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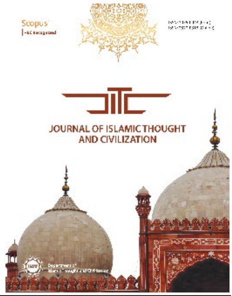

Title: **Exploring Crypto Currency through the Lens of the Sharīʿa Law: A Comparative Analysis of Scholarly Evaluations**

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Exploring Crypto Currency through the Lens of the *Sharī'a* Law: A Comparative Analysis of Scholarly Evaluations

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Abstract

Digital advancements and innovations have revolutionized the way we live, work, and communicate. The financial industry is one of the sectors that have been significantly impacted by digital advancements and innovations. Blockchain technology is a digital technology that has the potential to transform the financial industry. Based on blockchain, cryptocurrencies are among the most significant technological advancements of the 21st century. They have provided a new way of transacting and investing. With the rise of cryptocurrencies, there has been an ongoing debate about their compatibility with various ethical and religious beliefs. One such belief system is the *Sharī'a* Law, which governs the financial practices of Muslims, worldwide. As cryptocurrencies continue to gain popularity, it is essential to understand their compatibility with the *Sharī'a* Law and resolve any resulting ethical dilemmas. The fundamental issue is whether cryptocurrencies violate the principles of *Sharī'a* or can be considered a permissible investment option for Muslims. The article provides a detailed overview about digital currencies. It also explores the different types of digital currencies and their underlying technologies, such as block chain and smart contracts. This research relies on a quantitative approach, utilizing a systematic review of articles By extracting and analyzing data from scholarly works, the study aims to quantify the existing discourse on the compatibility of cryptocurrencies with Sharī'a Law. This method enables the synthesis of quantitative insights from authoritative sources, contributing to a robust understanding of the ethical implications and adherence to *Sharī'a* principles in the context of cryptocurrency use.

Keywords: block chain, comparative analysis, cryptocurrencies, digital advancement, *Sharī'a* law

Introduction

The integration of cryptocurrencies into Islamic finance has been controversial, with scholars divided regarding their compatibility with the *Sharī'a* Law. The fundamental issue is whether cryptocurrencies violate the principles of the *Sharī'a* or can be considered as a permissible investment option for the Muslims.

The use of currency as a system of money across different regions can be dated back to the early 7th century BCE. However, the use of certain metal and non-metallic objects for money purposes, such as cowrie and ivory, can be traced from 3000 BCE to 1200 BCE. According to many historians, it was during the time of the Kingdom of Lydia (in present-day Turkey) that the first regulated coins appeared. During the reign of King Alyattes (610–560 BCE), these coins were first minted and crafted

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from electrum, a natural alloy made of gold and silver. [1] These coins, which were roughly designed to look like beans, bore the lion symbol of the monarchy. Croesus, who succeeded his father Alyattes (from 560–546 BCE), reformed the kingdoms currency by introducing silver and gold coins. Soon, such currencies gained popularity and spread to the other parts of the world. From the 6th century BCE onwards, there was a considerable evolution in different modes of currency. It included the development of currency among Greeks and Romans between 600 BCE and 400 AD, the widening circulation of Laurion silver and Athenian coinage, the penny and the pound in medieval Europe (410–1485 AD), the Celtic coinage, the emergence of paper currency, and so on.[2]

At the beginning, the Arabs did not produce any currency of their own. Several factors, such as their decentralised political system due to tribalism, deficient economy, and lack of skills in metal extraction and money minting, encouraged them to use dinar or dirham (foreign currencies of their neighbouring states) for various trade purposes.[3] According to al-Mazandarani, the word 'dinār' is derived from the Greek term *dencara* or *denarion,* later adapted and translated into Latin as *denarius.* Likewise, 'dirham' evolved from *draxame.* These terms were adopted by the Arabs as 'dinar' and 'dirham'.[4]

Up to the early stages of the 13th century, currency was made primarily from gold and silver. These were the two main metals used in its coinage. However, in the later era, currency was also coined by using steel and iron, when gold and silver were not available in sufficient quantities to fulfill the demand. On the contrary, the current era is predominately the era of paper currency. This form of currency is easy to make and it is also cheaper. It is also free from one of the main problems faced by the previous metallic currencies, that is, their face value was lower than their material value. The face value of previous currencies, in some cases, was less than their metal value. In such cases, the currency was melted and sold, rather than being used as money. On the other hand, paper currency also brings various challenges, one of which is the issue of fiat money. This type of currency, which is produced by governments without any inherent value, can result in currency devaluation due to its excessive issuance.

