MGIP PART 2:2026

MALAYSIA GOLD INDUSTRY PRINCIPLES (MGIP) - PART 2: REQUIREMENTS FOR ORGANISATIONS SEEKING CERTIFICATION

Malaysia Gold Industry Principles (MGIP)

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Foreword

The Malaysia Gold Industry Principles (MGIP) is a national framework established to promote responsible, ethical, transparent, and sustainable practices throughout the Malaysian gold industry. MGIP aims to strengthen industry governance, enhance consumer confidence, support product quality and integrity, and improve the competitiveness and international recognition of Malaysia's gold industry.

The MGIP Part 1, *Governing Charter*, establishes the vision, core values, principles, governance framework, and strategic direction of MGIP. It serves as the overarching reference document for organisations seeking to align their practices with and demonstrate their commitment to the objectives and principles of MGIP. The principles are as follows:

a) PRINCIPLE 1 Fairness and integrity;

b) PRINCIPLE 2 Transparency;

c) PRINCIPLE 3 Protection of client assets;

d) PRINCIPLE 4 Responsible gold sourcing;

e) PRINCIPLE 5 Regulatory compliance;

f) PRINCIPLE 6 Commercial prudence; and

g) PRINCIPLE 7 Operational professionalism.

MGIP Part 2 specifies the requirements for certification under the MGIP framework. It translates the principles and commitments set out in the MGIP Part 1, *Governing Charter* into measurable and verifiable requirements that organisations can implement and demonstrate through their policies, processes, practices, and controls. The requirements are structured into eight (8) codes covering:

a) Code 1: Refining;

b) Code 2: Wholesale and trading;

c) Code 3: Manufacturing;

d) Code 4: Assaying and hallmarking;

e) Code 5: Retail;

f) Code 6: Financial and investment-linked gold products;

g) Code 7: Gold-backed micro-financing; and

h) Code 8: Shariah gold (under development).

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MGIP PART 2:2026

The requirements specified in this document provide a structured approach for implementing the principles of responsible business conduct, integrity, accountability, transparency, quality assurance, and continual improvement within the gold value chain.

Conformity with this document demonstrates an organisation's commitment to the objectives of MGIP and contributes to strengthening trust, credibility, and sustainability across the Malaysian gold industry.

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Information to assist users of the standard

For the purposes of this standard, the following ISO definitions have been adopted regarding verbal forms for the expression of provisions:

a) "**shall**" indicates an auditable **requirement**: it is used to indicate requirements strictly to be followed in order to conform to the document and from which no deviation is permitted;

b) "**should**" indicates a **recommendation**: it is used to indicate that among several possibilities one is recommended as particularly suitable, without mentioning or excluding others, or that a certain course of action is preferred but not necessarily required, or that (in the negative form) a certain possibility or course of action is deprecated but not prohibited;

c) "**may**" indicates a **permission**: it is used to indicate a course of action permissible within the limits of the document; and

d) "**can**" indicates a **possibility** or a **capability**: it is used for statements of possibility and capability, whether material, physical or causal.

Compliance with this standard does not by itself grant immunity from legal obligations.

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MALAYSIA GOLD INDUSTRY PRINCIPLES (MGIP) - PART 2: REQUIREMENTS FOR ORGANISATIONS SEEKING CERTIFICATION

SECTION 1 GENERAL REQUIREMENTS

1.1 Scope

This document specifies the requirements for organisations seeking certification under the Malaysia Gold Industry Principles (MGIP) scheme.

It establishes the requirements for the implementation and continual improvement of systems, processes, and practices that support the objectives and principles of MGIP, including responsible business conduct, product integrity, traceability, quality assurance, transparency, and regulatory compliance.

1.2 Normative references

The following normative references are indispensable for the application of this standard. For dated references, only the edition cited applies. For undated references, the latest edition of the normative reference (including any amendments) applies.

