



# **White Paper on the Gold Dinar**

## The Road Map of Implementation

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POLICY PAPERS

# The Implementation of the Gold Dinar

## THE ROAD MAP

**The purpose:** The reintroduction of the Shariah currency to achieve full functionality as it was in the past. Particularly important is the restoration of the payment of zakat with the Shariah currency

**The Zakat Module:** The First Phase: a] the minting of Dinar and Dirham; b] sale of the coins with proportional value; and c] establishment of a buy-back price. The Second Phase: the establishment of a network of shops and services that accept the Shariah currency; The third phase is the collection and payment of zakat using the Shariah currency.

**Payment system:** Creation of Dinar and Dirham accounts. Transfers of money between account holders. Investment accounts. Smart cards and Debit cards attached to the accounts

**Gold Exchange Traded Fund:** The establishment of Gold ETF Shariah compliant and denominated in Gold Dinar. A global network of Gold ETF's linked through a clearing house such as e-dinar becomes the basis of an effective world Dinar currency system.

## THE PRESENT STATE OF AFFAIRS

The Gold Dinar and the Silver Dirham are the Shariah currency. Their used was suppressed with the event of Western colonial powers and then continued by the establishment of Central Banks.

The Shariah protects the right of every individual to choose the means of payment. It is therefore against Islamic Law to "force" the use of a particular means of payment independently of whether that means of payment is halal or haram. The government whether Islamic or otherwise has no authority to impose the means of payment or to prevent gold and silver to become a means of payment by means of taxation.

The present monetary system established in several stages after the end of WWII, has given the USA an unprecedented privilege to become the currency of the world. Literally they are capable of paying the rest of the world with pieces of paper in exchange for their real assets. The same system that imposes its tax on the individuals, taxes nations of their wealth in favour of the colossal global banking system that ensures the creation of money.

The Gold Dinar and Silver Dirham were re-introduced for the first time in contemporary time in the year 1992 in the city of Granada (Spain). Since then the use of the Shariah currency has not ceased. It has continued to attract more and more people interested in freeing themselves from the grip of usury. In the year 2000 and onwards Dr. Mahathir, then Prime Minister of Malaysia took the flag of the Gold Dinar and spoke in its favour. "Paper money has no value" he said.

The State of Kelantan has minted the Gold Dinar and this paper presents the case of how the Kelantan Dinar Project can be the trigger mechanism for the restoration of the Shariah currency in its full functionalities.

## THE OBJECTIVES

The fundamental part of every project is to know where we are going.

### **To restore the full functionalities of the Gold Dinar**

The Shariah currency must be available and every individual must have the right to use it in any commercial or business transaction he wishes to enter, as well as to save in it.

### **To create a basis in which Muslims can create Riba-free economy**

There cannot be a halal commercial transaction if the medium of exchange is not freely chosen. The value of our present fiat currencies is entirely based on the compulsion of the State. The present system of payment is based on the existence of the banking system.

### **To unite the Muslim Nation**

The Shariah currency is the same in every part of the world. Therefore, the Kelantan Dinar is the facto the Shariah currency of the Muslim world. The establishment of the Gold Dinar and the Silver Dirham is the first step towards the political integration of the Muslim Nation.

## HOW TO DO IT?

### **Availability and Choice**

The coins must be minted and they must be available for people to buy, sell and store if they wish to. The functionalities of the coins will be expanded by the creation of a payment system that supports account holding and transfers.

### **Avoid Legal Constraints**

All Central Banks hold a monopoly on money. Yet, money is not created by the State but it is created by the choice of the people. The Central Bank has authority over financial institutions but has no power over the choice of the people. The creation of payment system based on Dinar will be based not on financial institutions but on shareholding agreements linked to a Gold Fund.

### **Network of Users**

Government institutions as well as shops and professionals will be invited to accept payment in Dinar and Dirham. The prices of the coins will be daily established and published in local daily newspapers, and will be also available via internet and phone. The list of users will be published monthly and available on the net.

### **Technical tools**

Electronic payment systems linked to Smart Cards and Debit Cards will facilitate the use of the Shariah currency by automatic calculation of the rates and will facilitate micropayments.

