

## Exploring Acceptability and Legitimacy of Bitcoin in Islamic Financial System

Samina Naz\*

Naila Nazir\*\*

### Abstract

Bitcoin, a cryptocurrency which emerged in 2009, is a peer-to-peer electronic cash system which allows online payment from one person to another without going through a financial institution (Nakamoto, 2008). It has attracted a lot of interest when its price increased by about 1900% in 2017, rising from \$1000 in January 2017 to nearly \$20,000 in December 2017 (Higgins, 2017). Other similar cryptocurrencies were created and launched as a result of the remarkable success of bitcoin.

Globally, a large number of companies accept payment in Bitcoin. People also invest in Bitcoin due to its volatile nature, hoping that its price will increase in the near or distant future. Baur et al. (2015) examined that the number of Bitcoin users increased dramatically during the last few years, from 720,705 in 2011 to 6.7 million in 2013. Lee et al (2015) reviewed the Bitcoin basics during a period of five years and concluded that virtual currencies, or 'cryptocurrencies' have evolved tremendously and are quickly establishing themselves as a payment system. Virtual currencies became a multibillion-dollar venture with dual potential as both an investment and an electronic medium of exchange; Bitcoin ATMs are growing in prominence; the first Bitcoin debit cards have been delivered; and the first Bitcoin derivative transactions have been executed on a US-regulated exchange; however, there remain numerous risks and challenges associated with virtual currencies.

---

.....

\*Ph.D., scholar. Department of Economics, University of Peshawar, Pakistan

\*\* Associate Professor, Department of Economics, University of Peshawar

## Introduction

Bitcoin is still used in many Muslim-majority countries including Pakistan and at a summit attended by leaders of Muslim countries, including Malaysia, Turkey, Iran, Qatar, and Indonesia, the Iranian president proposed creating a Muslim cryptocurrency to cut reliance on the U.S. dollar. The Malaysian prime minister supports the idea of a unified cryptocurrency for Muslim countries (Helms, 2019).

A report revealed that bitcoin trade is rising in Pakistan, as during December 2016, bitcoin's trade volume increased several folds during few years Pakistan (Khan, 2017). According to the tax official, the inquiry showed major traders of bitcoin are employed in a multinational telecommunication company in Islamabad. They also maintain bank accounts in a few other countries. However, they were not reporting their business activities to the tax authorities, which gave rise to the suspicion of money laundering.

The fusion of a new currency having no central authority and control into the financial system is a great threat not because of its very nature but because of its issue of legitimacy. Before its integration into our financial system, a homework is direly needed. The present study analyzed the legitimacy of bitcoin in 26 Muslim-majority countries. To the best of our knowledge, this is the only study which used both primary and secondary data to identify some major elements of illegitimacy in bitcoin from Shari'ah perspective.

### **Bitcoin: Is it a Currency?**

A renowned scholar of religion and law has defined currency as "anything which is specifically used as a medium of exchange, unit of account, and store of value is called *zarr* (currency) (Usmani, 1998). In broader sense, we can accept bitcoin as a currency because: i) it may be used medium of exchange between the specific stakeholder; ii), it possesses a certain value in relation to other currencies like dollars which are notified regularly at websites like <https://cex.io/btc-usd>; iii) it may be stored as an asset. Bitcoin may be objected for not meeting the required parameters easily, however, all the available currencies of various countries face similar challenges; like, dollar may not be used for purchasing food in many countries; 42,105.00 Iranian Rial make one US\$ and Pak rupees may not be used as an asset for fear of lowering exchange rates.

However, a number of scholars claimed that bitcoin fails to fulfil the function of a medium of exchange because it is accepted for a limited for number of goods. Moreover, they argue that its high volatility diminishes its ability to serve as a medium of exchange (Lo and Wang, 2014; Wolla, 2018). Baur et al. (2015) and Johnson (2014) identified that only a small number of users use bitcoin as a medium of exchange and a majority of users hold bitcoin for speculative purposes.

Yermack (2015) and Baur et al. (2015) argued that bitcoin does not meet the criteria of a unit of account as volatility diminishes its ability to serve as a unit of account. A majority of merchants who accept bitcoin as payment express prices in normal currency such as US dollars and euros to minimize the exchange rate risk, as bitcoin's price is highly volatile (Lo and Wang, 2014; Johnson, 2014). Moreover, because of the high volatility, venders must recalculate bitcoin prices frequently which confuses both the seller and the buyer. Furthermore, price decisions by the seller are complicated as bitcoin is traded at different prices on different exchanges.

Another difficulty to use bitcoin as a unit of account is that merchants are required to post prices for many goods up to four or five decimal places, because of the high cost of one bitcoin relative to the price of ordinary goods (Wolla, 2018). Volatility, hacking attacks and other security problems also diminish bitcoin's ability to perform the store of value function (Wolla, 2018; Baur et al., 2015; Claeys, Demertzis, & Efstathiou, 2018; Johnson, 2014).

### **Islamic arguments against bitcoin**

A number of scholars declared that bitcoin is impermissible in Shari'ah. According to them bitcoin is not backed by any real assets, it has no intrinsic value, it has no physical form, it is not issued and controlled by any central authority, and the value of bitcoin is highly volatile. The anonymities in bitcoin system enable the account holders of bitcoin to carry out illegal transactions and online gambling activities. Moreover, bitcoin contributes towards socio-economic injustice as it has the element of *Gharar* (uncertainty) and *Maysir* (gambling), thus jeopardizing the *Maqasid* (goals) of Shari'ah (Meera, 2018; Bakar et al., 2017; Bakar and Rosbi, 2018; Nurhisam, 2017).

Another scholar, Adam (2017) considered bitcoin to be a non-Shari'ah compliant money. He argued that bitcoin is *Māl* (wealth) and has *Taqawwum* (legal value) but it did not possess *Thamaniyyah* (currency attributes), so it fails to fulfil the role of money as described by Shari'ah. Moreover, bitcoin fails to fulfil the principle of preservation of wealth in Shari'ah.