MGIP Part 1: Governing Charter

MS 1247:2005, *Description and Marking of Articles of, or Containing Precious Metal — Code of Practice (First Revision)*

ISO 15093, *Jewellery and Precious Metals — Determination of High Purity Gold, Platinum and Palladium — Difference Method Using ICP-OES*

ISO 18214, *Jewellery and Precious Metals — Determination of High Purity Gold, Silver, Platinum and Palladium — Difference Method Using SPARK-OES*

ISO 23345, *Gold — Determination of Homogeneity*

ISO 24018, *Precious Metals — Gold Bars — Specifications and Test Methods*

ISO/IEC 17025, *General Requirements for the Competence of Testing and Calibration Laboratories*

ISO 31000, *Risk Management — Guidelines*

ISO/IEC 27001, *Information Security Management Systems — Requirements*

ISO/IEC 27005, *Information Security Risk Management*

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SIRIM 67, *Keperluan Penilaian Emas dan Perak sebagai Barang Gadaian*

SIRIM 68, *Requirements for Precious Metal Assaying Laboratories*

Trade Descriptions Act 2011 (Act 730)

Trade Descriptions (Articles Made of Precious Metals) Regulations 1994

Companies Act 2016 (Act 777)

Income Tax Act 1967

Sales Tax Act 2018

Environmental Quality Act 1974

Customs Act 1967

Consumer Protection Act 1999 (Act 599)

Occupational Safety and Health Act 1994 / Occupational Safety and Health Act 2022

Industrial Coordination Act 1975

Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Act 613)

Financial Services Act 2013 (Act 758)

Islamic Financial Services Act 2013 (Act 759)

Capital Markets and Services Act 2007

Cooperative Societies Act 1993

Pawnbrokers Act 1972 (Act 81)

London Bullion Market Association (LBMA) Responsible Gold Guidance

London Bullion Market Association (LBMA) Good Delivery Rules

London Bullion Market Association (LBMA) Proactive Monitoring (PAM) Programme

OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

UN Guiding Principles on Business and Human Rights

ILO Conventions

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1.3 Terms and definitions

For the purposes of this standard, the following terms and definitions apply.

1.3.1 entity

refers to any legal or organisational unit operating within the gold value chain, including but not limited to companies, firms, partnerships, sole proprietorships, government bodies, or other institutions engaged in activities such as refining, trading, manufacturing, assaying, hallmarking, or retail of gold.

1.3.2 fineness

content of gold, expressed as parts per thousand (‰) by mass.

1.3.3 hallmark

official control mark (or combination of marks), applied by a State-appointed, independent Assay Office.

1.3.4 jewellery

ornamental article worn on clothing or the body, or inserted into pierced parts of the body, such earrings and other bodypiercings.

1.3.5 semi-finished product

product that can easily be used to produce a finished item and/or a component part.

1.3.6 finished product

manufactured article ready for end-use.

1.3.7 doré bar

ingot made of gold, silver and other metals obtained after pre-refining usually at the site of a mine.

1.3.8 minted bar

homogeneous bar manufactured by stamping or pressing, with a specific design and markings, as well as a legal fineness.

1.3.9 cast bar

homogeneous bar produced in a mould directly from melted metal, without further metallurgical treatment after solidification, with a rectangular parallelepiped shape.

NOTE. Usually the cast bar is formed as a truncated pyramid to allow an easier extraction from the mould.

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1.3.10 kilobar

investment bar weighing one kilogram, usually obtained by a casting process.

NOTE. The gold kilobar is the world's most traded gold bar, popular among investors and jewellery manufacturers; ISO 24018 specifies a number of requirements (including dimensions, mass, fineness, markings, appearance) for that product.

1.3.11 bullion

fine precious metal bar meeting given specifications (dimensions, mass, fineness, markings, appearance).

1.3.12 refining

processing, purification, and recovery of gold to achieve specified purity levels suitable for commercial use.

EXAMPLE Refining doré gold and recycled gold, precious metals recovery from scrap jewellery or industrial materials, production of refined gold bars or feedstock for manufacturing, recycling and secondary refining of gold.

1.3.13 wholesale and trading

sourcing, wholesale trading, and distribution of gold products within domestic and international markets.

EXAMPLE Wholesale gold products trading between dealers, distribution of investment-grade gold products, international gold products sourcing and trading, and institutional or B2B transactions.

1.3.14 manufacturing

fabrication and production of gold products for commercial and consumer markets.

EXAMPLE Jewellery manufacturing and fabrication, production of minted bars and commemorative gold products, fabrication of gold components and finished consumer products, design and production of jewellery and related items.

1.3.15 assaying and hallmarking

testing, verification, and certification of gold purity and authenticity.

NOTE. This includes laboratory testing gold purity, issuance of assay certificates, hallmarking and quality marking of gold products, independent verification of precious metals content.

1.3.16 retail

distribution and sale of gold products directly to consumers or investors.

