gold are fundamental.
- Gold Reserve Sukuk is the first Gold-backed Islamic bond in the Islamic finance industry
- It empowers investors to invest in physical Gold through a robust Shari'a compliant structure.
- It guarantees the full ownership of Gold and enables investors to hold it outside of the traditional banking system with the possibility of trading it on NASDAQ Dubai or to request physical delivery.

## A PHYSICAL GOLD-BACKED ISLAMIC BOND

- Issuer set up for the sole purpose of holding the Gold outside of the banking system, for the benefit of the investors.
- Returns of the sukuk certificate derived only from the physical gold value.
- No maturity date on the sukuk certificate.
- Conversion into cash or physical Gold.

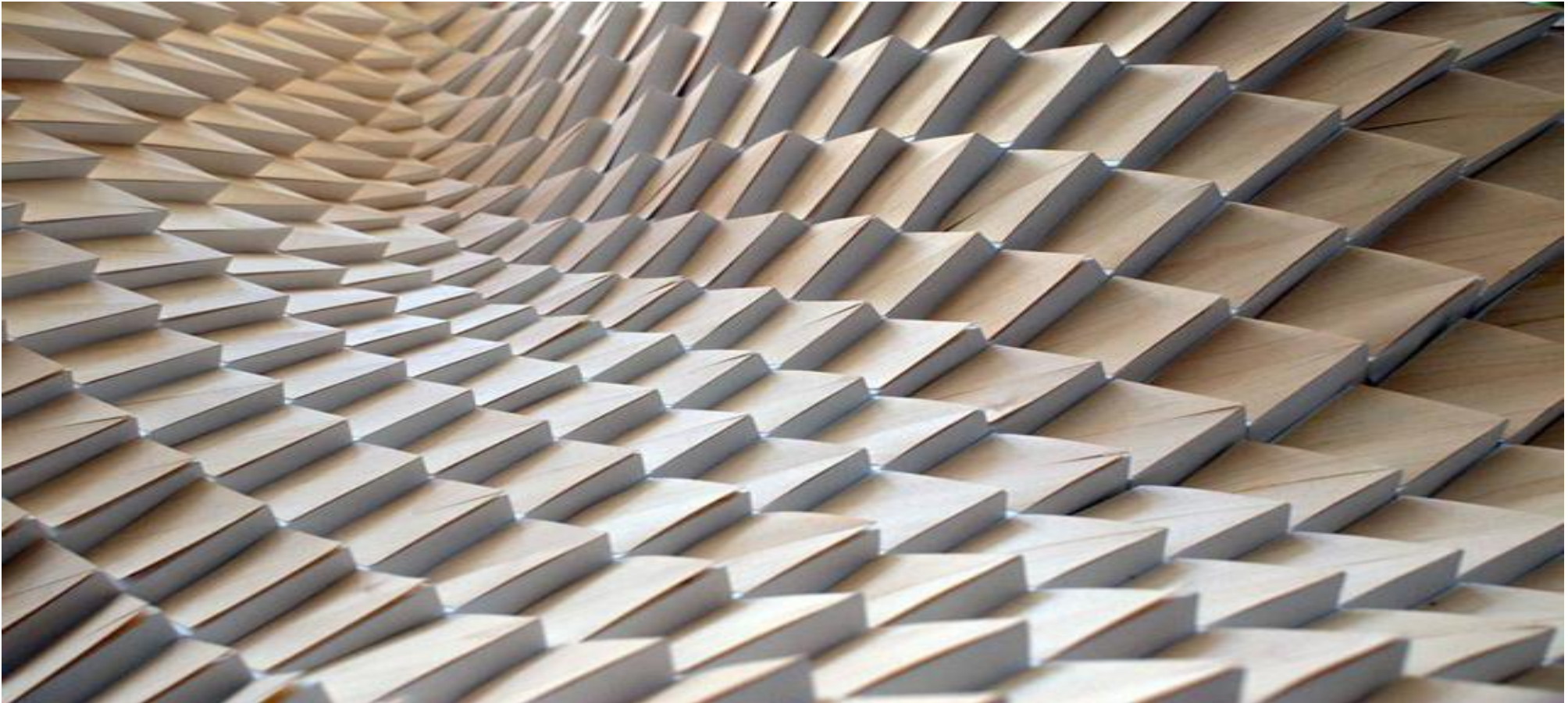
## CHALLENGE

- Guarantee the physical gold
- Find a place with gold-based cultural background
- Find an Islamic finance destination integrating a robust regulatory framework
- Safe place to keep the gold
- Stock Exchange for trading gold
- Identify leading bullion and international banks



## OBJECTIVE

CREATE A  
GOLD-BACKED  
BOND  
ALLOCATED BY  
PHYSICAL  
GOLD WHICH  
WILL MEET ALL  
CHALLENGE  
CRITERIA.