Some religious bodies also give their argument regarding bitcoin and consider it impermissible for somehow similar reasons. Egypt's top Imam Mufti Shawki Allam declared bitcoin as illegitimate. The Grand Mufti said that cryptocurrencies are subject to lack of knowledge, fraudulence, cheating, and is independent of central authority, therefore it causes harms to individuals, groups and institutions (BBC News, 2018). According to Magdy Ashour, counsellor to the Grand Mufti of Egypt, bitcoin is prohibited for the risks it holds. He said, it is being used as a tool to fund terrorism, and is not guaranteed because it has no monetary cover from the Central Bank of Egypt (Egypt Today, 2017).

Prof. Dr. Monzer Kahf, Qatar faculty of Islamic Study gave his argument about the issue that bitcoin is a highly speculative tool because of its volatile nature and it is not a currency. He argued that only a government can declare something as money, after which this money becomes a legal tender and every persons in the country accepts it for buying and selling of goods and services and for settlement of other obligations, such as payments of tax and debts. From Shari'ah perspective, anything is considered as money when it is used as medium of exchange and store of value, which bitcoin fails to fulfil ("Fatawa money", 2017).

In Turkey, the Directorate of Religious Affairs has declared virtual currency as illegitimate, as it is independent of state's supervision and auditing and is, therefore, mostly used in illegal activities such as money laundering. It is also subject to speculation (Hurriyet Daily News, 2017). Saudi Arabia's popular cleric, Assim al-Hakeem, declared bitcoin as forbidden under Islamic law for the reason that it is ambiguous and facilitates money laundering (The New Arab, 2017). In Malaysia, the Federal Territory Islamic Legal Consultative Meeting has ruled that currently, the use of bitcoin as a currency is prohibited because it does not meet the features of Islamic

currency and it brings harms to financial system of a country (Mufti of Federal Territory, 2018).

### **Arguments in favor of Bitcoin**

There are a number of scholars who support bitcoin from Shari'ah perspective. Faith Muedini, Butler University USA, discussed that paper money was not an appropriate currency for Islamic financial system due to its unlimited supply, inflationary nature, government abuse and forgery. Whereas Bitcoin and other cryptocurrencies were considered aligned with principles of social justice due to its limited supply, ease of transport, and decentralized nature. Moreover these currencies cannot be double spent and forged. It was also found that cryptocurrencies and blockchain technology has huge potential to use in social development based projects. To many unbanked people, cryptocurrencies and blockchain technology provided ability to have power and protection over their own wealth without relying on banks and state, reflecting its highly compatibility with Islamic finance and Islam's message of justice for all people. Thus, from an Islamic perspective, cryptocurrencies have attributes that are in line with social justice and thus far supersede traditional currencies (Muedini, 2018).

Similarly Charles W. Evans, Associate Professor of Finance and Economics at Barry University U.S.A, analyzed the relationship between Islamic banking and finance (IBF) and blockchain management system (BMS) like Bitcoin which is also called virtual currency. The study showed that Bitcoin is free of riba (interest) and incorporate the principle of maslaha (social benefits), as the billions of the unbaked adults who have internet access can transact in integrated global market place and thus avoid inefficient banks. Similarly all the Bitcoin users benefit collectively from the increase in price of Bitcoin if all the users take positive steps to promote its benefits to the world. It was also found that Bitcoin incorporate the principle of mutual risk sharing because Bitcoin system operate according to the principle of musharaka in which the miners share cost and benefits of maintaining the system. While fiat money is born of riba and necessarily must inflate (Evans, 2015).

A number of Islamic scholars from Malaysia also give their opinions about bitcoin or cryptocurrency. Abubakar et al. (2018) used secondary data to explore the views of Muslim scholars about the sharia's perspective of Bitcoin. The researchers tended to support the proponents' view regarding cryptocurrency. The researchers believed that most of the arguments of opponent scholars are based on temporary problems which can be overcome by proper regulation of cryptocurrency by government.

Similarly, Oziev and Yandiev (2017) believed in permissibility of cryptocurrency in Shari'ah but focusing on the following aspect. The acquisition of bitcoin for payment of goods and services is permissible while its acquisition for saving purposes such as investment and accumulation is not permissible. Similarly if the miners mine bitcoin in order to make immediate payment for goods and service, then mining is permissible while it is impermissible to mine the bitcoin for saving purpose with the hope that its price will increase in future. On the basis of anonymity of bitcoin which caused tax evasion, the author believed that the permissibility of bitcoin should be limited until the emergence of new cryptocurrency free from above mentioned drawbacks.

A scholar from Indonesia, Mufti Muhammad Abu-Bakar declared bitcoin as Shari'ah compliant because it is accepted for payment by a large number of merchants and it is

treated as valuable as reflected by market price (Abu-Bakar, 2017). Amalin (2018) evaluated that cryptocurrency fulfills the principles of Islamic banking therefore, it is not contradicted with Islamic Banking Law Principles. As the transaction has no additional cost and time delay, therefore it has no element of riba. However, the anonymity of cryptocurrency users and lack of regulation of cryptocurrency trade caused gharar in cryptocurrency.

### **Legitimacy of cryptocurrency in Muslim-majority countries**

The legitimacy of cryptocurrency was analyzed in 26 Muslim-majority countries based upon various parameters like regularization through a central government authority, predictability of value and illegal uses (Table 1)). Among which, 16 countries including Bahrain (Al-Sestry, 2018), Algeria (Official Gazette of the Algeria Republic Algeria No. 76, 2017), Egypt (Central Bank of Egypt, 2018; Egypt's Dar Al-Ifta, 2018), Iran (Financial Tribune, 2018), Jordan (Obeidat, 2014), Kuwait (Arab Times, 2017; McQuaid, 2017), Morocco (Elouazi, 2017), Qatar (Supervision and Control of Financial Institution Division, 2018), Saudi Arabia (Kelso, 2018), UAE (Gulf News, 2017; Diao, 2018), Kazakhstan ("Kazakhstan mulls Complete Ban," 2018), Uzbekistan (Central Bank of the Republic of Uzbekistan, 2017), Tajikistan (Ashurov, 2018), Bangladesh (Harmachi, 2017), Pakistan (State Bank of Pakistan, 2018), and Indonesia (Press Release, Bank Indonesia, 2018; Ministry of Finance, Republic of Indonesia, 2018) prohibited the use of cryptocurrency because they are misused in conducting illegal activities due to high degree of anonymity involve, it is independent of central authority, the value of cryptocurrency is highly volatile, they are vulnerable to hacking and because these currencies are threat to consumer protection as the trading platforms are unregulated.