EXAMPLE Retail sale of gold products, retail distribution of investment gold products, consumer gold investment services, online and physical retail platforms for gold products.

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1.3.17 financial and investment products linked to gold

financial instruments or investment arrangements linked to gold.

EXAMPLE Gold investment accounts offered by financial institutions, exchange-traded gold products (ETFs), exchange-traded gold contracts, structured or digitally represented gold investment products.

1.3.18 gold-backed micro-financing

micro-financing services secured by gold collateral.

EXAMPLE Pawnbroking (conventional or Ar-Rahnu) services secured by gold products; short-term financing secured by gold collateral; valuation and management of gold collateral.

1.3.19 Ar-Rahnu

a valuable asset pledged as security for a debt (secured financing), which may be liquidated to settle the debt in the event of default by the debtor. It is a Sharia-compliant pawnbroking system that provides short-term collateralised loans to individuals.

1.3.20 gold collateral

gold products provided by a customer as security for microfinancing.

1.3.21 Shariah-compliant gold related activities

governance and structuring of Shariah-compliant refineries, gold products and services.

EXAMPLE Structuring of Shariah-compliant activities, including but not limited to refinery operations and gold trading procedures; Shariah advisory and governance oversight; compliance review of Shariah-compliant gold products; and ensuring adherence to Shariah principles in gold-related activities.

1.3.22 Marhun

Gold pledged by a customer as collateral for a financing facility in accordance with the principles of Rahn.

1.3.23 Agent/Distributor

An institution or entity appointed by a Product Provider/Principal to undertake marketing, distribution or sales activities on its behalf, without thereby assuming ownership, issuance, manufacturing, refining or custody responsibilities unless expressly agreed or undertaken.

1.3.24 Product provider/Principal

An institution or entity that owns, issues or provides the gold product and assumes the obligations attributable to the product provider under this Code.

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SECTION 2 MANAGEMENT SYSTEM

2.1 Context of organisation

The quality management system requirements specified in this document are common requirements applicable to all organisations in the gold value chain.

Organisations operating within regulated sectors, such as banking institutions, shall additionally comply with the applicable policy documents, guidelines, directives, acts, regulations, and other regulatory requirements issued or enforced by the relevant authorities. For banking institutions in Malaysia, this includes requirements issued by Bank Negara Malaysia (BNM), as well as applicable legislation and regulatory obligations governing their operations.

2.1.1 Understanding the organisation and its context

2.1.1.1 The organisation shall determine and monitor internal and external issues relevant to its business activities that may affect its ability to fulfil MGIP certification requirements.

2.1.1.2 The organisation shall identify issues related to:

a) business operations;

b) market conditions;

c) legal and regulatory obligations;

d) economic and financial factors;

e) technology and cybersecurity;

f) occupational health and safety;

g) environmental impacts;

h) gold market integrity; and

i) stakeholder expectations.

2.1.1.3 The organisation shall review the issues identified in 2.1.1.2 at planned intervals and whenever significant changes occur.

2.1.2 Interested parties

2.1.2.1 The organisation shall determine its interested parties, i.e. parties that may affect, be affected by, or perceive themselves to be affected by the organisation's gold-related business activities.

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2.1.2.2 The organisation shall determine the applicable needs, expectations, and requirements of these identified interested parties.

2.1.2.3 The organisation shall monitor and review information relating to these interested parties and their requirements at planned intervals, or when significant changes occur.

NOTES:

1. Relevant interested parties may differ depending on the organisation's certified activity, size, business model, and regulatory obligations.

2. Examples of interested parties include:

   a) customers;

   b) investors;

   c) gold suppliers and service providers;

   d) financial institutions;

   e) government agencies;

   f) regulatory authorities;

   g) certification and accreditation bodies;

   h) employees and workers;

   i) shareholders and business owners;

   j) local communities;

   k) industry associations; and

   l) law enforcement agencies, where applicable.