2. Digital Currency

Digital currency refers to a form of currency or money that exists purely in an electronic or digital form. It is intangible and typically relies on computer networks and cryptography for secure transactions. Unlike physical currencies, such as coins or banknotes, digital currencies exist only in digital accounts or wallets. Fiat currencies in digital form refer to the electronic representation of traditional government-issued currencies, such as the United States dollar (USD), Euro (EUR), or British pound (GBP). Their digital versions retain the characteristics and value of their physical counterparts but exist purely in an electronic form.[5]

The concept of digital currency originated with the advent of the internet and the need for online transactions. It allows individuals and businesses to engage in financial transactions without involving traditional banking systems or exchanging physical cash. Digital currencies are typically

[1]A. Tikkanen, "A Brief (and Fascinating) History of Money," *Encyclopedia Britannica,* January 31, 2020. https://www.britannica.com/story/a-brief-and-fascinating-history-of-money.

[2]Michael Collins, *Glyn Davies, A History of Money from Ancient Times to the Present Day* (Cardiff: University of Wales Press, 1994).

[3]Muhammad Ishak Razak, and Asmak Ab Rahman, "Money in Islamic Civilisation: from the Prophet Muhammad (SAW) Until the Ottoman Caliphate," *Money* 15, no. 02 (2021).

[4]Musa al-Husainī al-Mazandaranī, *Tārīkh al-Nuqūd alIslāmiyyah*, (Beirut: Dār al-Ulūm, 1988).

[5]A. AlFar, Abd ElRahman J, Chamaiporn Kumpamool, Dung Khanh Ngoc Nguyen and Rizwan Ahmed. "The Determinants of issuing Central Bank Digital Currencies," *Research in International Business and Finance* (2023):n.png.

decentralized; they are not controlled by any central authority such as the government or its nominated financial institution. Bitcoin is one of the most well-known examples of digital currencies. It was introduced in 2009.[6] It utilizes the blockchain technology, a decentralized ledger that records all transactions. Other popular digital currencies include Ethereum, Litecoin, and Ripple. Digital currencies are created through a process called mining during which powerful computers solve complex mathematical problems to validate and record transactions on the blockchain.[7]

3. Dispelling the Fallacy

The concept of digital currency and the digital form of fiat currency are often misunderstood and can be confusing. To eliminate any misconceptions and clarify the differences between the two, lets delve into a detailed discussion .

Digital currency is an intangible form of currency that exists purely in an electronic or digital form. It operates through decentralized systems, relying on computer networks and cryptography for secure transactions. Examples include Bitcoin, Ethereum, Litecoin, and Ripple. On the other hand, the digital form of a fiat currency refers to the electronic representation of any traditional government-issued currency, such as the US dollar, Euro, or British pound. Digital fiat currencies are backed and regulated by the respective governments or central banks responsible for their issuance. Lets address some misconceptions and attempt to dispel the fallacy regarding these two concepts.

4. Control and Regulation

Digital currencies, such as Bitcoin, operate on decentralized systems, for instance, blockchain.[8] Blockchain is a distributed ledger technology that allows for secure and transparent transactions. In the case of Bitcoin, transactions are verified and recorded on blockchain by a network of computers known as nodes, which work together to maintain the integrity of the network. Decentralization refers to the fact that no single entity or central authority has control over the digital currency. Transactions are validated and confirmed by network consensus, making them resistant to censorship and manipulation. The lack of centralized control is one of the defining features of digital currencies and a key factor in their appeal to some users. Since digital currencies are not controlled by governments or central banks, they operate outside the traditional financial system. Hence, they are not subject to the regulations and monetary policies imposed by central authorities. Transactions with digital currencies can be conducted directly between users without the need for financial intermediaries, such as banks.

On the other hand, digital forms of fiat currencies, such as digital versions of the US dollar or Euro, are regulated and controlled by central authorities. They are typically issued by central banks or financial institutions that have the authority to create electronic representations of traditional fiat currencies. Governments and central banks have the authority to issue and manage these currencies. They implement monetary policies to control factors, such as inflation, interest rates, and money supply, aiming to maintain stability and to ensure the value of the currency.