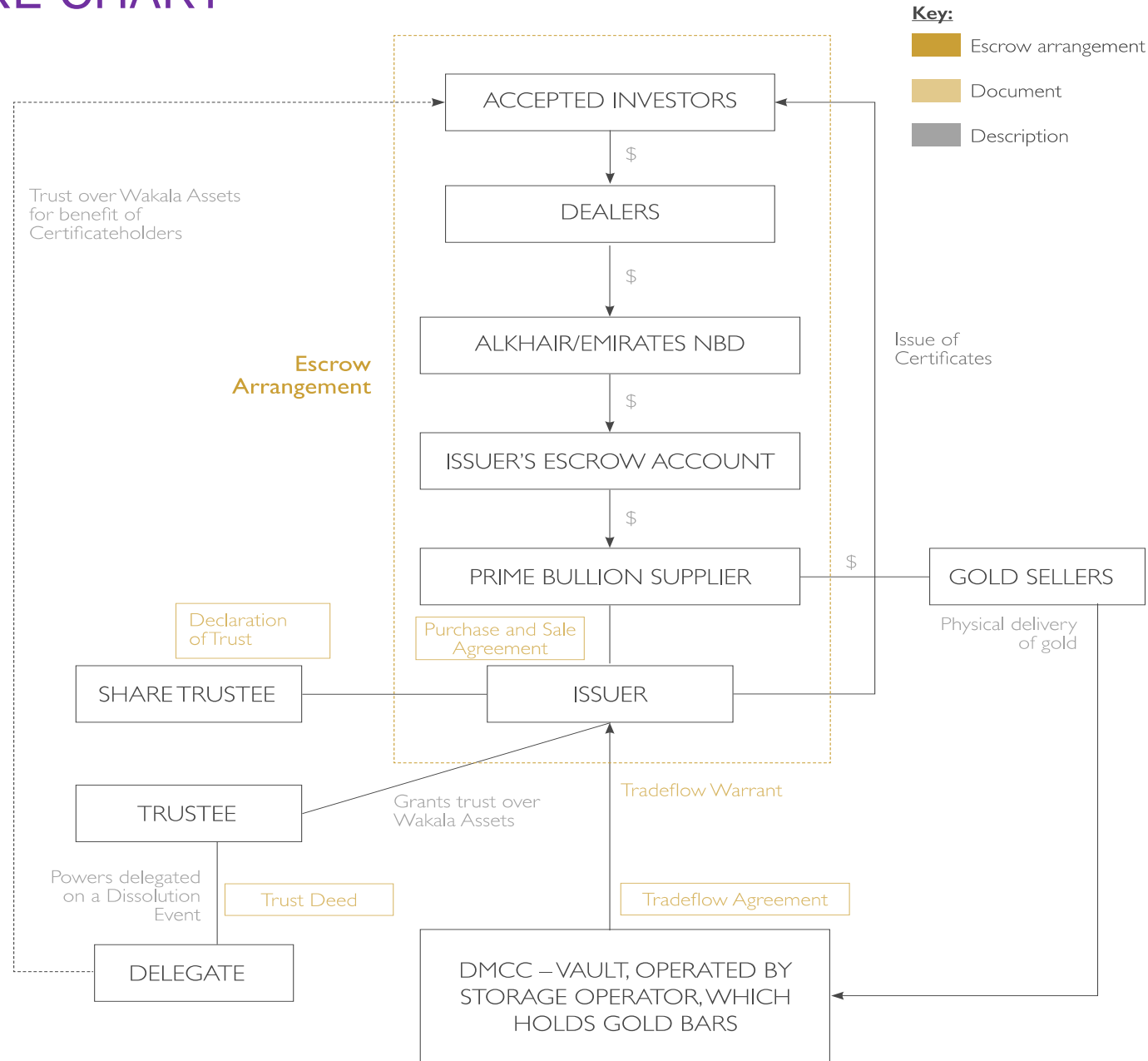
## 4 SUKUK STRUCTURE



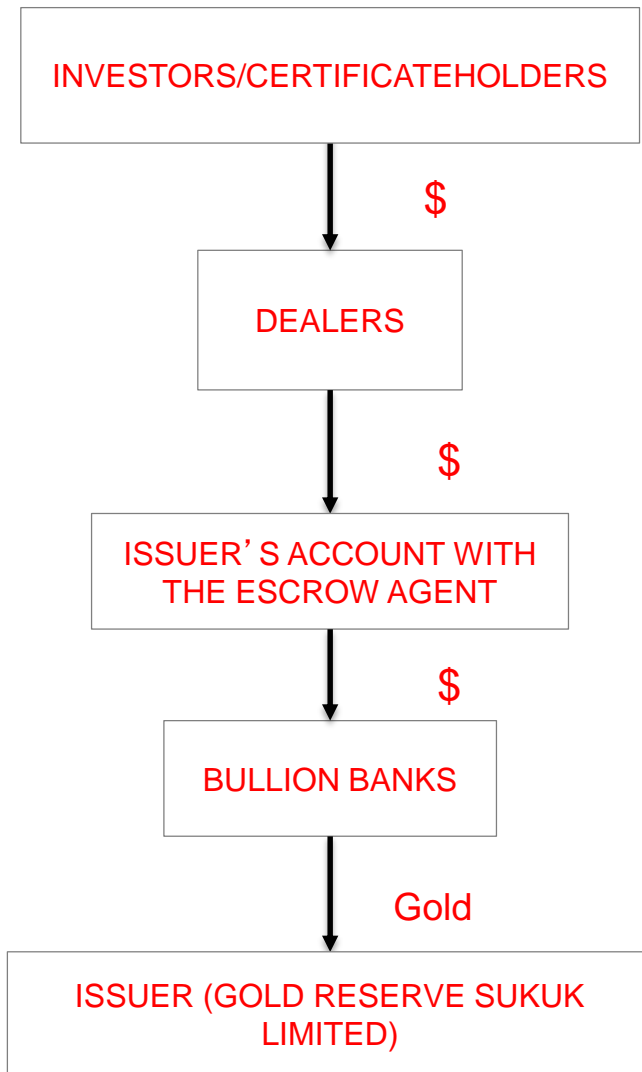
## RELEVANT PARTIES



# STRUCTURE CHART

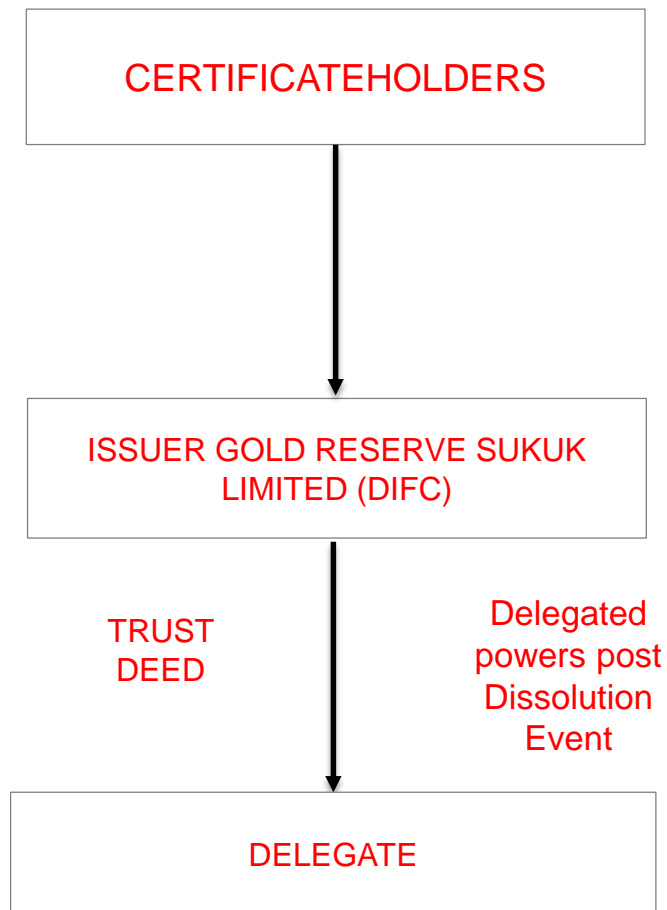


## STEP 1 MECHANISM –ESCROW



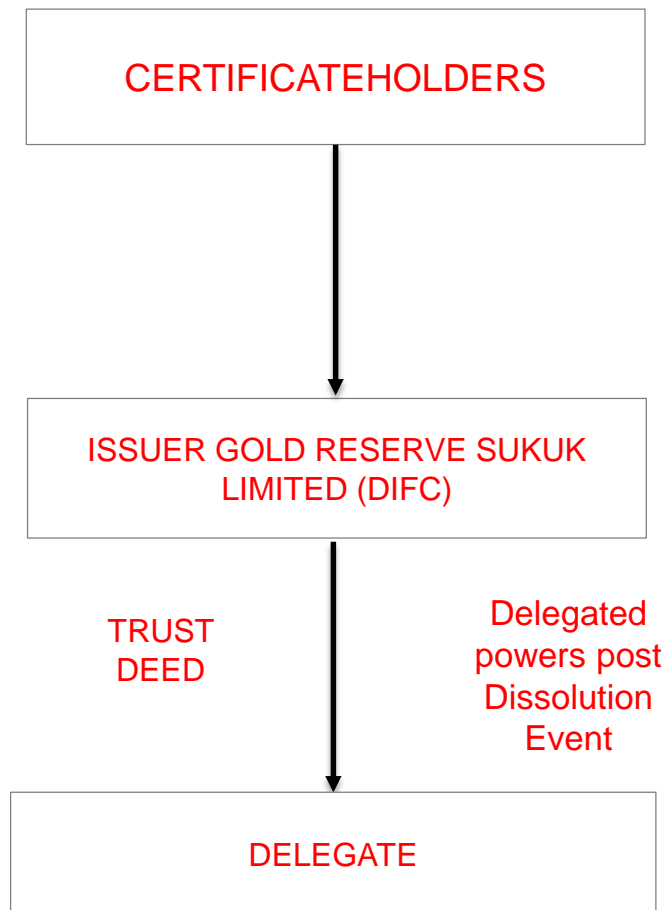
- ≡ [12] days prior to the issue of each Sukuk, the Escrow Agent (Citi) will enter into an Escrow Agreement under which the Dealers agree on behalf of the investors, to pay money into an Escrow Account
- ≡ The Escrow Agent will release the funds to the Bullion Banks to settle purchases of gold as sellers of gold will not transfer title unless they see the money
- ≡ The settlement of the purchase price will be immediate hence overcoming the Shariah requirement of spot trade where both counter values are settled
- ≡ All gold bars will be of the same fineness within a Sukuk
- ≡ At the expiry of the Escrow, the average price for the Sukuk will be fixed and each investor will be informed of his entitlement to the gold bars in proportion to his investment (ie the Per Certificate Entitlement to Gold)
- ≡ Any surplus cash in the Escrow will be returned to investors

## STEP 2 MECHANISM – ISSUANCE OF CERTIFICATES



- ≡ The Sukuk will be fixed at the average price representing the ‘purchase stage’ so all investors benefit from the ‘ups’ and ‘downs’
- ≡ The Issuer will issue Certificates to all Accepted Investors
- ≡ Each Certificate will represent Gold Bars (in 5 KG multiples) equal to the aggregate Per Certificate Entitlement to the Gold for which they have applied. This means that an investor will know (a) the value of the sukuk that has been fixed at inception – how much gold the Issuer was able to buy with the money it received through the Escrow and more importantly (b) the weight of gold that the investor ‘owns’ in the pool of gold bars held by the Issuer