3. Interested parties that may be particularly relevant based on the Code under which the organisation’s business operates are as listed below :

   a) Code 1 (Refining): regulators, suppliers, laboratory service providers, and environmental authorities

   b) Code 2 (Wholesale and Trading): suppliers, customers, financial institutions, and AML/CFT regulators

   c) Code 3 (Manufacturing): suppliers, customers, workers, DOSH, and environmental authorities

   d) Code 4 (Assaying and Hallmarking): customers, accreditation bodies, regulators, and laboratories

   e) Code 5 (Retail): consumers, enforcement authorities, and financial institutions

   f) Code 6 (Financial and Investment-Linked Gold Products): investors, custodians, financial regulators, and financial institutions

   g) Code 7 (Gold-Backed Micro-Financing): borrowers, investors, financial institutions, regulatory authorities, and Shariah governance bodies (where applicable)

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2.1.3 Scope of certification

2.1.3.1 The organisation shall define their scope of management system. The scope shall be maintained as documented information. An organisation shall only claim certification for the Code(s) appearing within its certification scope.

2.1.3.2 The scope shall include:

a) name of legal entity;

b) physical location(s);

c) Code(s) under which the organisation's activity(ies) for which certification is being sought falls ;

d) products and services covered; and

e) outsourced activities, where applicable.

2.2 Leadership and governance

2.2.1 Leadership commitment

Top management shall demonstrate its commitment to:

a) compliance with MGIP requirements;

b) ensuring product integrity;

c) compliance with applicable legal requirements;

d) ethical business conduct;

e) occupational health and safety;

f) environmental responsibility; and

g) continual improvement.

2.2.2 Corporate governance

2.2.2.1 The organisation shall maintain a documented governance structure.

2.2.2.2 Responsibilities, authorities and reporting lines shall be defined.

2.2.2.3 Management shall ensure accountability for:

a) compliance;

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b) risk management;

c) financial integrity;

d) product integrity; and

e) customer protection.

2.2.3 MGIP policy

2.2.3.1 The organisation shall establish, document and maintain a MGIP Policy.

2.2.3.2 The policy shall include commitments towards:

a) legal compliance;

b) ethical sourcing and trading;

c) responsible business conduct;

d) health and safety;

e) environmental protection;

f) customer confidence; and

g) continual improvement.

2.3 Planning

2.3.1 Risk and opportunity management

2.3.1.1 The organisation shall establish a documented risk management process.

2.3.1.2 Risks shall be assessed considering likelihood and impact.

2.3.1.3 Risk treatment actions shall be implemented and monitored. Minimum risk areas that need to be monitored are as follows.

a) fraud;

b) theft;

c) money laundering;

d) counterfeit products;

e) cybersecurity;

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f) market volatility;

g) legal non-compliance;

h) safety incidents;

i) environmental incidents; and

j) reputational risks.

NOTE. For all codes, fraud prevention, traceability and anti-money laundering controls are to be treated as critical certification issues.

2.3.2 MGIP objectives

2.3.2.1 The organisation shall establish measurable objectives.

2.3.2.2 Objectives shall include, where applicable:

a) compliance performance;

b) customer satisfaction;

c) safety performance;

d) environmental performance; and

e) operational performance.

2.3.3 Management of change

When the organisation determines the need for changes, it shall ensure that the changes are planned and implemented in a controlled manner such that compliance with requirements is not affected. Examples of changes include:

a) relocation;

b) ownership changes;

c) new technology;

d) new products;

e) new suppliers; and

f) outsourcing arrangements.

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2.4 Support

2.4.1 Resources

The organisation shall provide resources necessary to achieve conformity. Resources shall include:

a) competent personnel;

b) premises;

c) equipment;

d) information systems;

e) security controls; and

f) financial resources.

2.4.2 Competence

2.4.2.1 Personnel performing activities affecting conformity shall be competent. Specifically, personnel conducting assaying, purity verification, hallmarking or investment product verification shall possess demonstrable competency.

2.4.2.2 Competence shall be based on one or more of the following:

a) education;

b) training;

c) qualification;

d) experience.

2.4.3 Awareness

Personnel shall be aware of and understand:

a) MGIP requirements;

b) company policy;

c) legal obligations; and

d) consequences of non-compliance.

2.4.4 Communication

The organisation shall establish internal and external communication arrangements.

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2.4.5 Documented information

2.4.5.1 The organisation shall establish controls for documented information, including:

a) creation;

b) approval;

c) revision;

d) access;

e) retention; and

f) disposal.

2.4.5.2 Records shall remain legible, traceable and retrievable. Missing traceability records shall be treated as a major finding.