Eight Islamic countries, namely Oman (Times of Oman, 2017), Lebanon (Banque du Liban, 2013; Barrier, 2014), Kyrgyzstan (Elebesov, 2018), Brunei (Press Release, Autoriti Monetari Brunei Darussalam, 2017), Kosovo (Central Bank of the Republic of Kosovo, 2018), Bosnia ("O kriptoalutama se," 2018), Albania (Bank of Albania, 2017), Azerbaijan ("The head of the Central Bank," 2018) legalized the use of these currencies though they show their concerns regarding cryptocurrency.

Malaysia (Bank Negara Malaysia, 2017; Econotimes, 2018), and Turkey ("Turkey One of the Most," 2019) do not ban the use of cryptocurrency in country though, it is declared illegitimate by the Federal Territory Islamic Legal Consultative (Mufti of Federal Territory, 2018) and Directorate of Religious Affairs (Hurriyet Daily News, 2017).

Not only developing Muslim-majority countries, but also developed countries show their concerns regarding cryptocurrency. U.S. Securities and Exchange Commission (2013; 2014) described bitcoin as decentralized virtual currency which can be used to purchase goods and services usually online. Bitcoin is independent of central authority and is not backed by any government. The Commission warned investors against the potential risks associated with virtual currency and regarded such investment as Ponzi scheme.

The European Banking Authority (EBA) issued warnings regarding potential risks associated with cryptocurrency. According to the notice, these currencies do not have legal status of currency because they are neither issued nor guaranteed by central bank, they are not backed by tangible assets, they are highly volatile and they can be

misused in conducting illegal activities (European Banking Authority, 2013). Moreover, Bergstra (2015) concluded investors will get disappointed as there is more than 99% probability that bitcoin will disappear.

#### **Fatwas obtained as primary data**

Fatwas were collected via emails as primary data for this study, from a number of national and international Islamic madrassas as suggested already (Murray and Sixsmith, 1998).

A fatwa issued by Darul Uloom New York on September 24, 2019 (Annexures-1), declared bitcoin as maal (wealth). However, it cannot be considered as currency unless the government declares it as a currency and is used by vast majority of people as currency.

Jaamiatul Ilm Wal Huda, Blackburn, U.K. provided a fatwa on October 5, 2019, which mentioned that bitcoin is subject to a lot of ambiguity, as many things are still unknown about bitcoin and the owner has an unknown identity. It was further mentioned that traders may suffer from potential loss because of high fluctuation in its value and Islam condemned such things in order to save traders from incurring substantial losses. In addition, anonymity in the whole organization may promote criminal activities. Due to these reasons, people were advised to be cautious of things when there is ambiguity in something (Annexure-2).

On May 10, 2019, Egypt's Darul Ifta provided fatwa and declared bitcoin transaction as prohibited in Shari'ah because it negatively affects the economy and has decentralized nature. There is no legal protection to individuals involved in bitcoin transaction. Moreover, it involves risk, harm and fraud which falls under the words of prophet (peace be upon him) "whoever deceives us is not with us" (Annexure-3).

According to fatwa communicated by Jamia Binoria, Karachi, Pakistan on August 25, 2019, bitcoin and other similar currencies do not exist physically and therefore, cannot be used as currency according to state's law (Annexure-4).

On September 11, 2019, in an email to the principal author, Jamia Farooqia, Karachi, Pakistan also declared bitcoin impermissible in Shari'ah. According to the fatwa, bitcoin is fictitious currency and has no attributes of real currency. It involves fraud. Moreover, Government of Pakistan prohibited the use of cryptocurrency in country (Annexure-5).

On August 22, 2019, Jamia Uloom Islamiyyah, Karachi, Pakistan, stated that currency must have attribute of widely acceptability by people and government should declare it as currency or money. Therefore, cryptocurrency is not currency because it has limited acceptability and is not declared as money by state (Annexure-6).

Nadawatululama, India, issued fatwa in September, 2019 which declared bitcoin as non-Shari'ah complaint money because it is not issued by state or bank and does not physically exist (Annexure-7).

In August, 2019, Darul Uloom Azaadville, South Africa and Darul Uloom, Karachi, Pakistan were contacted regarding ruling on bitcoin. They responded that they are still searching the case on bitcoin and are unable to issue any ruling regarding it (Annexure-8).

#### **Conclusions**

Based upon this review, the following conclusions are suggested:

1. Bitcoin fulfills the definition of money; it has been accepted for shopping by some major online stores and has attracted a number of investors, online buyers and trading companies for its utilization.
2. Bitcoin faces hardships in its acceptability by the people and governments. It has led to emergence of conflicts of interests among stakeholders; the state being interested in centralized currencies while the Bitcoin stakeholders need liberty of using the cryptocurrency without a check by central authorities.
3. Bitcoin is not supported by certain Islamic scholars and institutions on the basis of not being backed by real assets, not having an intrinsic value, not supported by central authority, not being a legal tender, risk of being used in illegal activities, being highly volatile, having speculative nature and involving *Gharar* and *Maysir*.
4. Proponent scholars support bitcoin's legitimacy because they consider that there is no clear evidence to indicate that bitcoin is in contradiction with Islamic principles. They viewed that acceptability by the people is the main criteria for something to be money in Shari'ah. Volatility, speculation, and chance of being used in illegal activities are external factors and have no direct concern with regards to determining something as valid currency.
5. It is a fast-emerging currency in the global market and under the shadow of changing political and economic scenarios, countries paving the way to opt for other alternative including cryptocurrency. Leading Muslim-majority countries have agreed on launching a Muslim cryptocurrency. This is a high time to do homework for Islamic financial industry to get prepared for the new challenge as there are issues in its adaptability from Shari'ah perspective.

