6th.Global Waqf Conference, Bangkok GLOBAL ASSETS CLEARING INSTITUTION FOR MORE PRODUCTIVE UMMAH'S ASSETS UTILISATION : FROM A FOURTH INDUSTRIAL REVOLUTION PERSPECTIVE



- An exploration

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THE EPILOG

- As a retiree I always spend what even time left that I have (other than working ?) trying to be at the mosque together with my fellow retirees in my neighbourhood.
- Other than the usual activities of regular prayers, the Tadarus session and the tazkirah, we normally have the opportunities to chat ...discussing about life after retirement.
- Most of us were the middle income group (in our career) earning a rather good income sufficient to take care of the families and made a little bit of saving and investment for our retirement day.
- After retirement, our income were slashed by about two-third, leaving us with a fraction of our normal cash inflow to struggle with our accustomed lifestyle.

THE USUAL REMARK HEARD SAID

- Our main concern are, we have good home, good wheel, some properties and land but very small Cash inflow from the retirement benefit.... with virtually no cash saving in the bank.
- Hence life is rather tough, trying to juggle with all the household bills, the food bills and some medical expenses with such a small pension and retirement benefit.
- We felt that our quality of life have deteriorated somewhat since going into retirement.
- Some of us decided to go back to the Nine-to-five office work while some even end up as GRAB's drivers at least for part time.
- This is at the back of some properties invested, accumulated and kept in the family.
- Of course the ambition was to leave the properties for the children and the families to make sure that they will be left in-tact when we kick the bucket.
- So the main remark heard always is..... 'CAN I DO SOMETHING WITH MY PROPERTIES TO GENERATE SOME ADDITIONAL INCOME FOR ME TO AT LEAST ENJOY THE BENEFIT FROM MY LONG LIFE INVESTMENT. (OF OVER 40 YEARS STRUGGLED IN MAKING SAVING) ?

THE IMMEDIATE CHALLENGE

- Can we create a mechanism to allow properties owner create liquidity from the wealth that they currently hold?.
- Can we make the wealth mainly properties be more liquid for the owners to handle it ?
- Can the properties be managed and invested to generate some income ?
- The properties owners would sincerely want to share the income from their properties with Waqf fund.
- Will the digital token be accepted as a full currency for the properties owners to transact as and when they required goods and services ?

HOW TO CREATE PROPERTIES LIQUIDITY

- Properties are always non-current in nature.
- The conventional way of converting properties into liquid assets is through Real Estate Investment Trust (RIET). But this avenue only open for large properties with stable income flow.
- The modern approach is to use the Block chain currency as the mediator for the properties.
- The Block chain currency rule is for the Digital token to be fully backed by an assets to make it a fully halal instrument.
- Digital token will be used to replace the properties assets.
- A Waqf institution can be used to facilitate the process

THE BLOCK CHAIN CURRENCY SCHEME

- A Waqf institution will be formed to initiate the program. This can be initiated by the government or just through a public foundation.
- The waqf institution will create a Properties Management company and a Block Chain Currency technology company.
- The Properties management company will enhance their strength in managing all kind of properties and lands on a global scale.
- The block chain currency technology company will set up the back office of the digital token operation to be operated by the institution. It will prepare the ground and create the digital token. It will then arrange the listing of the token and organise the market making activities.
- Marketing and promotional work will be done throughout the Muslim countries first and then expanded to the whole globe.
- The institution will help to make the properties liquid by converting them into digital token.

THE PROCESS OF LIQUIDATING PROPERTIES

- Each property owner will allow their properties to be valued conservatively by the Property Management company. The valuation fee will be charged on them after the properties have been turned into liquid digital token.
- The properties will be taken over by the Waqf foundation using a Irrevocable Power of Attorney at the conservative market value.
- The consideration is given in the form of Digital token. The properties owners now have digital token that is as good or better than the Fiat currency because of the full assets backing.
- The digital token Is actually an e-vallet that can be used to transact for normal goods and services in the normal day to day living in every merchant.
- As the Waqf foundation is owned by the public, it would easily gains full trust from the merchants and will be well accepted better than the Fiat money.