## STEP 2 - MECHANISM – ISSUANCE OF CERTIFICATES



- Certificateholders will be expected to pay an Arrangement Fee, delivery and purchase expenses at the time of issue and Management Fees on an on-going basis
- Certificates can be issued in global or definitive form (Global Certificates or Definitive Certificates)
- Wakala Assets are the Gold Bars and any proceeds of sale of the Gold Bars held by the Issuer

## GLOBAL CERTIFICATE

- ≡ A Global Certificate is used in all listed/traded Sukuk
- ≡ The Global Certificate deposited with, and registered in the name of a bare nominee on behalf of NASDAQ Dubai CSD with Investors sitting behind accountholders at NASDAQ Dubai CSD
- ≡ Allows electronic trading through NASDAQ, **Euroclear** and **Clearstream CSDs**
- ≡ Shariah requires *identification* of the Certificateholders gold in a pool and *segregation* from other assets. Gold will therefore be held on a pooled and ‘unallocated’ basis
- ≡ To fulfil the above requirements, DMCC’s books and records will evidence that Gold Bars are segregated from other metal held in its vaults and are clearly identifiable as belonging to the Issuer with reference to the particular Series of Sukuk to which it relates
- ≡ The DMCC books and records will show the serial numbers for all Gold Bars that belong to a particular Series of Sukuk

## DEFENITIVE CERTIFICATE

- A physical certificate option is available to investors if they prefer not to go through a GC. Central Banks may prefer this option or large investors that want a bespoke private issuance that is not listed.
- Each Definitive Certificate corresponds to uniquely numbered Gold Bars held in the DMCC vaults.
- The Definitive Certificate will be in a registered form and title will only pass through registration by the Registrar and not through NASDAQ;