## References

1. Abu-Bakar, M. M. (2017). Shariah Analysis of Bitcoin, Cryptocurrency and Blockchain.
2. Abubakar, Y. S., Ogunbado, A. F., & Saidi, M. A. (2018). Bitcoin and its Legality from Shariah Point of View. *SEISENSE Journal of Management*, 1(4), 13-21.
3. Adam, M. F. (2017). Bitcoin: Shariah Compliant. *Amanah Finance Consultancy*, 1-54.
4. Al-Sestry, H. (2018, January 7). Al Maraj: We Do Not Recognize Bitcoin and It is Dangerous to Deal with It. Retrieved from <http://alwatannews.net/article/752396/Bahrain/خطر-بها-بالبيتكوينوالتعامل-نعترف-لا-المعراج>
5. Amalin, G. (2018). *The Legality of Cryptocurrency Trade in Accordance with the Principles of Islamic Banking Law* (Unpublished Bachelor Degree Thesis). Universitas Islam Indonesia. Yogyakarta. Indonesia
6. Arab Times. (2017, December 18). Ministry of Finance says does not recognise virtual currency Bitcoin. Retrieved from <https://www.arabtimesonline.com/news/ministry-finance-says-not-recognise-virtual-currency-bitcoin/>
7. Ashurov, A. (2018, January 15). National Bank of Tajikistan clarified its position on cryptocurrencies. Retrieved from <https://rus.ozodi.org/a/28976882.html>
8. Bakar, N. A., & Rosbi, S. (2018). Robust Framework Diagnostics of Blockchain for Bitcoin Transaction System: A Technical Analysis from Islamic Financial Technology (i-FinTech) Perspective. *International Journal of Business and Management*, 2(3), 22-29.
9. Bakar, N. A., Rosbi, S., & Uzaki, K. (2017). Cryptocurrency Framework Diagnostics from Islamic Finance Perspective: A New Insight of Bitcoin System Transaction. *International Journal of Management Science and Business Administration*, 4(1), 19-28.

10. Bank Negara Malaysia. (2017, December 14). *Making digital currencies transparent in Malaysia* [Press Release]. Retrieved from [http://www.bnm.gov.my/index.php?ch=en\\_press&pg=en\\_press&ac=4575&lang=en](http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4575&lang=en)
11. Bank of Albania. (2017, July 13). On the risks associated with the use of virtual currency [Press Release]. Retrieved from [https://www.bankofalbania.org/Press/On\\_the\\_risks\\_associated\\_with\\_the\\_use\\_of\\_virtual\\_currency.html](https://www.bankofalbania.org/Press/On_the_risks_associated_with_the_use_of_virtual_currency.html)
12. Banque du Liban. (2013, December 19). Risks Related to Electronic Money. Retrieved from <http://www.bdl.gov.lb/news/more/5/111/65> (in Arabic)
13. Barrier, E. (2014, January 3). Lebanese Central Bank Issues Middle East's First Bitcoin Warning. Retrieved from [https://cointelegraph.com/news/lebanese\\_central\\_bank\\_issues\\_middle\\_east\\_s\\_first\\_bitcoin\\_warning](https://cointelegraph.com/news/lebanese_central_bank_issues_middle_east_s_first_bitcoin_warning)
14. Baur, D. G., Hong, K., & Lee, A. D. (2018). Bitcoin: Medium of exchange or speculative assets?. *Journal of International Financial Markets, Institutions and Money*, 54, 177-189.
15. BBC News (2018). Egypt's Grand Mufti endorses Bitcoin trading ban. Available at: <https://www.bbc.com/news/world-middle-east-42541270> (Accessed: 2 January 2018).
16. Bergstra, J. A. (2015). Bitcoin and Islamic finance.
17. Central Bank of Egypt. (2018, January 10). A Warning Statement [Press Release]. Retrieved from <https://www.cbe.org.eg/en/Pages/HighlightsPages/Bitcoin%20Press%20Release.aspx>
18. Central Bank of the Republic of Kosovo. (2018, January 31). Warning about the use of virtual money. Retrieved from <https://bqk-kos.org/index.php?id=104&l=1487>
19. Central Bank of the Republic of Uzbekistan (2017, September 16). *On cryptocurrency* [Press Release]. Retrieved from <http://cbu.uz/uzc/press-tsentr/press-relizy/2017/09/93262/>
20. Claeys, G., Demertzis, M., & Efstathiou, K. (2018). Cryptocurrencies and monetary policy. *Policy Contribution*, 10, 2018.
21. Diaa, S. (2018, February 10). UAE Central Bank warns against cryptocurrencies — again. Retrieved from <https://gulfnws.com/business/markets/uae-central-bank-warns-against-cryptocurrencies--again-1.2171259>
22. The New Arab. (2017, December 06). Digital currency bitcoin 'forbidden in Islam', rules Saudi cleric. (2017, December 06). Retrieved from <https://www.alaraby.co.uk/english/blog/2017/12/6/digital-currency-bitcoin-forbidden-in-islam-rules-saudi-cleric>
23. Econotimes. (2018, February 14). Bank Negara Malaysia to let public decide fate of cryptocurrencies. Retrieved from <https://www.econotimes.com/Bank-Negara-Malaysia-to-let-public-decide-fate-of-cryptocurrencies-1149475>
24. Egypt Today. (2017, December 31). Bitcoin is forbidden in Islam: Mufti's counsellor. Retrieved from <https://www.egypttoday.com/Article/1/38992/Bitcoin-is-forbidden-in-Islam-Mufti-s-counsellor>
25. Egypt's Dar Al-Ifta. (2018, January 28). What is the ruling on dealing buying and selling in the electronic currency called bitcoin? Retrieved from <http://www.daralifta.org/ar/ViewFatwa.aspx?sec=fatwa&ID=14139>
26. Elebesov, M. (2018, January 17). Will cryptocurrencies be banned in Kyrgyzstan? - Response of the head of the National Bank. Retrieved from <https://ru.sputnik.kg/economy/20180117/1037290672/zapretyat-li-kriptoalyutu-v-kyrgyzstane-otvet-glavy-nachbanka.html>
27. Elouazi, S. (2017, November 21). Bye-Bye Bitcoin: Morocco Bans Cryptocurrencies. Retrieved from <https://www.morocroworldnews.com/2017/11/234382/bitcoin-morocco-cryptocurrencies-economy/>
28. European Banking Authority. (2013, December 12). Warning to Consumers on Virtual Currencies. Retrieved from