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[6]Anatoly Yu Olimpiev, N. Rouiller, and Irina A. Strelnikov, "Crypto Currencies: Current Realities, Philosophical Principles and Legal Mechanisms," In *Institute of Scientific Communications Conference*, 28-39 (Cham: Springer International Publishing, 2020).

[7]Yen Hai Hoang, Vu Minh Ngo, and Ngoc Bich Vu, "Central Bank Digital Currency: A Systematic Literature Review Using Text Mining Approach," *Research in International Business and Finance* (2023): 101889.

[8]Anatoly Yu Olimpiev, N. Rouiller, and Irina A. Strelnikov, "Crypto Currencies: Current Realities, Philosophical Principles and Legal Mechanisms."

Another crucial difference is that digital currencies, such as Bitcoin and Ethereum, are not backed by any physical asset or central authority.[9] Digital currencies, such as Bitcoin, are typically created through a process called mining.[10] This process involves the use of powerful computers to solve complex mathematical problems to validate and record transactions on blockchain, which is a decentralized ledger that keeps a record of all transactions. Digital currencies, such as Bitcoin and Ethereum, are accepted and used based on consensus and adoption within their respective networks.[11] On the other hand, digital forms of fiat currencies are created through the conversion of physical cash into electronic records. This conversion is facilitated by financial institutions and electronic payment systems. Digital forms of fiat currencies, such as digital representations of the US dollar or Euro, are generally accepted by a wide range of merchants and institutions.

5. *Sharīʼa* Evaluation of Cryptocurrencies

Throughout human history, the concept of currency has constantly evolved to keep abreast with the changing needs of the society. As trade and commerce became more complex, currency evolved as well, adapting to new needs and challenges. Over time, it has evolved from being a physical commodity made of gold, silver, or metal coins to paper money.[12] As currency has changed, so too has its legal dimensions, adapting to meet the needs of a growing and changing society.

The emergence of digital and internet technologies has spurred the evolution of currency, resulting in the development of cryptocurrencies. Bitcoin is the first successful cryptocurrency and represents a significant shift regarding the physical dimension of currency. At present, there are about 22,932 cryptocurrencies, with a total market capitalization of $1.1 trillion.[13] However, the legal evolution of cryptocurrency has lagged, with many countries banning its use and others struggling to formulate appropriate policies. Despite the numerous advantages of cryptocurrency, various challenges continue to impede its widespread adoption by mainstream financial markets.

The legal status of cryptocurrencies varies from one country to another. Some nations have fully embraced it, while others have implemented stringent regulations or outright bans.(Reuters, 2022) Several governments have adopted a ‘wait-and-see’ approach to determine the technologys potential and development. Cryptocurrencys lack of regulation is one of the main issues surrounding it, as it raises concerns about fraud, money laundering, and other illegal activities. In response, certain governments have implemented strict regulations, while others have banned cryptocurrency altogether.

Another challenge of cryptocurrency is its volatility and instability, as the value of most cryptocurrencies fluctuates rapidly based on market demand and speculation. This makes them a risky investment since their value can increase or decrease quickly. Additionally, cybersecurity is a significant concern, as cryptocurrencies are vulnerable to cyberattacks and hacking. Numerous high-profile hacking incidents have led to substantial financial losses for investors and traders.

The limiting factors, such as high volatility, a lack of tangible underlying assets, and the absence of regulations to protect against potential losses in cryptocurrencies are still being debated.

[9]Olli Castrén, Ilja Kristian Kavonius, and Michela Rancan, "Digital Currencies in Financial Networks," *Journal of Financial Stability* 60 (2022): 101000.

[10]Cuneyt Gurcan Akcora, Yulia R. Gel, Murat Kantarcioglu, "Blockchain: A graph Primer," *arXiv preprint arXiv:1708.08749* (2017).

[11]Rashedul Hasan, Mohammad Kabir Hassan, and Sirajo Aliyu, "Fintech and Islamic finance: Literature Review and Research Agenda," *International Journal of Islamic Economics and Finance (IJIEF)* 3, no. 1 (2020): 75-94.

[12]Michael Collins, *Glyn Davies, A History of Money from Ancient Times to the Present Day*.