2.5 Operational compliance requirements

2.5.1 Legal and regulatory compliance

2.5.1.1 The organisation shall be legally registered in Malaysia.

2.5.1.2 The organisation shall maintain applicable licences, permits and approvals.

2.5.1.3 The organisation shall periodically evaluate compliance with applicable legal requirements which shall include, but not limited to, the following:

a) Companies Act 2016

b) Income Tax Act 1967

c) Sales Tax Act 2018

d) Occupational Safety and Health Act 1994 / OSHA 2022 amendments

e) Factories and machinery legislation, where applicable

f) Environmental Quality Act 1974

g) Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001

h) Local government authority requirements

Violation of legal requirements may result in suspension or withdrawal of certification.

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2.5.2 Occupational health and safety

2.5.2.1 General

The organisation shall establish arrangements to identify, assess and control occupational hazards. The absence of a documented Hazard Identification, Risk Assessment, and Risk Control (HIRARC) and unresolved occupational safety and health violations of a serious nature shall constitute major nonconformities.

2.5.2.2 Legal compliance

The organisation shall ensure compliance with applicable Department of Occupational Safety and Health (DOSH) legal requirements.

2.5.2.3 Hazard management

The organisation shall:

a) conduct hazard identification;

b) assess risks;

c) implement controls; and

d) review effectiveness.

2.5.2.4 Emergency preparedness

The organisation shall establish emergency response procedures.

2.5.2.5 Incident management

The organisation shall investigate occupational safety and health incidents and implement corrective actions.

2.5.3 Environmental management

2.5.3.1 The organisation shall identify environmental aspects associated with its activities.

2.5.3.2 The organisation shall ensure compliance with applicable environmental legal requirements. Illegal disposal of hazardous waste shall result in major nonconformity.

2.5.3.3 The organisation shall control:

a) waste generation;

b) hazardous materials;

c) emissions;

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d) effluent discharge; and

e) resource consumption.

2.5.3.4 Environmental incidents shall be reported, investigated and addressed.

2.5.4 Supply chain and due diligence

2.5.4.1 The organisation shall evaluate and approve suppliers relevant to activities under its scope of certification.

2.5.4.2 Monitoring of supplier performance shall be conducted periodically.

2.5.4.3 The organisation shall establish due diligence processes to mitigate the following risks, related to the businesses of its suppliers.

a) fraud;

b) counterfeit gold;

c) illegal sourcing; and

d) financial crime.

2.5.5 Traceability and product integrity

2.5.5.1 The organisation shall maintain traceability of gold materials and products relevant to its Code activities. Loss of traceability shall be considered a major certification risk.

2.5.5.2 Records shall permit verification of:

a) source;

b) movement;

c) ownership; and

d) disposition.

2.6 Performance evaluation

2.6.1 Monitoring and evaluation

The organisation shall monitor, analyse and evaluate the following:

a) compliance performance;

b) customer complaints;

c) supplier performance;

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d) safety performance;

e) environmental performance; and

f) achievement of objectives.

2.6.2 Internal audit

Internal audits shall be conducted at least once every 12 months.

2.6.3 Management review

The organisation shall carry out a review of the performance its management system at planned intervals. Management reviews shall be conducted at least annually.

Mandatory inputs shall include:

a) audit findings;

b) customer complaints;

c) legal compliance status;

d) safety performance;

e) environmental performance;

f) risks and opportunities; and

g) supplier performance.

The output of the review shall include, if applicable, recommendation(s) to improve the effectiveness of the management system.

2.7 Improvement

2.7.1 Nonconformity and corrective action

Where non-conformities are detected relating to the implementation of the system, root-cause-based corrective actions shall be implemented and verified for effectiveness.

2.7.2 Continual improvement

The organisation shall identify and implement actions aimed at continual improvement of its MGIP-certified activities.

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SECTION 9 CODE OF PRACTICE FOR GOLD-BACKED MICRO FINANCING

9.1 Scope

This section specifies requirements and best practices for gold-backed micro-financing used as collateral for micro-financing and short-term financing facilities. The code also covers the requirements relating to test methods for the determination of gold fineness.

9.2 General requirements

9.2.1 Gold-backed micro financing ("product") shall be designed, structured, issued, and managed in accordance with the principles set out in MGIP part 1, Governance charter. The institutions/entities shall demonstrate that all product features, marketing, operational processes, and governance arrangements are consistent with and derived from these principles.