- <https://eba.europa.eu/sites/default/documents/files/documents/10180/598344/b99b0dd0-f253-47ee-82a5-c547e408948c/EBA%20Warning%20on%20Virtual%20Currencies.pdf?retry=1>
29. Evans, C. (2015). Bitcoin in Islamic banking and finance. *Journal of Islamic Banking and Finance*, 3(1), 1-11.
  30. Fatawa money, currency, gold, sarf 2017 (2017, December 18). Retrieved from [http://monzer.kahf.com/fatawa/FATAWA\\_CURRENCIES\\_GOLD\\_COMMODITIES.pdf](http://monzer.kahf.com/fatawa/FATAWA_CURRENCIES_GOLD_COMMODITIES.pdf)
  31. Financial Tribune. (2018, April 22). *Iranian Financial Institutions Barred From Using Crypto-Currencies*. Retrieved from <https://financialtribune.com/articles/business-and-markets/85114/iranian-financial-institutions-barred-from-using-crypto>
  32. Glaser, F., Zimmermann, K., Haferkorn, M., Weber, M. C., & Siering, M. (2014). Bitcoin-asset or currency? Revealing users' hidden intentions. *Revealing Users' Hidden Intentions (April 15, 2014)*. ECIS.
  33. Gulf News. (2017, February 1). UAE Central Bank clarifies virtual currency ban. Retrieved from <https://gulfnews.com/business/banking/uae-central-bank-clarifies-virtual-currency-ban-1.1971802>
  34. Harmachi, A, R. (2017, December 27). Bangladesh Bank warns against transaction in 'illegal' Bitcoin, other cryptocurrencies. Retrieved from <https://bdnews24.com/economy/2017/12/27/bangladesh-bank-warns-against-transaction-in-illegal-bitcoin-other-cryptocurrencies>
  35. Helms, K. (2019, December 21). Iran, Turkey, Malaysia Discuss Creating Unified Muslim Cryptocurrency. Retrieved from <https://news.bitcoin.com/iran-turkey-malaysia-discuss-creating-unified-muslim-cryptocurrency/>.
  36. Higgins, S. (2017, December 29). From \$900 to \$20,000: Bitcoin's Historic 2017 Price Run Revisited. Retrieved from <https://www.coindesk.com/900-20000-bitcoins-historic-2017-price-run-revisited>
  37. Hurriyet Daily News (2017). Turkey's top religious body declares Bitcoin 'inappropriate'. Available at: <http://www.hurriyetdailynews.com/turkeys-top-religious-body-declares-bitcoin-inappropriate-123243> (Accessed: 29 November 2017).
  38. Johnson, G. (2014, April 2). Briefing on Digital Currencies. Retrieved from [https://www.bankofcanada.ca/wp-content/uploads/2014/04/Senate\\_statement.pdf](https://www.bankofcanada.ca/wp-content/uploads/2014/04/Senate_statement.pdf)
  39. Kazakhstan Mulls Complete Ban of Every Digital Currency Operation in Country. (2018, March 30). Retrieved from <https://sputniknews.com/asia/201803301063085023-kazakhstan-digital-currency-mining-ban/>
  40. Kelso, C. E. (2018, August 15). Bitcoin Illegal: Saudi Arabia Monetary Authority. Retrieved from <https://news.bitcoin.com/bitcoin-illegal-saudi-arabia-monetary-authority/>
  41. Khan, M. Z. (2017). FBR goes after bitcoin traders. May 25. <https://www.dawn.com/news/1335184/fbr-goes-after-bitcoin-traders>
  42. kriptoalutama se potreбно detaljno informirati, uloženi novac nije osiguran. (2018, January 9). Archived at <https://perma.cc/BJ7Y-Q5SJ>
  43. Lee, J., Long, A., McRae, M., Steiner, J., & Handler, S. G. (2015). Bitcoin basics: A primer on virtual currencies. *Bus. L. Int'l*, 16, 21.
  44. Lo, S., & Wang, J. C. (2014). Bitcoin as money?.
  45. McQuaid, D. (2017, December 20). Bitcoin Banned: Kuwait refuses to trade cryptocurrency amid price Surge. Retrieved from <https://www.express.co.uk/finance/city/894639/bitcoin-banned-Kuwait-KPMG>
  46. Meera, A. K. M. (2018). Cryptocurrencies from Islamic Perspectives: The Case of Bitcoin. *Bulletin of Monetary Economics and Banking*, 20(4), 1-18.
  47. Ministry Of Finance, Republic of Indonesia (2018, January 25). *Minister of Finance: Bitcoin is not in Line with the Law*. Retrieved from <https://www.kemenkeu.go.id/en/publications/news/minister-of-finance-bitcoin-is-not-in-line-with-law/>
-