[13]*Different Types of Cryptocurrencies – Forbes Advisor*, n.d.

Academics and techies continue to argue about the pros and cons of using cryptocurrencies. Similarly, Islamic experts and scholars also continue to assess their advantages and disadvantages from a *Sharīʻa* perspective.[14]

According to various studies on cryptocurrencies, they are deemed to cause more harm than good due to their association with gambling, high volatility, and susceptibility to illegal practices such as money laundering and human trafficking. However, some studies suggest that they can be traded on Islamic commodity exchanges if certain conditions are met, such as issuing a cryptocurrency with its pricing based on either gold or the respective countrys hard currency and protecting trade under a legal umbrella. In some Muslim countries such as Indonesia, cryptocurrencies are not allowed to be used as commodities in *Sharīʻa* derivatives contracts because of their speculative nature and vulnerability to illegal activities. In such countries, cryptocurrencies are considered *haram* or forbidden under Islamic law due to external factors and individuals should refrain from using them.[15]

Examining cryptocurrencies is important, especially from the perspective of the *Sharīʻa* as to whether they offer more advantages or disadvantages to the current and future economic landscape. Cryptocurrencies are widely used across the world and even accepted as legal tender in some countries. However, there are several Muslim as well as non-Muslim states that are yet to establish a clear stance regarding the use of cryptocurrencies in business transactions, resulting in a lack of strict regulations. Hence, this paper aims to address several critical questions, such as whether cryptocurrencies meet the necessary criteria to be classified as a currency, whether they fulfill their role as currency in the Islamic economic framework, and what is their position in the Islamic economy when analysed from the perspective of the *Sharīʻa* .

6. Scholarly Opinions and *Fatawa* on Cryptocurrencies

In recent years, Muslim scholars have debated whether cryptocurrency complies with Islamic law, particularly given its rapid growth in regions such as the Gulf and Southeast Asia.

Several *fatawa* (religious rulings) have been issued on this subject. However, it is important to note that there is no consensus on the matter. Indeed, the opinions of scholars vary based on their legal reasoning (*ijtihad*) and understanding of the technology and its applications in different contemporary scenarios.

In 2017, Grand Mufti Shawky Ibrahim Allam of Egypts Dār al -Iftā declared that all forms and uses of cryptocurrency, including buying, selling, trading, and leasing, are forbidden or *haram*. He stated that cryptocurrency has a negative impact on the economy, since it disrupts market equilibrium and the concept of work. Moreover, it also lacks proper legal protections and financial oversight for traders. Additionally, he argued that the use of cryptocurrencies infringes on the rights of those in authority and can lead to damages due to uncertainty, ignorance, and fraud. The Grand Mufti cited a general statement by the Prophet Muhammad (*SAW*) stating that "He who deceives us is not of us" as support for his conclusion. He also referred to the Islamic legal principle of 'no harm' or '*lā ḍarar wa-lā ḍirār*' as a further justification for the prohibition of cryptocurrencies, given the high risks that they pose to individuals and governments.[16]

[14]M Shabri Abd. Majid et al., "A Study of Literature: Cryptocurrency of Syariah Perspective," *International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration* (IJEBAS) 2 (February 26, 2022): 93–102, https://doi.org/10.54443/ijebas.v2i1.174.

[15]Fatwās on Cryptocurrency: Egypt's Dār Al-Iftā ʾ" *Islamic Law Blog*, n.d.

[16]Ibid.

In 2018, Indias largest Islamic seminary Darul Uloom Deoband issued a fatwa declaring cryptocurrency as *haram* or forbidden under Islamic law, citing its speculative nature and lack of backing by any physical asset.[17]

According to Mufti Taqi Usmani, an Islamic scholar and a leading authority on Islamic finance in the subcontinent, cryptocurrency is not permissible under Islamic law due to its lack of intrinsic value and involvement in speculation. In a statement issued in 2021, Mufti Usmani stated that cryptocurrency is not backed by any physical asset and its value is only based on speculation, which violates the principles of Islamic finance. He further stated that since cryptocurrency is not regulated by any government or authority, it can be used for illegal activities such as money laundering, which is also prohibited under Islamic law.[18]

In 2018, Islamic Research and Training Institute-IRTI, a subsidiary of the Islamic Development Bank-IDB, published a research paper stating that cryptocurrency is not compatible with Islamic law due to its lack of intrinsic value and involvement in speculation.