DIGITAL TOKEN AS A NEW CURRENCY

- The critical success factor is as follow :
 - Will properties owners be keen to convert their properties into digital token ?
 - Will digital token be accepted fully by the market (the merchant) in business and everyday transactions.
 - How would the business communities deal with the digital token ?.... Keep it circulating by transacting it back into the market or save it in their banks as investment ?
 - Will the banking system accept Digital token as currencies for investment ? How will the banking system deal with the digital currencies ? Collaterise them or just accept them as another currency – like any foreign currency ?
 - How would the central bank look at the currency as competitor or as complement in the new Industry 4.0 environment ?
 - Would they expect any return for holding the digital token logically not... as they
 never expect any return from holding either the local or foreign currencies.
 Nevertheless, there may be a potential upswing in the value of the Digital currency
 in the exchange market.

THE BASIC TERM IN THE PROPERTIES SWAP SCHEME

- The properties owner are surrendering their properties with the promised that they may be allowed to swap back their digital token with their original properties in the future.
- Hence the properties will never be sold out by the waqf foundation to anyone else.
- The properties will immediately be managed to make it productive again by renting or operating some economic activities on it.
- The ultimate objective is to make the lands or properties productive generating the maximum volume of revenue.
- The return on the properties will be shared between a few parties as follow :
 - The properties managers as professional fees
 - The Waqf foundation as the ultimate beneficiary in the form of contribution.
 - The properties owners in the form of dividend on the investment
- Return will be paid on an annual basis.
- If properties is to be developed, agreement will be obtained from the original owner.
- Properties owner must give ample notice (say 3 years) to take back the land.
- Any un-amortised value of development on the properties will be redeemed from the owner who took back the properties.

DIGITAL TOKEN AS THE NEW WEALTH MEDIA

- Properties owners will begin to appreciate the significant contribution of the digital token as an alternative to properties assets.
- They will hold to this token as a fluid investment with a fully backed properties rather than the properties it self.
- This token has a few advantages over the properties.
 - It is very fluid and can be used immediately without having to liquidate them in the case of properties which may taken time and costs.
 - It generate return in the form of rental and income for properties
 - It can be converted back into properties in the future as and when needed.
- The token may appreciate in value as a result of the Demand and Supply forces and the appreciation in the value of the properties that backed them up. Hence there are two opportunities of making capital appreciation as compared to only one if they hold properties.
- There is no risk in losing value as the token can be converted back into properties at the same rate and token quantities in the future.

IS THERE RISK TO THE WAQF FOUNDATION

- The waqf foundation is just a trustee, holding the properties on behalf of the properties owners. They do not pose any risk.
- If properties owners never claim back the properties, they will become the perpetual owner of the properties on behalf of the ummah.
- The properties managers will just be earning professional fees in managing the properties.
- What if the properties does not make any return for some un-foreseen reason?... It just mean that the properties managers will not be paid for their professional fees, the properties owners will not get any dividend and the waqf foundation will not get any contribution.
- The risk for dropping in value for properties is rather low while the probability for upswing price is higher.
- The properties managers will be the critical factors that will determine the true success of the scheme.

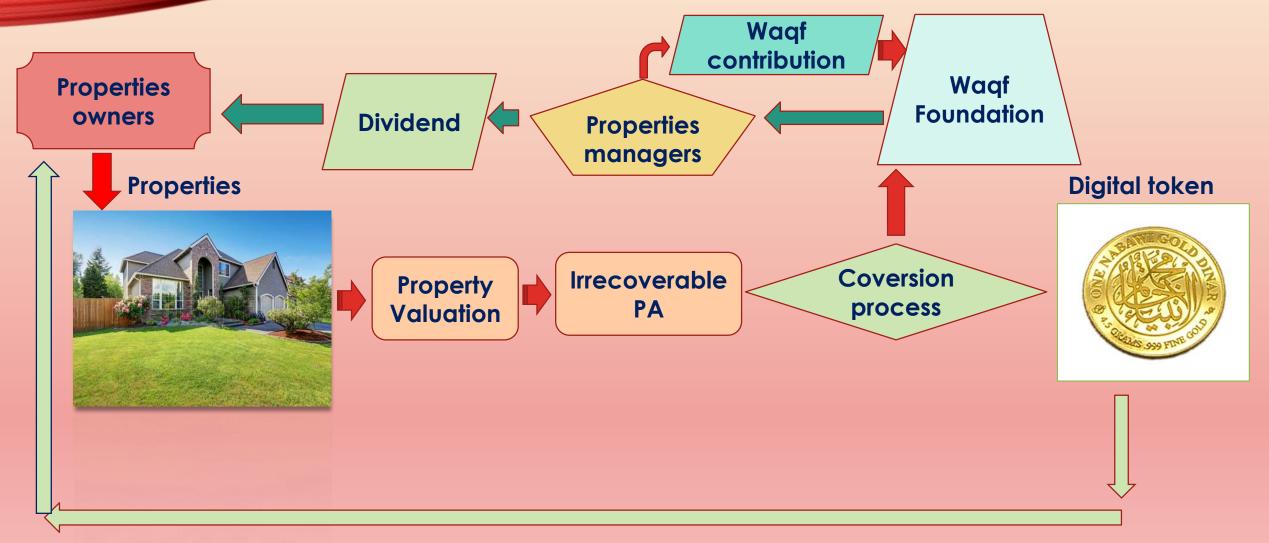
ASSETS UTILISATION EFFICIENCY IMPROVEMENT EFFORT