## STEP 3 MECHANISM - DELIVERY OF GOLD BARS TO DUBAI

- The Bullion Banks will deliver the Gold Bars to the secure vaulting facilities at the Dubai Commodities Centre (DMCC)
- The Storage Operator (currently Brinks Global) will manage the day to day operations of the vaults in the DMCC
- The Storage Operator registers the Issuer on DMCC Tradeflow (an electronic platform) as the legal owner of the Tradeflow Warrants. Warrants are *Documents of Title* at law and whoever is the registered owner has legal and beneficial title to the underlying assets
- The Tradeflow Warrants will be recorded electronically as well as in paper form. Each warrant will list the serial number of the Gold Bars which will relate to a specific Series of Sukuk whether issued under a Global Certificate or Definitive Certificate



- ⇒ In the case of the unallocated pool, Gold Bars will only become ‘allocated’ to an investor at the time of redemption (see below for redemption mechanics)
- ⇒ The (a) unallocated Gold Bars under a Global Certificate or the allocated Gold Bars under a Definitive Certificate plus (b) any sales proceeds generated from the sale of Gold Bars are the **Wakala Assets** for the purposes of the Sukuk

## STEP 4 MECHANISM - RIGHTS OF CERTIFICATEHOLDERS

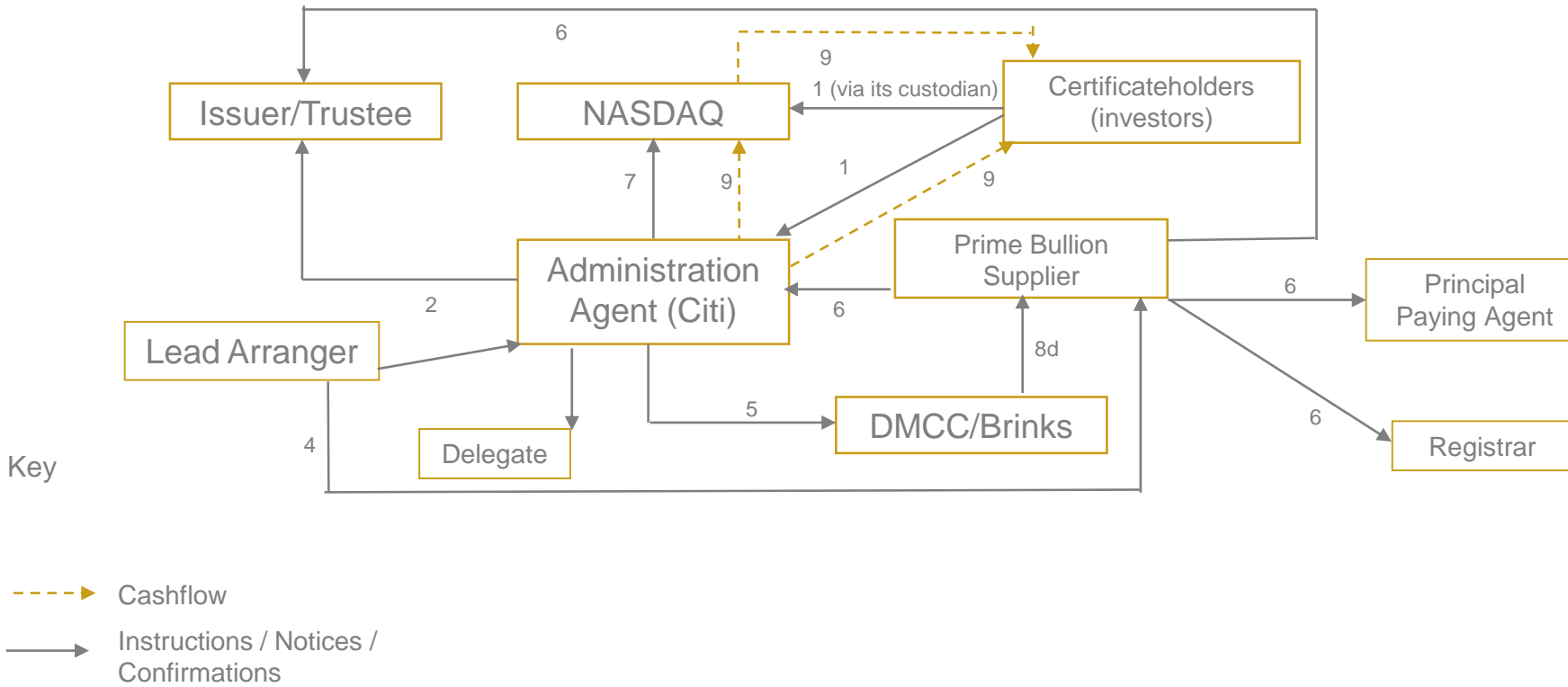
- ≡ Like any Sukuk, the Delegate represents the rights of Certificateholders post a Dissolution Event
- ≡ Gold Bars are owned by the Issuer which holds them and all its other assets (except for the Management Fee it collects to pay service providers) on trust on a pro rata basis for the benefit of the Certificateholders in accordance with the Trust Deed
- ≡ In the event of a loss to the Gold Bars (ie theft or destruction), the Certificateholders owning:
  - (i) an interest in a Global Certificate will take all ownership risks and will suffer any loss on a proportionate basis; or
  - (ii) a Definitive Certificate will again take all ownership risks but will suffer the entire loss to its Gold Bars represented by the relevant Definitive Certificate,
  - (iii) in each case subject to the absence of negligence by DMCC or Brinks



- ≡ In the event the price of gold increases, the sole beneficiary of that price increase will be the Certificateholders
  
- ≡ Certificates are perpetual securities in respect of which there is no fixed maturity date
  
- ≡ Certificates do not pay any periodic profit payments for obvious reasons!