In the same year, the General Authority of Islamic Affairs and Endowments of United Arab Emirates issued a *fatwa* that a currency is considered legitimate and legal only if it satisfies certain conditions, such as being issued by the state and enjoying legal protection. These conditions help to safeguard peoples rights and ensure that their obligations are fulfilled. Therefore, it is not permissible to trade in Bitcoin or other electronic cryptocurrencies that do not meet these legitimate and legal criteria. Such trading can lead to improper consequences for individuals, financial markets, and the society, whether these currencies are treated as cash or commodities. This *fatwa* applies to Bitcoin and to all other digital currencies that are currently unregulated. However, if these currencies are later on regulated, adopted, and brought under a regulatory framework that satisfies the necessary criteria, then trading in them would be allowed as if they were an officially approved currency.[19]

In Saudi Arabia, the Saudi Arabian Monetary Authority (SAMA) cautioned individuals against engaging in the trade of digital currencies due to the potential negative effects associated with them. The committee confirmed that digital currencies, such as Bitcoin, are not considered official currencies in the kingdom and no individuals or organizations are authorized to engage in their trading. The committee advised citizens and residents to be cautious of the high risks involved in investing in virtual currencies, including regulatory, security, and market risks, as well as the potential for fictitious contracts and transferring funds to unknown parties.[20]

Similarly, Ali al-Qaradaghi, the Secretary-General of the International Union of Muslim Scholars (IUMS) located in Qatar, addressed the issue of whether cryptocurrencies can be considered a legitimate form of currency. According to him, a cryptocurrency can neither be considered a currency, nor has any credit value due to the lack of state support and intrinsic value, instead he referred to it as an algorithm and not a property claim (*ḥaqq mālī*). He advised that the mildest form of prohibition (*taḥrīm al-wasāʾil*) be applied towards investing in cryptocurrencies, as the primary

[17]*Cryptocurrency*, n.d.

[18]Fasih Butt, Mufti Muhammad Wasie, "'Opinion of His Excellency Mufti Muhammad Taqi Usmani about Crypto Currency Trading," Darul Iftaa UK." May 10, 2021, Twitter. https://twitter.com/DarulIftaa/status/1392988550233313282?lang=en.

[19]See: "Fatwa on Bitcoin and other Digital Cryptocurrencies, General Authority of Islamic Affairs and Endowments, UAE," last modified January 30, 2018, https://www.awqaf.gov.ae/en/Pages/FatwaDetail.aspx?did=88972

[20] See: The Standing Committee for Awareness on Dealing in Unauthorized Securities Activities in the Foreign Exchange Market (Forex) Warns: "The Virtual Currencies are not Regulated inside the Kingdom of Saudi Arabia," *Saudi Central Bank,* last modified December 8, 2018, https://www.sama.gov.sa/en-US/News/Pages/news12082018.aspx

concern is property protection (*ḥifāẓa ʿalā māl*) rather than excessive interest. Furthermore, the scholar suggested that Islamic countries issue their own cryptocurrencies with state support and based on a regulated system, akin to Venezuelas approach with petroleum.

In Southeast Asia, there is a trail of diverse *fatawa* on cryptocurrency released by certain prominent religious institutions and *ulema* during the last few years. For instance, in November 2021, the highest clerical body in Indonesia namely the Indonesian Ulema Council declared cryptocurrencies to be unlawful as a means of transaction. However, they stated that crypto assets could be used as an investment tool as long as they followed the principles of the *Sharīʻa* law. Another major Islamic organization, the *Nahdlatul Ulama*, also declared cryptocurrency to be *haram* in October 2021, citing its speculative nature. In 2022, a new *fatwa* was issued by the *Tarjih* Council and the Central Executive Tajdid of Muhammadiyah, one of Indonesias largest non -governmental Islamic organizations, declaring the use of cryptocurrencies as *haram* or unlawful for Muslims. The *fatwa* cited two major concerns regarding the illegality of cryptocurrencies as an investment tool and medium of exchange under Islamic law. Firstly, cryptocurrencies are seen as speculative and contain the element of *gharar*, which makes them an imperfect investment tool. Secondly, they do not meet the requirements of Islamic barter or medium of exchange laws, which demand legal tender and acceptance by both parties.(*Indonesian Islamic Organization Issues New Fatwa against Crypto Use*, n.d.)