9.2.2 Responsible management of gold collateral

The institution shall establish, implement, and maintain controls for the responsible management of gold collateral throughout its acceptance, custody, financing, redemption, disposal, and record-retention processes. The controls shall include, at a minimum, the following:

a) Ownership and legitimacy verification

The institution shall establish controls to verify the ownership and legitimacy of gold collateral prior to its acceptance.

b) Screening of stolen or illicit property

The institution shall establish procedures to identify and manage suspected stolen, counterfeit, fraudulent, or otherwise illicit gold collateral.

c) AML/CFT compliance

The institution shall establish and implement measures to comply with applicable anti-money laundering and counter-financing of terrorism (AML/CFT) requirements.

d) Customer due diligence

The institution shall conduct customer due diligence prior to establishing a financing relationship and thereafter on an ongoing basis, as required by applicable laws and regulations.

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e) Record keeping

The institution shall maintain complete and accurate records relating to customers, pledged gold, valuation activities, financing transactions, custody arrangements, and disposal activities for a period specified by applicable legal and regulatory requirements.

f) Responsible sourcing

The institution shall adopt and implement responsible sourcing practices for gold collateral that are aligned with recognised best practices, including applicable principles and guidance issued by the Organisation for Economic Co-operation and Development (OECD) and the London Bullion Market Association (LBMA).

9.2.3 Ar-Rahnu requirements

9.2.3.1 Ar-Rahnu providers shall comply with the requirements relating to:

a) Rahn principles in accordance with applicable Shariah requirements;

b) Shariah governance requirements and oversight arrangements;

c) acceptance, valuation, custody, safeguarding, and redemption of marhun (pledged gold);

d) management of *marhun bih* (debt obligation); and

e) Shariah-compliant fees, charges, and related disclosures

9.2.3.2 The institution shall identify, comply with, and monitor all applicable legal, regulatory, supervisory, and Shariah requirements relating to gold-backed financing and gold collateral activities, including requirements issued by Bank Negara Malaysia (BNM), Suruhanjaya Koperasi Malaysia (SKM), the Ministry of Housing and Local Government (KPKT), and other relevant competent authorities, as applicable.

9.2.4 Inventory management controls

The institution shall establish, implement, and maintain inventory management controls for gold collateral to ensure its identification, traceability, accuracy, accountability, and security throughout the custody period.

9.3 Product requirements

9.3.1 Product category

The product shall be financing instruments where gold product is pledged as collateral to secure financing obligations.

The product includes the following but not limited to:

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a) Conventional pawnbroking

A financing arrangement whereby gold is pledged as collateral for a loan under applicable pawnbroking acts and regulations.

b) Ar-Rahnu (Islamic pawnbroking)

A Shariah-compliant financing facility using gold as pledged collateral (marhun) under Rahn principles.

c) Short-term financing secured by gold collateral

A short-term financing facility provided to individuals, microenterprises or small businesses based on pledged gold collateral.

9.3.2 Gold collateral

9.3.2.1 Gold collateral can be classified as either:

a) jewellery (necklaces, bracelets, bangles, rings);

b) gold in the form of bar, ingot, plate, wafer or coin; or

c) any certified gold products (products from recognised refiners, products bearing recognised purity markings, certified bullion products).

9.3.2.2 Gemstones, diamonds and non-gold components shall not form part of the collateral valuation unless separately assessed.

NOTE. Gold is used as collateral (security) for a loan. This can include pawn gold, but it can also refer to gold-backed financing from banks or other financial institutions.

9.3.3 Gold purity and fineness

9.3.3.1 Gold accepted as collateral shall meet the following fineness requirements as specified in Table 1.

Table 1. Fineness requirements of gold collateral

Minimum gold content (Fineness) (%)	Hallmark
99.90	999
95.00	950
91.66	916
87.50	875
75.00	750

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9.4 Gold collateral verification requirements

9.4.1 General

All gold collateral shall undergo verification prior to acceptance. Verification shall determine:

a) authenticity;

b) purity;

c) weight;

d) ownership indicators; and

e) marketability.

9.4.2 Authentication process

The institution shall authenticate gold collateral in accordance with SIRIM 67, *Keperluan penilaian emas dan perak sebagai barang gadaian*, prior to its acceptance as collateral. The authentication process shall be carried out in accordance with the requirements specified in the following subclauses.

9.4.2.1 Visual assessment

Gold collateral shall be visually examined prior to acceptance, and records of the results shall be retained. The following criteria shall be assessed.

a) hallmarks;

b) fineness markings;

c) manufacturer marks;

d) assayer marks;

e) serial numbers;

f) refiner identification (if applicable); and

g) signs of alteration or damage.