## MUAMALAT

Restoring full functionalities to the Dinar and the Dirham is part of the restoration of the muamalat of Islam. It must be understood that Islam has an economic model of its own. This model can only be restored in its entirety and that means that the monetary reform that the Dinar and Dirham entail is only part of a much wider frame of economic reforms:

### The Name Shariah currency

The Dinar and the Dirham are known as the Shariah currency. That means that they are a reference to some key aspects of the Shariah such as the payment of zakat, mahar and also some parts of the hudud.

Ibn Khaldun wrote in the "Al-Muqaddimah":

"The Revelation undertook to mention them and attached many judgments to them, for example zakat, marriage and hudud, etc. Therefore, within the Revelation, they have to have a reality and specific measure for assessment (of zakat, etc) upon which its judgments may be based rather than the non-Shari'i (other) coins. Know that there is a consensus (ijma) since the beginning of Islam and the age of the Companions and the Followers (Tabi'in) that the Dirham of the Shari'ah is that of which then weigh seven mithqals (weight of the Dinar) of gold."

### Brief History of the Coins in Islam

When the Arabs conquered the Byzantine possessions in Syria at the end of the seventh century they took over the "solidus" as their unit of gold, gave it Islamic types and called it a DINAR.

The first dated coins that can be assigned to the Muslims are copies of silver drachms of the Sasanian Yezdigird III, struck during the caliphate of 'Uthman. The earlier dirham used in Madinah were clipped version of the 4.5 Sasanian coins reduced to around 3 grams. The purity of the silver varied between 80 to 85% silver content.

The first coinage in Islam was in the year 41 AH under the caliphate of Mu'awiya. These new coins which bore the name of dirham established the style of the Islamic silver coinage for the next five centuries. The side normally taken as the obverse has as its central legend the declaration of Faith, called the Kalima or Shahada. The reverse has a four line central inscription of the Qur'an the Surah 112 (Al-Iklas). The marginal legend, known as the Prophetic Mission formula, states, the second Shahada and Qur'an IX, 33. "Muhammad is the messenger of Allah, he was sent with guidance and the religion of truth to make it prevail over every other deen, averse though the idolaters may be"

Well over 60 different mint-names appear on Umayyad dirhams.

The production of Islamic gold coins began slightly earlier than the reformation of the silver coinage 74 AH. This type was used for the whole of the Umayyad period, the coins being struck and carefully controlled at a standard of 4.25 gm.

The predominant coinage in much of the post-1200 Islamic world was of the Ottoman strand. Gold Coins in denomination from 25 to 500 piastres were struck at Ankara until 1928.

In the Ottoman Empire, paper money was first used in 1265 AH (1840 A.D.). Later it was given up. It was used in 1268 AH for the second time and in 1279 AH for the third time, each time being superseded some time later. Its fourth monetization took place in 1294 AH (1877 A.D.) under the entitlement of the Ottoman Bank, and from then on it has been in use up till now, being changed ever and anon. In none of the books written or the fatwas given during that long period has it been said or stated that the zakat could be given in paper money. People have always given their zakat

in gold and silver. It is written on the forty-fourth page of *'Ikd-ul-jayyid* that it is not permissible to give the zakat in fulus in the madhab of Shafi'i, either.

### The Payment of Zakat

Zakat must be paid in 'ayn and not in dain. 'Ain means tangible merchandise, commodity, tangible asset; dayn means liability, debt, promise of payment. The reason that zakat is now being paid in dayn is by appealing to darura, but darurah is a temporary measure it cannot be used for ever.

The following elements regarding zakat must be upheld:

- The payment of zakat is an obligation on every Muslim once he or she has reached the level of the nisab.
- The payment of zakat must be paid in physical commodity or livestock or when assessed in the form of money, it must be paid in the Islamic Gold Dinar or Silver Dirham.
- The zakat cannot be paid in paper money if the Gold Dinar and Silver Dirham are available.
- All producing mines in Muslim territories are obliged to pay 10% of the output in zakat. This is particularly important in relation to the collection of zakat in oil. 10% of all oil production from Muslim countries is property of the beneficiaries of zakat.
- The distribution of the zakat must be done as soon as possible, ideally within 24h of the collection of the zakat. The money of zakat cannot be kept, or invested before being distributed among the beneficiaries.
- Zakat is taken, not given. It should be assessed by zakat collectors who then present the tax bill on to the payers, they should be appointed by the Amir and they should be paid by the collected zakat.