On the contrary, a prominent Islamic finance expert Mohd Daud Bakar, who also chairs the *Sharīʻa* advisory councils of both Bank Negara Malaysia and the Securities Commission (SC), disagreed with a *fatwa* issued by an influential Indonesian *ulama* group declaring cryptocurrency as *haram* or prohibited for Muslims. Daud believes that cryptocurrency represents a new form of commodity that can be used for investment purposes. He acknowledges that there is still a lack of understanding about cryptocurrency, which was initially launched around a decade ago. According to Daud, Muslim scholars need to study and comprehend various aspects of the monetary system in the context of Islamic law before passing judgment. He argues that it is incorrect to declare cryptocurrency as *haram* solely based on the claim that it is speculative. Furthermore, a transaction that is deemed *haram* from the *Sharīʻa* perspective typically involves elements of *riba* (interest), gambling, and *gharar* (uncertainty). He further argues that the uncertainty mentioned in the Indonesian *fatwa* does not pertain to the value of the cryptocurrency; rather, it pertains to the nature and essence of the assets involved. He also stated that when talking about value, all currencies, including gold and oil, fluctuate. However, regardless the price change is significant or moderate, it remains irrelevant from the perspective of the *Sharīʻa.*[21]

7. Critical Analysis of *Fatawa* and Opinions

Examining the varying opinions, some scholars who hold the opinion that cryptocurrencies meet the criteria of *maal* (property), money, and *thamaniyyah* (monetary usage), base their opinion on the following arguments:

- In financial transactions, the default assumption is that everything is permissible unless there is a clear evidence to the contrary. In other words, if there are no specific legal or ethical reasons to prohibit a financial transaction, then it is allowed.
- Bitcoin is regarded as a valuable property or asset (*mal mutaqawwum*) because it has legal value

[21]Azzman Abdul Jamal, "Top Islamic Finance Expert Disagrees with Fatwa on Cryptocurrency," *Malaysia Now*, last modified December 12, 2021, https://www.malaysianow.com/news/2021/12/12/top-islamic-finance-expert-disagrees-with-fatwa-on-cryptocurrency.

and can be traded for other currencies, goods, and services.

- Although not issued by a government authority, Bitcoin functions as a currency and fulfils the characteristics of money or currencies in general. Furthermore, there is no economic or *Sharīʻa* limit that would prevent it from being considered as a currency.

However, Bitcoins value remains highly unstable, since it is often subject to speculation and illegal uses. This objection can be countered in the following ways:

- Although the price volatility of Bitcoin affects its efficiency in a way that is similar to many other contemporary currencies and equities, it does not diminish its *thamaniyya* or monetary value. In other words, even though the price of Bitcoin can fluctuate greatly, it still functions as a valuable form of currency that can be exchanged for goods and services.
- Even though Bitcoin is sometimes used for illegal activities, this does not reflect its fundamental nature and does not violate the *Sharīʻah* law. Moreover, studies cited in this work suggest that such illegal uses of Bitcoin can be reversed or prevented.
- The fact that Bitcoin lacks a central issuer and government's regulatory control does not affect the general *Sharīʻa* rule. All Bitcoin rules are publicly stated and well-known to all players and customers through Bitcoin-Blockchain applications. Furthermore, progress in this field does not create significantly to form a conclusive *Sharīʻa* rule in this regard. Instead, trust in the government backing of a currency is replaced with the trust established by the blockchain technology itself.

Hence, it is admissible to engage in verifying and mining Bitcoin using hardware and software directly or by renting third-party hardware through the purchase of cards. However, the *Sharīʻa* rules of investing in mining through e-wallet or authorizing a third party should be evaluated individually. This viewpoint also concedes the exchange of Bitcoin with other currencies and accepts it as a countervalue in commodity transactions. Additionally, it is permissible to exchange Bitcoin with other cryptocurrencies. It reflects the fact that the exchange of Bitcoin with other currencies or commodities is subject to the *Sharīʻa* exchange rules (*bai al-sarf*). This shows that each cryptocurrency is considered a separate type of currency and follows the same regulations as fiat currencies. Additionally, the accumulated Bitcoin is subject to the rules of *zakat* on gold and silver.[22]