## STEP 5 MECHANISM - REDEMPTION OF CERTIFICATES (INTRODUCTION)

- ≡ There are two ways to redeem - in kind (by physical delivery of gold) or in cash
- ≡ Upon redemption, the Certificateholders will be entitled to payment in gold or in cash of an amount equal to the Per Certificate Entitlement to the Gold Bars on the applicable redemption date. In other words, a Certificateholder that owns an interest in one Certificate will have a right to 5kg of gold from the unallocated pool of (in the case of a Global Certificate) or the allocated Gold Bars owned by the Issuer and will be entitled to receive the current value of 5kg of gold at the spot market on the date of sale minus any outstanding Management Fee



## STEP 5 MECHANISM - REDEMPTION OF CERTIFICATES IN CASH

- Certificateholder sends Optional Dissolution Notice to Administration Agent and its custodian at NASDAQ Dubai CSD
- Once Administration Agent has received Optional Dissolution Notice from Certificateholder and, with respect to a Global Certificate, confirmation from NASDAQ Dubai CSD that Certificates blocked, it notifies Issuer, the Delegate and the Lead Arranger of the redemption request
- Lead Arranger notifies outstanding Management Fee to Administration Agent
- Lead Arranger instructs the Prime Bullion Supplier to sell for value the relevant Gold Bars
- Administration Agent instructs DMCC Tradeflow Registrar that Tradeflow Warrants representing Gold Bars to be sold are pledged in favour of Prime Bullion Supplier enabling Prime Bullion Supplier to offer the Gold Bars for sale



- ≡ Prime Bullion Supplier notifies Trustee, Principal Paying Agent, Registrar and Administration Agent of sale price negotiated for Gold Bars
- ≡ Such price minus any outstanding Management Fee is the Optional Dissolution Amount. For Global Certificates, Administration Agent notifies this price to NASDAQ Dubai CSD
- ≡ Upon confirmation of receipt of the cash for the sale of the Gold Bars:
  - (i) Prime Bullion Supplier transfers the sale proceeds into the Proceeds Account of Issuer;
  - (ii) Prime Bullion Supplier instructs DMCC Tradeflow Registrar to release the pledge created in its favour;
  - (iii) Administration Agent instructs the DMCC Tradeflow Registrar to transfer title to the Gold Bars to the Prime Bullion Supplier; and
  - (iv) DMCC Tradeflow Registrar registers relevant Tradeflow Warrants in the name of Prime Bullion Supplier
- ≡ Administration Agent pays Optional Dissolution Amount from Proceeds Account to relevant Certificateholders (via NASDAQ Dubai CSD in the case of Global Certificates) and transfers Management Fee deducted from the sale proceeds to the Expenses Account

## STEP 5 MECHANISM - REDEMPTION OF CERTIFICATES IN PHYSIAL GOLD

- Certificateholder sends Optional Dissolution Notice to Administration Agent its custodian at NASDAQ Dubai CSD
- Once Administration Agent has received Optional Dissolution Notice from Certificateholder and, with respect to a Global Certificate, confirmation from NASDAQ Dubai CSD that Certificates blocked, it notifies Issuer, the Delegate and the Lead Arranger of the redemption request
- Lead Arranger notifies outstanding Management Fee to Administration Agent
- Provided Management Fee paid, Trustee requests a 'take out' of the Gold Bars being redeemed and notifies the Storage Operator of any delivery details received from the Certificateholder. Certificateholder is responsible for delivery outside DMCC and for all expenses and costs, including delivery costs, with respect to the gold thereafter Trustee shall not instruct the Storage Operator to transfer title to the Gold Bars to the Certificateholder until the Management Fee has been paid with respect to the Certificates to be redeemed;
- Administration Agent confirms to Principal Paying Agent delivery of Gold Bars



## STEP 6 MECHANISM – TRADING OF GRS CERTIFICATE ON NASDAQ DUBAI

- ≡ As the Sukuk represent an undivided share of the ownership in Wakala Assets, these are tradable with the same terms and conditions as were enjoyed by the original Certificateholders subject to the conditions of trading in gold
- ≡ As such, the Sukuk can be bought and sold freely in the secondary market
- ≡ In such situation, the new purchaser replaces the seller in the ownership of the Wakala Assets and all the rights and obligations of the seller are passed on to the new Certificateholder.

## SHARIAH ANALYSIS: SUKUK

- ≡ The Programme has been structured on the following Shariah basis:  
*“Investment Sukuk are certificates of equal value issued in the name of the owner or bearer in order to establish the claim of the certificate owner over the financial rights and obligations represented by the certificates.”*  
(AAOIFI Shariah Standard No.17, Article 4.1)
  
- ≡ *“Investment Sukuk represent a common share in the ownership of the assets made available for investment, whether these are non-monetary assets, usufructs, services or a mixture of all these plus intangible rights, debts and monetary assets. These Sukuk do not represent debt owed to the issuer by the certificate holders”*  
(AAOIFI Shariah Standard No.17, Article 4.2)
  
- ≡ Analysis Based on the above, the Gold Bars represent “*monetary assets*” which are for the purposes of Sukuk, an acceptable form of asset class.



## 5 ADVANTAGES & BENEFITS FOR SAUDI ARABIA

## WHY GRS IS AN ALTERNATIVE TO TRADITIONAL BANKS?

- ≡ KSA to keep the total sovereignty and total control of its Gold assets.
- ≡ No Paper Gold Risk
- ≡ No Counterparty Risk
- ≡ No Riba
- ≡ No Delivery Risk
- ≡ No Bankruptcy Risk
- ≡ Shari'a transaction

## ADVANTAGES

- ≡ KSA to keep the total sovereignty and total control of its Gold assets.
- ≡ Storage outside of the traditional banking system.
- ≡ No bank custodian. KSA do not take any counterparty risk on a financial institution, instead the gold is owned by the issuer with Citi acting to protect the rights of the investors.
- ≡ KSA do not have to worry about storage as Brinks Global, the leading storage operator takes care of vaulting the gold.
- ≡ The strong brand of Citi, Emirates NBD.
- ≡ Gold is a highly asset class, therefore Investor is able to freely dispose of its gold as will.
- ≡ Redemption in Cash and Physical delivery
- ≡ Tradable on Nasdaq Dubai
- ≡ Efficient and cost-effective investment