- The case of idle lands and properties occurred because of the imperfect knowledge between the economics players in the market.
- There are many productive and efficient entrepreneurs that are constantly seek lands and properties to be used and managed.
- On the other had there are also many properties owners who desperately seek for help to make their properties more productive.
- There is a need for a scheme and strategy to match the demand and supply of properties globally.
- If only all properties could be well utilised, then the world would become more
 productive and income from wealth will be much higher to benefit especially the
 needy groups in the society.
- The basic principle is all assets in this world belongs to Allah S.W.T. We as trustees must strive to make them as productive as possible to share the income from it.

ASSETS EXCHANGE SERVICES

- The Properties exchange services is meant to promote and offer all idle properties and land for productive use by anyone capable of doing so.
- The exchange will administer the properties and allow anyone preferably Muslims to propose a utilisation scheme for the said properties.
- The exchange will work with the entrepreneurs (Mudarib) to make the scheme viable.
- The mudharib will bring their expertise and capital to utilise the properties in their business venture.
- In return, the exchange will share profit or rental with the entrepreneurs for a specific period over during which the properties were managed by them.
- The properties will be returned to the Waqf foundation at the end of a specific contract period.
- The properties will not be charged by the entrepreneurs but may be developed and echanced at the agreement of the original properties owners.

THE SCATCH ILLUSTRATION OF THE SCHEME



POTENTIAL ASSETS FOR OFFERING IN THE SCHEME

- Theoretically, there are ample land and properties that can be attracted into the scheme.
- This include :
 - Private idle lands belonging to individuals like the story of the retirees groups that we started with earlier.
 - Community lands such as the Native lands reserve that are communal in term of ownership but the income may be shared between the communities.
 - Temporary idle land and properties.
 - Land and properties in disputes.
 - Land and properties in the process of inheritance scheme of distribution under Faraid where the beneficiaries were not well identified. The Properties managers here can offer service to settle the dispute and finalise the distribution on behalf of the families.

EXAMPLE OF PROPERTIES IN OFFERING

Statistics of idle land in Malaysia, 2002, 2009 and 2012

	2002	2009	2012	The properties	value (in RM)
	Areas (hectares)			per hectare	Total
States					
Sabah	n.a	73,731	8,110.94	300	2,433,282
Sarawak	n.a.	428,474	59,959.57	400	23,983,820
Perlis	n.a.	52	63.21	300	18,963
Kedah	2,180	2,255	2,255.54	400	902,216
Pulau Pinang	453	127	20.49	800	16,392
Perak	4,384	1,379	1,111.56	400	444,624
Selangor	1,094	247	246.76	700	172,732
Negeri Sembilan	2,161	4,684	4,683.54	500	2,341,770
Melaka	1,871	819	1,028.06	500	514,030
Johor	3,311	6,118	5,884.40	800	4,707,520
Pahang	10,732	6,522	6,522.50	400	2,609,000
Trengganu	3,950	1,895	1,894.47	350	663,064.5
Kelantan	4,226	5,494	5,494.19	350	1,922,966.5
Total	34,362	531,797	97,275.19		40,730,380

THE POTENTIAL VALUE OF MUSLIM WEALTH

- Just taking into accounts the formal idle lands in Malaysia, we could derive over RM 40 billions of wealth value to be made liquid.
- There are actually estimated that the real size of idle land in Malaysia is over ten times of that official value.
- These are lands which became idle because the owners were unable to make use of them effectively.
- They also came about because of the dispute in the inheritance distribution of these lands left by the demised parents.
- Many of these lands were left to too many beneficiaries that could not agree on the distribution formulae.
- Some lands given as waqf to the Baytal Mal also felt victim into the idle land classification.
- On top of that, there are more idle properties, at least in term of value the Value could come to over 20 times of the land value as they are ready made houses, shop lots, factories building or warehouses seated on converted lands.
- If we convert all these properties into digital token, the value could be incomparable or exceeded the central bank reserves in Malaysia.