### Paying Zakat: The Issue of Dayn and 'Ayn

*"Islam is based on five: testifying that there is no god but Allah and that Muhammad is the Messenger of Allah, establishing the prayer, paying the Zakat, the Hajj and the fast of Ramadan."*

#### The Issue: Zakat cannot be paid with a promise of payment

Zakat can only be paid with tangible merchandise, called in Arabic 'ain. It cannot be paid with a promise to pay or a debt, called in Arabic dayn.

From the beginning the zakat was paid with dinars and dirhams. Most significant is that the payment of zakat was never allowed in paper money during all the ottoman period right until the fall of the Khalifate.

#### The Fatwa of Shaykh Alish

Shaykh Muhammad Alish (1802-1881), the great Maliki Qadi, said that if you were to pay zakat with paper-money only its value as merchandise ('ayn), that is, its value as paper can be accepted. Therefore, its nominal value is irrelevant as payment of zakat.

"If the Zakat was obligatory by considering its substance as a merchandise, then the nisab would not be stipulated according to its value but according to its substance and its quantity, as is the case with silver, gold, grain or fruits. Since its substance

[paper] is irrelevant [in value] in respect to the Zakat, then it should be treated as the copper, iron or other similar substances."

Payment of Zakat is perfectly explained and regulated in the Islamic jurisprudence. For centuries when Islamic Law was enforced by a Caliph or an Amir, the Zakat was collected in gold and silver. When paper-money was being first introduced, during the last century by the colonial powers the traditional ulema rejected it as being opposed to Islamic Law. According to them paper money was to be treated as fulus or lower category of currency with limited used, basically just as small change. It is, for example, not allowed to make a qirad with fulus. Among those ulema, stands out the famous scholar of magrebi ascendance, Shaykh Muhammad Alish (1802-1881) who was the Shaykh of the Shaykhs of Maliki fiqh in the University of Al-Azhar in Egypt. He wrote in his Fatwa:

*"What is your judgement in respect to the paper with the stamp of the Sultan that circulates like the dinars and the dirhams? Is it obligatory to pay Zakat as if it was a coin of gold or silver, or merchandise, or not?"*

I responded exactly in the following way:

*"Praise belongs to Allah and blessing and peace upon our Master Muhammad, the Messenger of Allah.*

*"Zakat is not to be paid for it, because Zakat is restricted to the flocks, certain type of grains and fruits, gold and silver, the value of rotational merchandise and the price of the goods withheld. **What is referred previously does not belong to any of these categories.**"*

You will find an explanation by comparison with the copper coin or fulus with the stamp of the Sultan which is in circulation and for which no Zakat is paid since it does not belong to any of the categories mentioned. It says in the "Mudawwana": **"Those who possess fulus for over a year for a value of 200 dirhams does not need to pay Zakat unless is used as a rotational merchandise. Then, it should be treated as if it was a merchandise."**

In the "At-Tiraz", after mentioning that Abu Hanifa and Ash-Shaff'i obliged to pay Zakat for the fulus, [is stated that] since both affirm that the payment of Zakat is from value, and considering that Shaff'i has two contradictory opinions about the subject, the opinion of the school is that there is no obligation to pay Zakat for the fulus since there is no discrepancies about the fact that what counts with respect to the fulus is not its weight or its quantity but only its given value. If the Zakat was obligatory by considering its substance as a merchandise, then the nisab would not be stipulated according to its value but according to its substance and its quantity, as is the case with silver, gold, grain or fruits. **Since its substance [paper] is irrelevant [in value] in respect to the Zakat, then it should be treated as the copper, iron or other similar substances.**

And Allah, ta'ala, is the Wisest. And may Allah bless and give peace to our Master Muhammad and his family.