48. Muedini, F. (2018). The compatibility of cryptocurrencies and Islamic finance. *European Journal of Islamic Finance*, (10).
49. Mufti of Federal Territory. (2018, November 15). Bayan Linnas Siri Ke-153: Hukum Penggunaan Mata Wang Bitcoin. Retrieved from <https://muftiwp.gov.my/en/artikel/bayan-linnas/2773-bayan-linnas-153-hukum-penggunaan-mata-wang-bitcoin>
50. Murray, C. D., & Sixsmith, J. (1998). E-mail: a qualitative research medium for interviewing?. *International Journal of Social Research Methodology*, 1(2), 103-121.
51. Nakamoto, S. (2008). Bitcoin: A peer-to-peer electronic cash system,” <http://bitcoin.org/bitcoin.pdf>.
52. Nurhisam, L. (2017). Bitcoin: Islamic Law Perspective. *QIIS: Qudus International Journal of Islamic Studies*. Volume 5, Issue 2. 85-100
53. Obeidat, O. (2014, February 22). Central bank warns against using bitcoin. Retrieved from <http://www.jordantimes.com/news/local/central-bank-warns-against-using-bitcoin>
54. Official Gazette of the Republic of Algeria No. 76. (2017, December 28). Article 117. Retrieved from <https://www.joradp.dz/FTP/JO-ARABE/2017/A2017076.pdf> (in Arabic)
55. Oziev, G., & Yandiev, M. (2017). Cryptocurrency from Shari’ah Perspective. *Available at SSRN 3101981*.
56. Press Release, Autoriti Monetari Brunei Darussalam. (2017, December 22). *Public to Exercise High Caution with Cryptocurrencies* [Press release]. Retrieved from <https://www.ambd.gov.bn/SiteAssets/Lists/News/News/AMBD%20Press%20Release%20-%20Cryptocurrencies.pdf>
57. Press Release, Bank Indonesia. (2018, January 13). *Bank Indonesia Warns All Parties Not to Sell, Buy, or Trade Virtual Currency* [Press release]. Retrieved from [https://www.bi.go.id/en/ruang-media/siaran-pers/Pages/sp\\_200418.aspx](https://www.bi.go.id/en/ruang-media/siaran-pers/Pages/sp_200418.aspx)
58. State Bank of Pakistan. (2018, April 6). Caution Regarding Risks of Virtual Currencies. Retrieved from <http://www.sbp.org.pk/press/2018/Pr-VC-06-Apr-18.pdf>
59. Supervision and Control of Financial Institutions Division. (2018, February 7). *Trading in Bitcoin*. Circular no.: 6/2018. Retrieved from <http://www.qcb.gov.qa/sitelists/CircularsToBanks/Lists/Circulars/Attachments/173/Circular%20no.%206-2018.pdf>
60. The head of the Central Bank of Azerbaijan called on the population to be careful with cryptocurrencies. (2018, February 12). Retrieved from <https://az.sputniknews.ru/economy/20180212/414014374/azerbajdzhan-centrobank-kriptoaluta-preduprezhdenie.html>
61. Times of Oman. (2017, December 19). Investing in Bitcoin? Read this warning from Oman’s central bank before you do. Retrieved from <https://timesofoman.com/article/124201>
62. Turkey one of most vibrant countries in blockchain tech, cryptocurrency. (2019, December 20). Retrieved from <https://www.dailysabah.com/technology/2019/11/24/turkey-one-of-most-vibrant-countries-in-blockchain-tech-cryptocurrency-binance-ceo-says>
63. U.S. Securities and Exchange Commission. (2013, July 23). Investor Alert: Ponzi Schemes Using Virtual Currencies. Retrieved from <https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-alert-ponzi-schemes-using-virtual>
64. U.S. Securities and Exchange Commission. (2014, May 7). Investor Alert: Bitcoin and Other Virtual Currency-Related Investments. Retrieved from <https://www.investor.gov/additional-resources/news-alerts/alerts-bulletins/investor-alert-bitcoin-other-virtual-currency>
65. Usmani, M, T. (1998 AH). *Islam and Contemporary Economics and Trade*, Idara Al-Ma’rf-14, 1st Ed. Karachi
66. Wolla, S. A. (2018). Bitcoin: Money or Financial Investment?. *Page One Economics*®.
67. Yermack, D. (2015). Is Bitcoin a real currency? An economic appraisal. In *Handbook of digital currency* (pp. 31-43). Academic Press.

**Table 1. Reasons for illegitimacy by Muslim-majority countries**

Country	Reason for illegitimacy											
	Legality	Independent of Central authority	No physical existence	Volatility/speculation	Unregulated by financial Institutions	Hacking	Not backed by assets	Threat to consumer protection	Threat to financial system	Anonymity	Illegal activities	Unregulated trading platforms
Bahrain	Illegal	Y										
Algeria	Illegal		Y									
Egypt	Illegal	Y		Y	Y		Y		Y		Y	
Iran	Illegal	Y										
Jordan	Illegal			Y	Y		Y				Y	
Kuwait	Illegal				Y							
Lebanon	Legal	Y		Y							Y	
Morocco	Illegal				Y						Y	
Oman	Legal	Y										
Qatar	Illegal	Y		Y							Y	
Saudi Arabia	Illegal	Y										
UAE	Illegal	Y									Y	
Kazakhstan	Illegal							Y			Y	
Uzbekistan	Illegal										Y	
Kyrgyzstan	Legal			Y								
Tajikistan	Illegal									Y	Y	
Bangladesh	Illegal			Y							Y	
Pakistan	Illegal			Y						Y	Y	Y
Brunei	Legal	Y		Y						Y	Y	
Indonesia	Illegal								Y		Y	
Malaysia	Legal	Y		Y								
Kosovo	Legal			Y	Y						Y	
Bosnia	Legal	Y		Y								Y
Albania	Legal			Y						Y	Y	Y
Azerbaijan	Legal			Y								Y
Turkey	Legal	Y		Y							Y	

Annexure-1

1 of 1 < > [Icons]

Re: Bitcoin

DUNY Fatwa <fatwa@duny.us>

Tue, Sep 24, 2019, 1:26 AM

to me

Waikumussalam Wa Rahmatullahi Wa Barakatuh

الجواب حامدا و معسلا

Answer:

Bitcoin meets the requirements of Maal(wealth) in Islam but as of now, it will be difficult to consider it as a currency unless it is used as Thaman (currency) by the vast majority of people in the society and the government declares it as Thaman (currency and money).

والله اعلم بالصواب

On Tue, Sep 3, 2019 at 2:57 AM WordPress <fatwa@duny.us> wrote:

From: Samina Naz <samina.irfan@gmail.com>

Subject: Bitcoin

Message Body:

My question is about Bitcoin, which is completely computerized money and which has no physical existence and is not issued or controlled by any bank or government. What is the status of such currency like bitcoin in Islam, whether and why Islam oppose or support such currency?

\*\*\*

Annexure-2

Page 1 of 1

بسم الله الرحمن الرحيم

30/09/2019

السلام عليكم ورحمة الله وبركاته

QUESTION: Is Bitcoin Halal or Haram in Islam? As it is completely computerized currency and is not issue of control by and state or bank. This currency is getting popular now a days. Kindly guide whether or not Islam allow such currency and what are their reason(s)?

Answer: Cryptocurrencies, such as bitcoin and the like, have been subject to much discussion amongst scholars however due to disagreements on its true nature i.e. value, security, usage, assigning it a status under the rules and principles of Islamic jurisprudence is, in our opinion, not possible.