WAQF LAND IN MALAYSIA

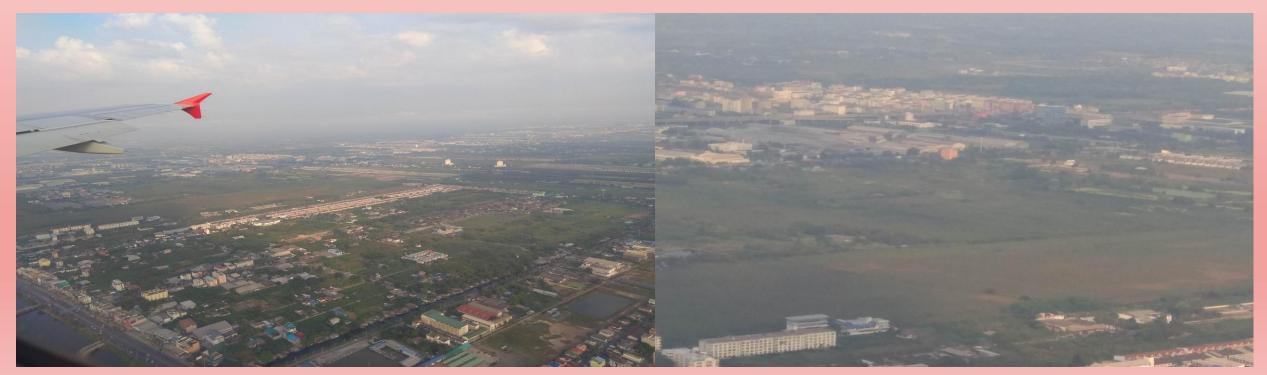
State	Specific Waqf (Acres)	General Waqf (Acres)	T otal (Acres)
Kelantan	171.54	133.12	304.66
Federal Territories	5.47	22.07	27.54
Terengganu	204.43	43.01	247.44
Sarawak	236.93	-	236.93
Pahang	3,985	-	3,985
Sabah	4,178	25.42	4.203.42
Johor	1,951	3,976	5,928
Perlis	218.69	8.75	227.44
Melaka	773.39	69.97	843.34
Kedah	420	423.34	843.34
Negeri Sembilan	1,727.35	61.25	1,788.60
Selangor	621.10	442.15	1,063.25
Perak	4,474	647	5,122
Pulau Pinang	22.21	67.05	89.26
TOTAL	14,815.787	5,919.83	20,735.61

LIQUIDATING THE WAQF LAND IN MALAYSIA

- There are over 20,000 acres of reserve lands held by Baytul Mals offices in every states of Malaysia.
- Taking roughly the same value per hactre, the total lands would at least be worth RM 16 billions.
- What if Baytal Mal could liquidate these lands into digital token and then use the token as capital for investment for the ummah say in the projects of building and initiating Tahfiz, Islamic Pre-school, Islamic colleges and Islamic universities ?
- We will lock the lands in Waqf Foundation as ummah assets. At the same time we could derive some fund to be used to develop the Muslim ummah.

THE CHALLENGE OF IMPROVING THE LAND PRODUCTIVITY

• Even though statistically, there is no idle lands in Thailand because the Thais are very creative and industrious, when we looked from the air, there are still many pots of lands lay idle even around Bangkok...