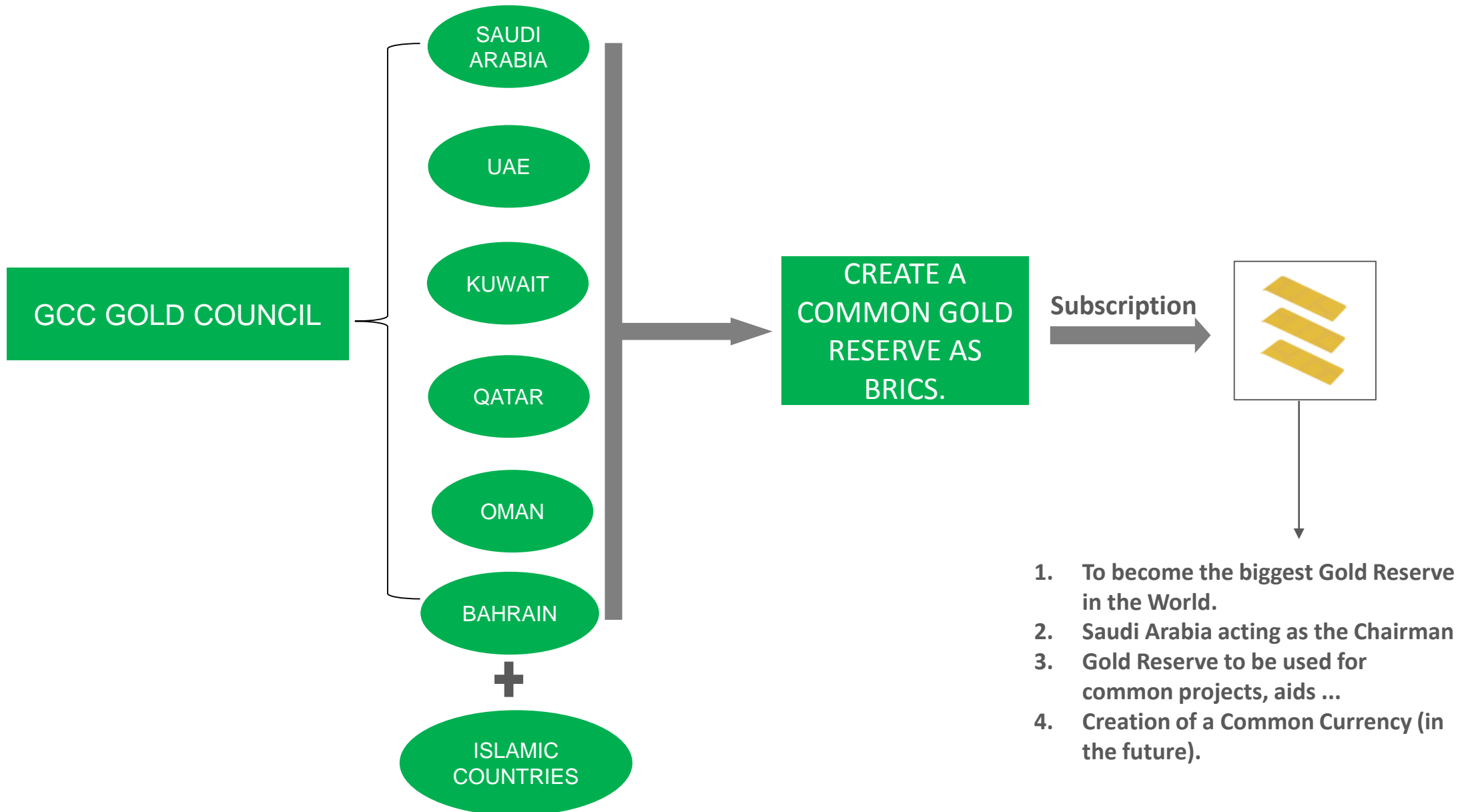
## EXAMPLE 1– Increasing Saudi Gold Reserve



1. Saudi have total control on its Gold.
2. Unfreezable Assets.
3. Anonymity Guaranteed.
4. Redeemable in Cash or in Gold at any time.
5. Worldwide Gold Storage Diversification.