Bitcoin is something that has been discussed a lot, and more so in the recent past. After reviewing opinions of different scholars, it is evident that bitcoin is something that should definitely be avoided, this is based off the fact that there is still a lot of ambiguity in this and a lot of things are still unknown about the scheme of bitcoin and the owner also has an unknown identity, also the fluctuation of the value of the bitcoin itself is too drastic that there is a definite chance of a substantial loss to the bitcoin traders, and the unknown identity of the owner himself and the overall ambiguity of it all also spells danger, as it gives us the idea that the organisation could pull the plug at any given time which would be an even bigger loss to the tradesmen, and in Islam things like this are condemned in order to save the tradesmen from incurring these hefty losses. Also, the anonymity of the whole organisation could encourage criminal activity and other immoral actions such as: tax evasion, piracy, money laundering, fraud and corruption, and these things are forbidden in Islamic Sharia law.

For the above reasons we strongly advise that people be wary of this and stay well away from, not only bitcoin but also things similar to this, as this is how a mu'min should be, that when there is doubt or ambiguity in something then we stay away from these things.

References:

- 1) Mufti Yusuf Shabbir under guidance of mufti Shabbir: <https://islamicportal.co.uk/bitcoin/>
- 2) Mufti Ibrahim Desai: [http://www.askimam.org/public/question\\_detail/39083](http://www.askimam.org/public/question_detail/39083)
- 3) Fatwa from Egypt: <https://www.alaraby.co.uk/english/news/2018/4/9/is-bitcoin-halal-islamic-scholars-wade-into-cryptocurrency-debate>

Note: this fatwa is to be viewed with the question asked. In events of presenting this document to a third party, please ensure it is coupled with the original question.

والله اعلم بالصواب

Mufti Abdus Samad Sb

Mufti Shabbir Ahmed Sb

Mufti Ikramul Haq Sb

Mufti Siraj Sb

JAAMI'ATUL ILMIYAH WAL HUDA BLACKBURN TEL/FAX: 01254673105

Annexure-3

← → ↻ ⓘ Not secure | dar-alifta.org/Foreign/f.aspx?ID=552571

### Miscellaneous

Like 0

Share

Number : 552571

Date : 10/5/2019

**My question is about Bitcoin, which is completely computerized money and which has no physical existence and is not issue or control by any bank or government. What is the status of such currency like bitcoin in Islam, whether and why Islam oppose or support such currency?**

**Answer : Fatwa Council**

After conducting extensive research and consulting economy experts and parties involved in this form of transaction (Bitcoin), the fatwa council at Egypt's Dar al-ifta declared that this form of transaction is prohibited in Islamic law [Shari'ah] due to the following reasons: - It negatively affects the economy. - It destabilizes the market policy. - Individuals involved in this transaction lack legal protection and the required financial supervision. - The sold commodity is not sold for its sake. - It involves harm, risk and fraud and this falls under the words of the Prophet (peace and blessings be upon him), "whoever deceives us is not one of us." The legal maxim says, "Do not harm or reciprocate harm". God Almighty knows best.



۲۰۱۹، ۱۲، ۲۰  
۲۰

۱۵۰/۲۵۳

Page 1 of 1

Jamia Farooqia Karachi, Pak. Tel +9221-34599167-168

From: "Samina Irfan" <samina.irfanq@gmail.com>  
To: <Info@farooqia.com>  
Sent: Tuesday, August 20, 2019 1:19 PM  
Subject: Islamic vjw about Bitcoin

Respected Sir,

Hope You are doing well. I am PhD scholar at University of Peshawar and want some kind guidance from you.

My question is about Bitcoin, which is completely computerized money and which has no physical existence and is not issued or controlled by any bank or government.

what is the status of such currency like bitcoin in Islam. whether and why Islam oppose or support such currency?

Kindly consider my request and waiting eagerly for you response.

Thanks  
Samina Naz  
PhD Scholar



میں پشاور یونیورسٹی کا بی ایچ ڈی اسکالروں، اور مجھے ایک مسئلہ میں  
آپ کی رہنمائی چاہیے، میرا سوال بٹ کوائن سے متعلق ہے، جو مکمل  
طور پر ڈیجیٹل کرنسی ہے، اور اس کا خارج میں کوئی وجود نہیں، نہ ہی  
کوئی بینک یا حکومت اسے جاری کرتی یا کنٹرول کرتی ہے، ایسی کرنسی  
کی اسلام میں کیا حیثیت ہے؟ آیا اسلام اس کی حمایت یا مخالفت کرتا ہے  
اور کیوں؟ جواب کا سرت سے انتظار ہے۔

المستفتیہ: ثمنہ عرفان

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ  
الجواب حامداً ومصلياً

واضح رہے کہ بٹ کوائن محض فرضی کرنسی ہے، اس  
میں حقیقی کرنسی کے بنیادی اوصاف و شرائط بالکل نہیں  
پائے جاتے، اور آج کل انٹرنیٹ پر بٹ کوائن کرنسی کے  
نام سے جو کاروبار چل رہا ہے وہ محض دھوکہ ہے، اس  
میں حقیقت میں کوئی سیب و غیرہ نہیں ہوتی، اور نہ ہی اس  
کاروبار میں سیب کے جواز کی شرعی شرائط پائی جاتی ہیں، بلکہ  
یہ درحقیقت فاریکس ٹریڈنگ کی طرح سود اور قمار (جوئے)  
کی ایک شکل ہے، نیز حکومت پاکستان کے قوانین کے مطابق  
بٹ کوائن کرنسی کی خرید و فروخت غیر قانونی ہے۔

(جاری ہے)

8/21/2019

لهذا اس سے اجتناب کیا جائے۔

لما في الشامي:

«وشرط المحقود عليه ستة: كونه موجوداً مالملاً متقوماً مملوكاً في نفسه، وكون الملاك للبائع فيما يبيعه لنفسه، وكونه مقدور التسليم فلم ينعقد بيع المعدوم وماله خطر العدم كالحمل واللبن في الضرع والثمر قبل ظهوره، وهذا العبد إذا هو جاريتة، ولا يبيع الحر والمدبر وام الولد والمكاتب ومعق البعض والميتة والدم، ولا يبيع الخمر والتخزير في حق مسلم وكسرة خبز؛ لأن ادنى القيمة التي تشترط لجواز البيع فلس» (كتاب البيوع، مطلبه شرائط البيع النوع أربعة: ١٣/٢، ١٤، ١٥، ط: رحمانيه) وفيه أيضاً:

«لأن القمار من القمار الذي يزداد تارة وينقص أخرى، وسمي القمار قماراً؛ لأن كل واحد من القمارين ممن يجوز أن يذهب ماله إلى صاحبه، ويجوز أن يستفيد مال صاحبه وهو حرام بالنص» (كتاب المحظور والإباحة، فصل في البيع: ٩/٤٦٥، ط: رشيديه) وفي فتح الباري:

«(عن عبد الله رضي الله عنه عن النبي صلى الله عليه وسلم قال: السمع والطاعة على المرء المسلم فيما أحبه وكره ما لم يؤمر بمعصية، فإذا أمر بمعصية فلا سمع ولا طاعة) أي: لا يحبه ذلك»

(كتاب الأحكام: ١٣/١٥٢ - ٥٤، ط قديم)

فقط

والله أعلم بالصواب  
كتبه: عبد الله عفي عنه  
المتخصص في الفقه الإسلامي  
بالجامعة الفاروقية كراتشي

٢٠١٩/٩/١١ - ٢٠١١/١/١١

بجواز  
وقف

١٨/١/٢٢٢١





الحجاب، صحابہ اور مصیلاً

واضح رہے کہ کسی کرنسی کا قیام اور اسطرح لاجی ٹمن ہونے کیلئے ضروری ہے کہ اس علاقہ کی حکومت اور اسٹیٹ کی جانب سے اس کرنسی کو تسلیم اور ٹمن تسلیم کر کے اس کو تمام معاملات (بین دین) کا درجہ دے اور لوگوں کا اس میں رغبت اور پیمانہ لان ہونا ضروری ہے۔

مذکورہ ڈیجیٹل کرنسی نہ تو کسی حکومت کی طرف سے تسلیم شدہ کرنسی ٹمن ہے اور نہ ہی تمام لوگوں میں اس کا رواج ہے۔ اسکی ثمنیت قابل اعتبار نہیں ہے اور محض چند ٹکن جن کی کوئی مالیت حقیقتاً فی الواقع نہیں ہے اس کی قیمت 150 یورو سے 28000 تک بہ مقرر کرنا درست نہیں ہے، نیز اگر ان کرنسیوں کو ٹمن بھی مان لیں تو ٹمن کا آپس میں تبادلہ کرتے وقت ایک ہی مجلس میں قبضہ ضروری ہے جبکہ مذکورہ کچھنی ٹکن دینے کے 90 دن بعد ان ٹکنوں کو دگنا کر کے ڈیجیٹل کوئٹرز (سکوں) میں تبدیل کر کے دیتی ہے تو یہ بھی صحیح مفہم میں ادھار کی ایک صورت ہے جس کی وجہ سے ناجائز ہے۔ لہذا سوال پیش ہے:

فتاویٰ شنائی میں ہے۔

والمالیتۃ تثبت بقول الناس كافة

او بعضہم والتقوم بثبتہما

وباہات الانتفاع بہ شراً

(ج. ۱، ص ۱۵۰، طبع ایم سعید)

ذمہ الیضاً:

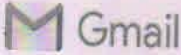
صومباراتہ شی و سرغوب قیامہ لکھنؤ

علیٰ رجبہ مفیدہ مخصوصہ

(ج. ۱، ص ۵۰۶، طبع ایم سعید)

9/2/2019

Gmail - Bitcoin in Islam



Darulifta Nadwatululama <daruliftanadwa@gmail.com>

**Bitcoin in Islam**

1 message

**Samina Irfan** <samina.irfanq@gmail.com>  
To: daruliftanadwa@gmail.com

Wed, Aug 28, 2019 at 1:16 PM

Respected Sir,  
Hope You are doing well. I am PhD scholar at University of Peshawar, Pakistan and want some kind guidance from you.

My question is about Bitcoin, which is completely computerized money and which has no physical existence and is not issued or controlled by any bank or government.

what is the status of such currency like bitcoin in Islam, whether and why Islam oppose or support such currency?

Kindly consider my request and waiting eagerly for your response.

Thanks  
Samina Naz  
PhD Scholar

۲۱/۱۲۵۹۰/۲

مولانا

در یافت کرد صورت میر جب بشکوائں کا کوئی نظامی وجود نہ ہو نہ ہی کسی حکومت یا بینک کی طرف سے جاری کر  
تو اسے شری نفع نظر سے مانا یا کسی قرار نہیں دیا جائے مافصلہ

مفتی محمد امجد علی  
دارالافتاء دارالحدیث کراچی  
۲۰/۱۹/۲۱

مفتی محمد امجد علی  
دارالافتاء دارالحدیث کراچی  
۲۰/۱۹/۲۱



Annexure-9



P.O. Box 9786  
Azaadville  
Gauteng  
1750

# المدرسة العربية الإسلامية دار الافتاء

DARUL IFTA - DARUL ULLOOM AZAADVILLE

Tel: 011 413 2786  
Fax: 011 413 2787  
www.dua.org.za



1 Azaad Avenue  
Azaadville  
Gauteng  
1754

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الجواب حامداً ونصلياً  
السلام عليكم ورحمة الله وبركاته

[Samina.irfanq@gmail.com](mailto:Samina.irfanq@gmail.com)  
Samina naz

Our response to your query dated 02/09/2019-1441//01/02 regarding bitcoin is as follows:

We are still researching the case on Bitcoins; therefore, we are unable to issue any ruling regarding it. Kindly enquire from the reliable scholars of your country. We can say this much that the western courts themselves are unsettled as far as under what financial instrument and law to view the Bitcoin whenever a case is brought up.

AND ALLAH سُبْحَانَهُ وَتَعَالَى عَرْشُهُ ALONE IN HIS INFINITE KNOWLEDGE KNOWS BEST

**ANSWERED BY:**

Sohel Lala  
Islamic Date: ٤ محرم ١٤٤١  
English Date: 4 September 2019

**CHECKED AND APPROVED BY:**

Mufti Muhammed Saeed Motara Saheb D.B.  
Darul Ifta Azaadville