*(Translated from the "Al-Fath Al-'Ali Al-Maliki" pp. 164-165).*

This Fatwa considers paper-money to be fulus, because it only represents money and does not have value as merchandise. It follows that since Zakat cannot be paid in fulus, which has no value as merchandise, it cannot be paid in paper-money, which value as weight of paper is null. On this basis, it becomes clear the urgent need to restore the use of the Dinar and the Dirham as payment of Zakat. If the millions of Muslims who now make their payment of Zakat in paper money would do it in newly minted Dinars and Dirhams, they will put in circulation millions of gold and silver coins into the mainstream of daily commercial activities of our communities. That single act will become the most important political act of the century, opening the path towards the establishment our own halal free currency breaking away from the usurious financial system.

The return to the payment of zakat in gold and silver is an essential part of the reestablishment of Islam.

### Imam al-Kasani confirms that zakat cannot be paid with dayn.

Imam al-Kasani, the famous Hanafi scholar wrote in his *Bada'i' al-Sana'i'*:

"If the property on which zakat fell due is dayn, as distinguished from 'ayn, its zakat may be settled in terms of 'ayn wealth. Thus a person having a claim of two hundred dirhams on which zakat is due, may give, in settlement of the same, five dirhams in cash, because dayn as compared with 'ayn is defective (naqis) and the 'ayn is complete (kamil), and a settlement of the defective in terms of the complete is valid. On the contrary, the settlement of the complete 'ayn in terms of the defective is not valid, and therefore, the zakat debt is not discharged if a person wants to pay the zakat of two hundred dirhams which he possesses (i.e. 'ayn) in terms of the five dirhams which a poor person owes him (i.e. dayn); namely, by absolving him from the debt intending it for his own zakat debt on the two hundred dirhams. Finally, as regards the settlement of the zakat of dayn wealth in terms of dayn wealth, if the wealth on which zakat is due of the kind of dayn which becomes 'ayn is not valid; otherwise is valid. Thus if a person has five dirhams owed to him by a person and two hundred dirhams by another person, he cannot settle the zakat of the two hundred by making a present of five to the debtor as alms, because the two hundred dirhams will become 'ayn when collected, and the settlement of the zakat of 'ayn wealth in terms of dayn is not valid.

An example of the opposite case would be that a person who wanted to settle the zakat of two hundred dirhams owed him by another by making a present of those dirhams to the debtor and intending it for his zakat debt. However, this is allowed only in case of the debtor is a poor person, although there is also a view to the contrary. It goes without saying that the zakat of 'ayn wealth is discharged if paid in terms of 'ayn wealth; if, for instance, one pays the zakat of two hundred dirhams he possesses by paying five out of those two hundred."

Therefore the issue concerning the payment of zakat regarding the use of dayn and 'ayn can be expressed as follows:

1. Zakat is due on someone who has dayn once the debt is payable.
2. Zakat due by someone cannot be paid with dayn.
3. Zakat must always be paid in 'ayn, tangible wealth.

### Paying Zakat and Fulus

Fulus is the small change in muamalat. It represents the fractional value of the lowest coin denomination, that is typically, the 1 dirham coin (although at times a half dirham coin has been in circulation).

Fulus is not considered money simply because its value is dependent upon the value of the dirham. It is therefore a kind of fiat currency. This latest definition has a particular relevance in understanding paper money, since earlier versions of paper money were considered to be fulus, although history has proven that paper money did not intend to be used as small change but to replace real money altogether.

### Zakat and Fulus

The general rule is that zakat cannot be paid with fulus nor is due on fulus. There is no argument whether zakat can be paid using fulus, since fulus does not have a commodity value, but only a fiat value. It is therefore not considered money. There are exceptions regarding whether zakat is due on fulus, they are the following:

1.- When the value of the fulus exceeds the nisab

Some scholars consider that if the amount of fulus exceeds the value of the nisab that is 200 dirhams or 20 dinar, then zakat is due.

2.- When the fulus is traded as merchandise

A second exception is when fulus is used to trade as merchandise, that is, because of its metal content (used to be copper or metallic alloys with copper content) some people use to trade with it as metal. In this later case then some scholars undertake that zakat must be paid in consideration to the general principle of zakat on traded merchandise which has been stored for more than a year.