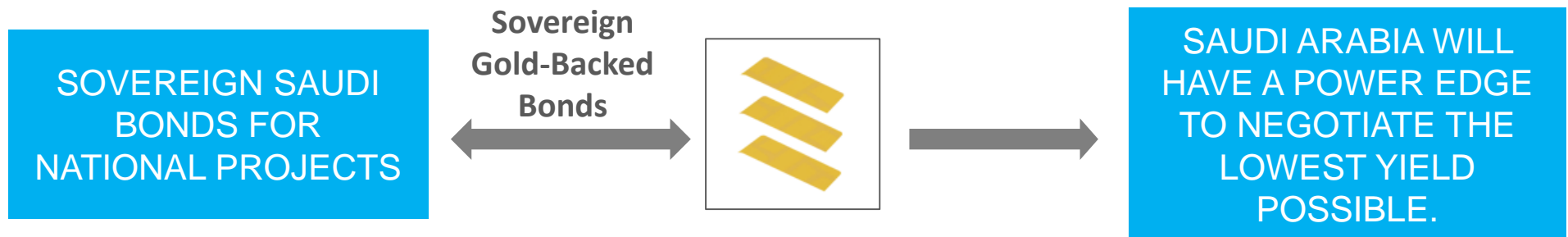


## EXAMPLE 2 – GCC Gold Council

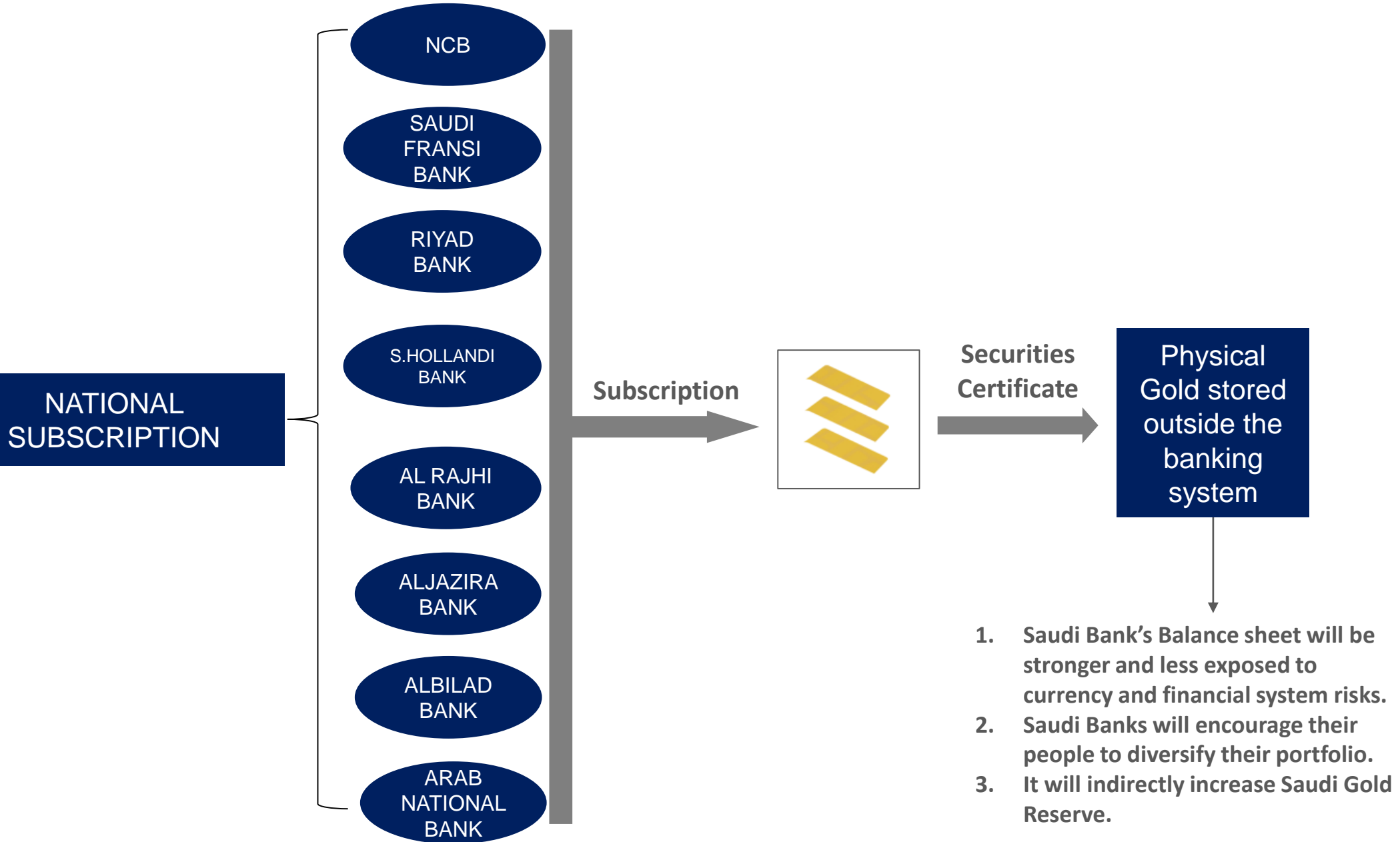




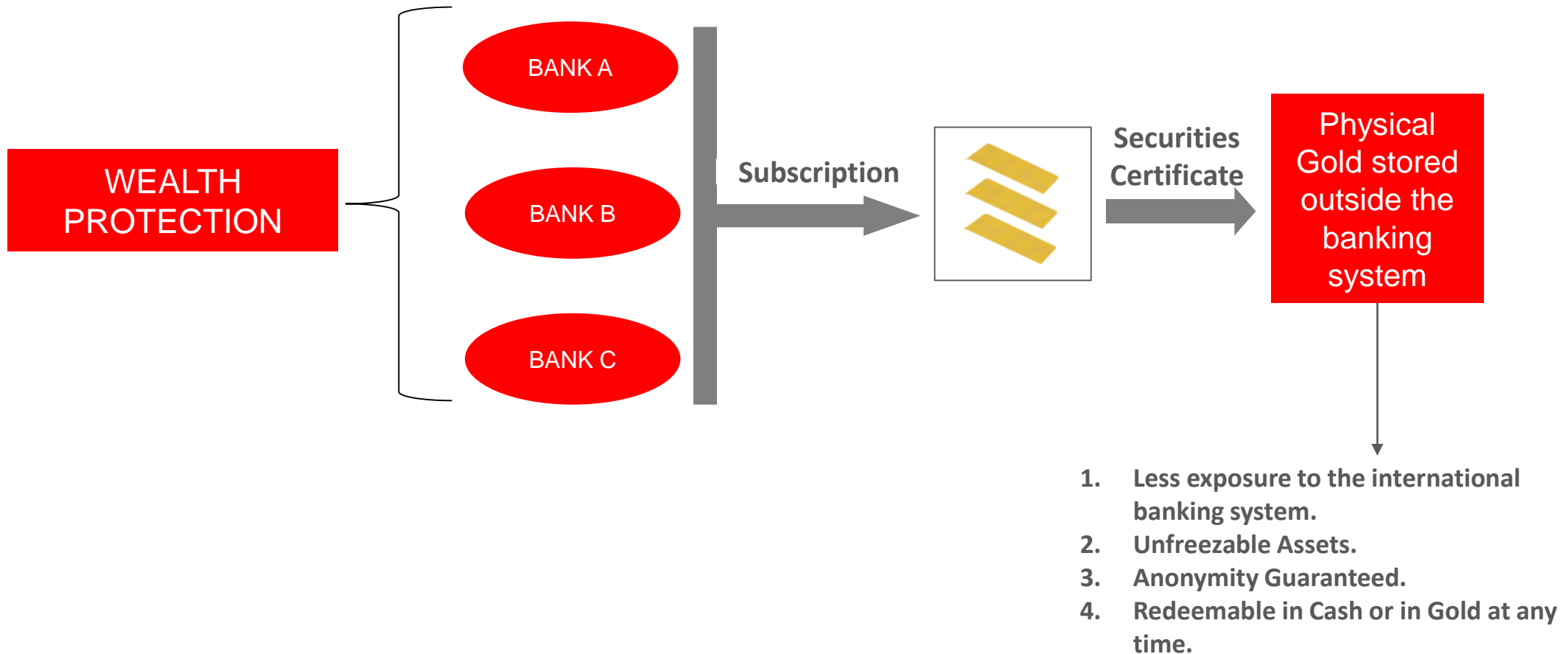
## EXAMPLE 3 – Sovereign Saudi Bonds



## EXAMPLE 4 – Saudi National Gold Subscription

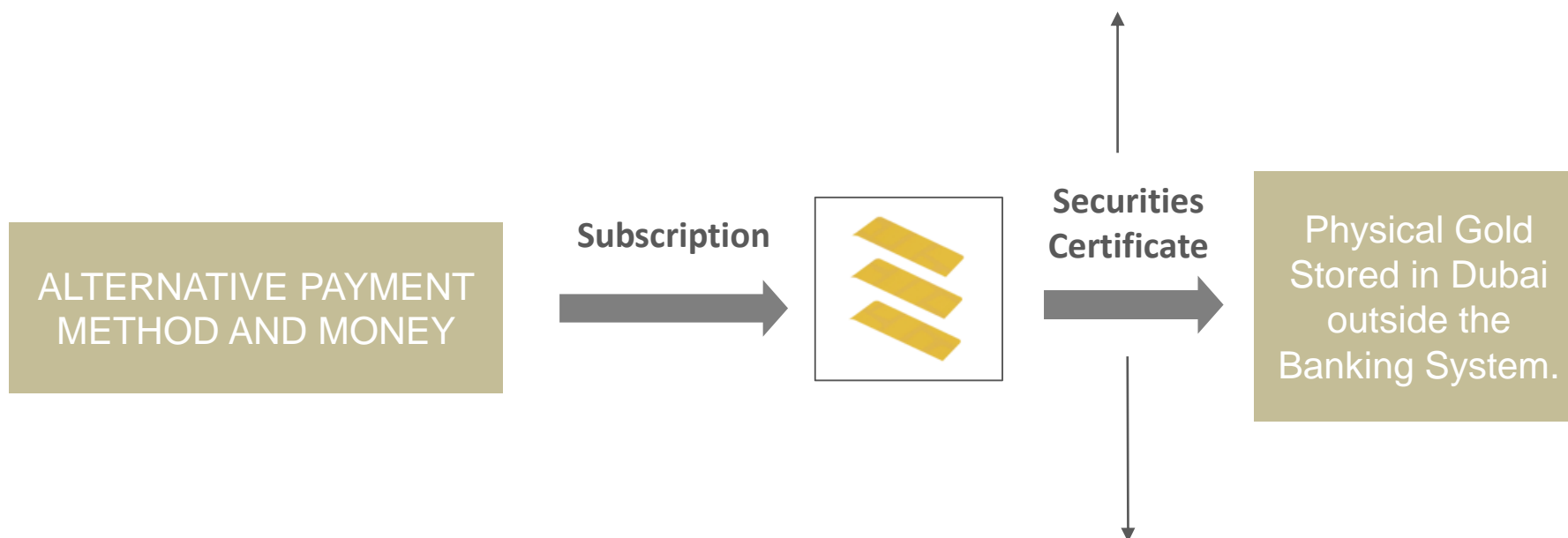


## EXAMPLE 5 – Wealth Protection



## EXAMPLE 6 – Alternative Currency Exchange

1. Anonymity Guaranteed.
2. Final beneficiaries can redeem in Cash or in Gold at any time.



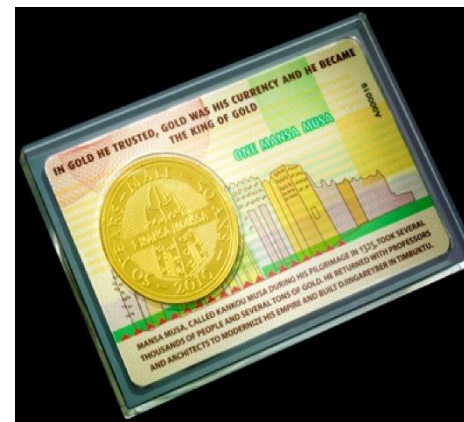
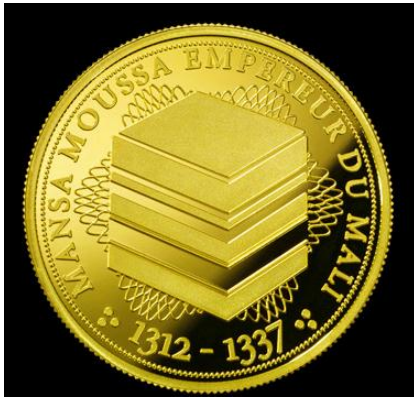
Gold Certificates can be used as an alternative payment for:

1. Ally countries.
2. Intelligence.
3. National Defense.
4. Aids.

## EXAMPLE 7 – Issue a Saudi Gold Standard

- The Certificate of Authenticity will be protected by the leading global provider of anti-counterfeiting security technology for banknotes, documents and secure track and trace. Different levels of security will be used on the Certificate:
  - (i). Visible levels for authentication by the general public.
  - (ii). Semi-visible and invisible levels, for banks and experts.
- Gold bars will be authenticated by a Certificate of Authenticity, which will be highly protected with the most sophisticated technology (similar to that which protects banknotes).
- The Saudi Gold Seal as well as the gold itself will be wrapped in a tamper-proof protection

## EXAMPLE 7 – Issue a Saudi Gold Standard





THANK YOU