9.4.2.2 Physical assessment

Gold collateral shall be physically examined prior to acceptance, and records of the results shall be retained. The following criteria shall be assessed.

a) weight;

b) dimensions;

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c) colour consistency;

d) magnetism response;

e) workmanship characteristics (tampering, dent, sharp edges, damage, etc.).

9.4.3 Analytical method

9.4.3.1 The purity verification of the gold collateral shall be carried out using the non-destructive tests (NDT) as listed in Table 2.

Table 2. Test method for determination of gold authenticity and purity

Non-destructive test	Type of gold collateral		Test method
	Hollow	Solid	
[a] Magnetic test	/	/	[b] Internal test method
[a] visual inspection on the hallmarking ([d] hallmarking)	/	/	[b] Internal test method
Density test	x	/	[b] Internal test method
Acid test	/	/	[b] Internal test method
X-Ray test x	/	/	ISO 23345
[c] Resistivity test	x	/	[b] Internal test method
Conductivity test	/	/	[b] Internal test method
[c] Ultrasonic test	x	/	[b] Internal test method

[a] Basic tests for all pledged items.
[b] Internal test methods should be verified through proficiency testing and documented.
[c] Only limited to coin and bar type of gold collateral.
[d] Hallmarking requirements as per Trade Descriptions (Articles Made of Precious Metals) Regulations 1994.

9.4.3.2 Verification of gold collateral, other than the density test and visual assessment of marking (hallmarking), is recommended to be done at least on two different spots. Suspicious items shall be rejected or subjected to enhanced testing, as listed below.

a) fire assay;

b) cupellation; and

c) other laboratory analysis deemed necessary and sufficient.

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9.4.4 Testing equipment

9.4.4.1 The institution shall have appropriate equipment to carry out an accurate verification of the pledged items.

9.4.4.2 The institution shall have and maintain appropriate, calibrated, and functioning equipment for the verification of the authenticity, weight, and fineness of pledged items in accordance with SIRIM 67.

9.4.5 Counterfeit Detection

The institution/entity shall establish and maintain controls to detect, verify, and manage suspected counterfeit, adulterated, or misrepresented gold products, including gold-plated articles, tungsten-filled bullion, forged hallmarks, altered jewellery, and falsified serial numbers.

9.4.6 Record keeping

9.4.6.1 The institution shall record every test result of the gold collateral and shall be traceable to the assayer who performs the testing and verification.

9.4.6.2 The results of the testing of the gold collateral shall be kept as long as the items are in custody of the institution.

9.4.6.3 The mortgage declaration letter shall:

a) be traceable to the assayer who performs the testing and verification;

b) record customer's consent; and

c) have the following information:

   i) customer information;

   ii) financing information;

   iii) profit rate;

   iv) terms and conditions; and

   v) description of the pledged golds, which includes information related to the type of golds, weight, quality, current value.

9.5 Gold collateral valuation requirements

9.5.1 Valuation methodology

The institution/entity shall establish and implement a methodology for the valuation of pledged gold. The valuation shall consider, at a minimum:

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a) net gold weight;

b) fineness level;

c) prevailing market price;

d) liquidity characteristics; and

e) expected recovery value.

9.5.2 Revaluation

Gold collateral shall be revalued:

a) upon financing renewal;

b) prior to auction, liquidation, or disposal; and

c) when significant fluctuations in the market value of gold occur.

9.6 Financing requirements

9.6.1 Financing margin

The provider shall establish and implement a documented financing-to-value (FTV) methodology for gold-backed financing. The methodology shall take into account the fineness of the gold, the form of collateral, liquidity characteristics, and market risks in determining the applicable financing-to-value ratio.

9.6.2 Financing tenure

The provider shall establish, document, and communicate the financing tenure, extension conditions, redemption conditions, and default conditions applicable to the product. These terms and conditions shall be made available to customers prior to entering into the financing arrangement.

9.6.3 Customer disclosure and transparency requirements

The institution shall disclose to customers, in a clear and understandable manner, information relating to:

a) the pledged collateral, including its valuation and key characteristics;

b) the financing arrangement, including the financing amount, charges, fees, and applicable terms and conditions;

c) risks associated with the financing and pledged collateral; and

d) any other information required by applicable laws, regulations, or the institution's policies.