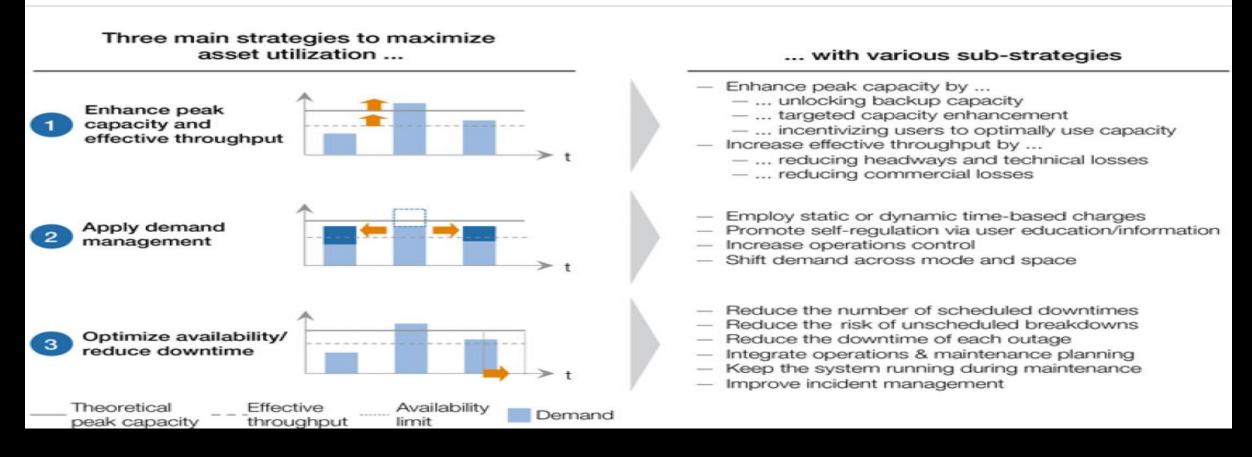


IDLE PROPERTIES EVERY WHERE IN THE WORLD

- Pots of idle lands are available everywhere on earth.
- There is no urgency to make them productive as there is no incentive to do so.
- There should be some serious effort to propegate the availability of mechanism to liquidate properties into digital token to allow the fund to be benefited by the owners. At the same time it will ensure that the land be utilised more productively.
- By allowing the lands and properties to be managed by the professional managers at the Waqf foundation, the properties owners will be relieved of the responsibility and accountability of managing the properties as required by Allah S.W.T.
- Properties and lands could also be offered to all potential Muslim entreprenuers worldwide

2018 WORLD ECONOMIC FORUM'S RECOMMENDATION

Operators should pursue three strategies to maximize asset utilization



IMPLEMENTING THE WORLD ECONOMIC FORUM'S STRATEGY

The World Economic Forum recommended that lands and properties managers improve their lands and properties management by :

- Enhancing the peak capacity of the land and properties
 - Unlocking back up properties capacity
 - Capacity enhancement
 - Providing incentives to optimise the properties utilisation
 - Effective throughput
- Applying demand management of lands and properties
 - Static and dynamic time based charge
 - Expand demand across mode and space
- Optimize the availability of land and properties
 - Reduce down times
 - Integrate operation and maintenance
 - Improve overall management

THE PROLOGUE ISSUES TO PONDER

- Lets assumed that all lands and properties owners agrees to convert their assets into digital currencies.
- Assuming based on the current market value all the assets a total RM 500 billions of digital token are created in the Malaysian market.
- The basic issues are :
 - Will the creation of RM 500 billion injected into the Malaysian economy created an excess demand.... Which if not matched with the supply may cause rapid inflation – too much money chasing too few goods and services....
 - Will the properties owners be able to contain their lust and preserve the new wealth digital token that they have just inherit. If they failed in the test, the wealth may not last long and they may not be able to send the wealth into a perpetuity investment as Waqf.
 - What will be the reaction of the Central bank on the sudden introduction of the new currency system in the form of Block chain currency.
 - What will be the stand of the Syariah panel in the Security Commission for example on this new development.
 - What will be the reaction of the industry and the business sectors (the merchants) on the new digital currency that is not issued directly by government.
 - Will the Waqf foundation pass the test of Corporate governance and managerial efficiency to implement the scheme of enhancing the Ummah's wellbeing through the Lands and properties professional management system.

WHAT DOES THE SCHEME ACHIEVE IN THE END ?

- Properties and land owners have liquidity on their assets and will be able to support themselves during retirement – by holding Digital token.
- Properties and land owners enjoy some dividend from their investment in the properties in the
 form of rental and profit from the properties utilisation.
- The properties and land owner is able to contribute to the Waqf fund as their immediate perpetual investment.
- The professional properties managers will have the opportunities of managing lands and properties belonging to the Ummah.
- The young and potential entrepreneurs will have the opportunities to make use of the properties belonging to the Ummah for their economics activities.
- The properties owners are relieved from the responsibility and obligation of managing their properties efficiently as entrusted by Allah S.W.T. when the wealth were passed to them.
- The ummah and the government will benefit directly and indirectly from the projects and fundings made by the Waqf foundation from the waqf contribution.
- In the long term most of the properties and lands will hopefully be left with the foundation and will never redeemed by the original owner and hence created a consolidation mechanism for the Ummah's wealth.

WALLAHU A'LAM

Thank you