The opposing viewpoint that deliberates the prohibition of Bitcoin or any other similar cryptocurrency is based on specific arguments concerning certain attributes related to Bitcoin. For instance, there is significant speculation and relative instability regarding the value of Bitcoin. This also includes other issues such as the anonymity of the issuer, the absence of an issuing authority or guarantor, and the illicit use of such currencies on a large scale. According to this perspective, cryptocurrencies such as Bitcoin cannot be considered legitimate from a *Sharīʻa* standpoint as they involve *gharar* (uncertainty), *jahala* (ignorance), and *qimar* (gambling). Moreover, they serve as a means for illicit transactions. Therefore, scholars who share this opinion advocate for not considering Bitcoin as *mal mutaqawwum* and recommend prohibiting its use (as a precautionary measure) due to the presence of elements that contradict permissible transactions. While Ripple and Ethereum share similarities with Bitcoin, the *Sharīʻa* compliance of each cryptocurrency must be examined separately due to their potential differences. Evaluating contractual terms for mining pools and groups is complex and requires an individual review of contracts by each provider. The current study suggests further discussion regarding such services, including e-wallets and trading platforms. While

[22]Zulfiqar Ali Shah, "Islamic Economic Forum's Declaration on Bitcoin," *Fiqh Council of North America*, last modified November 7, 2021, https://fiqhcouncil.org/islamic-economic-forums-declaration-on-bitcoin/

Bitcoin trading is permissible under the first viewpoint, Muslims should not necessarily be encouraged to invest, trade, or speculate with it. This is due to the risks associated with the fluctuation of Bitcoin prices as compared to local currencies.

Based on the preceding discourse and the analyses conducted by scholars regarding the *Sharīʻa* evaluation of different categories of cryptocurrencies, this investigation underscores several noteworthy facets. Cryptocurrencies, exemplified by Bitcoin, possess a pivotal characteristic of decentralization, setting them apart from conventional currencies governed by governmental or private entities overseeing their issuance. Typically structured on blockchain technology, cryptocurrencies establish and manage the comprehensive history of currency transactions. The predominant mode of trading cryptocurrencies occurs through online platforms or brokers, often entailing associated service fees. Consequently, it is imperative for clients to install digital wallets on their computers to monitor ownership and cryptocurrency transactions.

Moreover, these digital platforms and wallets offer a distinctive feature allowing users to operate under pseudonyms or maintain anonymity, thereby affording a certain level of privacy and confidentiality. Certain jurisdictions, such as Malaysia, have enacted regulations mandating individuals to obtain a license from relevant authorities for utilizing electronic platforms in transactions. Additionally, these countries have established guidelines for platform users, including the obligation to disclose their true identities. Despite the growing popularity of cryptocurrencies, with increasing acceptance in various retail outlets and even endorsement by certain governmental bodies, multiple studies have underscored associated risks, notably the volatility in their exchange rates.

8. Conclusion

Based on various studies and juristic reasoning (*ijtihād*), this study concludes that Islamic jurists present varying opinions regarding the legality of trading or holding cryptocurrencies, ranging from permissibility to caution and a complete ban. Some scholars have issued *fatawa* declaring cryptocurrencies as impermissible in Islam due to their lack of clear value or backing, high volatility, and speculative nature. They argue that it resembles gambling, which is prohibited in Islam. Furthermore, its potential for use in illegal activities such as money laundering and terrorism financing makes it *haram* (prohibited).

Other scholars have taken a more nuanced approach, suggesting that cryptocurrencies may be permissible in certain circumstances, particularly when used for legitimate transactions and investments without involvement in illegal or unethical activities. They emphasize the importance of adhering to the Islamic principles of honesty, transparency, and fair dealing when using cryptocurrencies, cautioning against their use in speculative or risky investments.

However, some scholars share the stance of several international Islamic institutions, including the AAOFI, International *Fiqh* Academy, and Muslim World League, in adopting a neutral position regarding the permissibility of cryptocurrencies. They believe that until an exhaustive empirical research is conducted, the Muslim community should take a 'wait and see' approach and refrain from making conclusive rulings on whether cryptocurrencies are *Sharīʻa* -compliant or not. They further argue that, given the speculative and ambiguous nature of digital currencies and their potential impact on the society, scholars should avoid issuing a *fatwa* without complete certainty.

Conflict of Interest

Author(s) declare that they have no conflicts of interest.

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