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9.7 Gold collateral custody and safe keeping requirements

9.7.1 Storage infrastructure and security measures

9.7.1.1 The institution shall establish and maintain appropriate arrangements for gold collateral safekeeping in their premises that is sufficient to ensure its security, integrity, and protection against loss, theft, damage, or unauthorised access, in accordance with applicable legal and regulatory requirements.

9.7.1.2 The institution shall establish and maintain appropriate security infrastructure for the safekeeping of gold collateral. The security infrastructure shall be commensurate with the nature, volume, value, and risk profile of the gold collateral under its custody. The security infrastructure shall have, but not limited to the following:

a) secure room designed for the temporary storage and handling of gold collateral and other valuables;

b) vault or other secure facility that ensures its security, integrity, and protection against unauthorised access;

c) alarm and intrusion detection systems to detect and respond to unauthorised access to areas where gold collateral is stored or handled;

d) CCTV surveillance systems in areas where gold collateral is received, assessed, stored, handled, and released;

e) strict security protocols and controlled access to protect customers and employees;

f) customer service counters used for the acceptance, assessment, redemption, and release of gold collateral that meet the following requirements:

   i) do not exceed 1.2 m (4 ft) in height;

   ii) are equipped with bullet-resistant protection, where applicable;

   iii) incorporate secure and durable counter and door construction;

   iv) prevent unauthorised access to pledged items; and

   v) are supported by secure storage facilities, including safes and automatic locking systems.

9.7.2 Segregation of customer

Customer gold collateral shall be individually identifiable, traceable, and segregated from the institution's assets throughout its custody, storage, and handling.

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9.7.3 Insurance

The institution shall maintain documented insurance arrangements to protect customer valuables under its custody against loss, theft, burglary, fire, damage, and other applicable risks. The scope and level of insurance coverage shall be periodically reviewed to ensure adequacy in relation to the value and volume of assets held.

9.8 Gold collateral auction and disposal requirements

9.8.1 The institution shall establish and maintain documented procedures for the auction and disposal of unredeemed gold collateral. The procedures shall address customer notification, revaluation prior to disposal, auction governance, disposal processes, settlement calculations, distribution of surplus proceeds, and record keeping.

9.8.2 Any surplus proceeds arising from the auction or disposal of unredeemed gold collateral, after deduction of outstanding financing obligations, fees, charges, and other allowable expenses, shall be returned to the customer in accordance with applicable legal and regulatory requirements.

9.9 Regulatory requirements

The institution shall identify, comply with, and maintain evidence of compliance with all applicable legal, regulatory, and supervisory requirements relevant to its gold-backed financing operations. At a minimum, the institution shall comply with the following, where applicable:

a) Financial Services Act 2013 (Act 758);

b) Islamic Financial Services Act 2013 (Act 759);

c) Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Act 613);

d) Pawnbrokers Act 1972 (Act 81);

e) Trade Descriptions Act 2011 (Act 730) and subsidiary legislation relating to precious metals;

f) Consumer Protection Act 1999 (Act 599); and

g) relevant policy documents, guidelines, directives, standards, and requirements issued by Bank Negara Malaysia and other competent authorities.

NOTE. Compliance with applicable legal and regulatory requirements includes any amendments, revisions, replacements, or successor instruments in force at the time of assessment.

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Dato' Seri Louis Ng (Chairman)	Malaysia Gold Association
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Ms Nor Azian Duriat/ Ms Noraslina Mat Zain/ Ms Zulaikah Zulkefly (Technical Secretary)	SIRIM Academy Sdn Bhd
Datuk Haji Abdul Rasull Abdul Razak	Abdul Razak Jewellers
Ms Catherine Teh	Aurora Italia International Berhad
Prof Adj Dr Hajjah Sarimah Bashah	Bank Muamalat Malaysia Berhad
Dato' Chiah Hock Yew	Jin Huo Gold & Jewellery Industries (M) Sdn Bhd
Mr Kelvin Tan Chun Hau	Jin Huo Jewellery Global Sdn Bhd
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Mr Cheung Chee Sing/ Mr Orson Ewe Hong Kai	PM Refinery Sdn Bhd
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Observers

Ministry of Domestic Trade and Cost of Living (KPDN)
Malaysia External Trade Development Corporation (MATRADE)
Department of Standards Malaysia

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