

Islam and Bitcoin

What do the scholars say?

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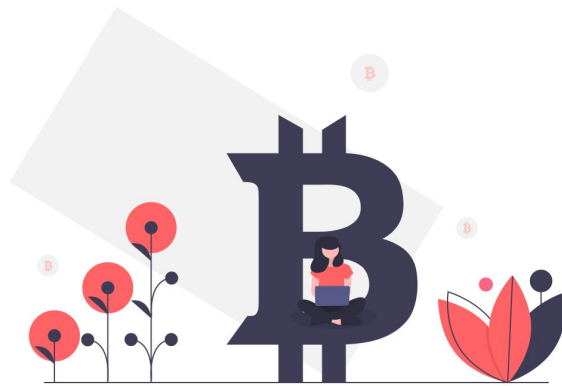
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Section 1

Introduction

We now move on to something that has preoccupied people in this time. A matter that has preoccupied the people and has tried them a great deal. It is what has been entitled digital currencies, or electronic currencies.



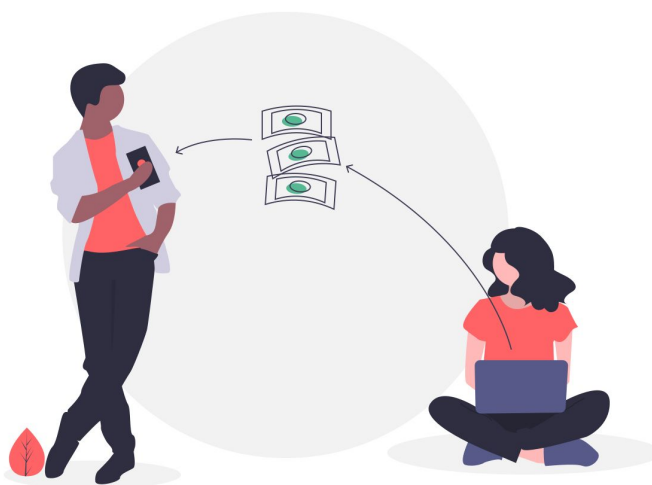
1.1 Electronic Monies And Digital Currencies

Before I speak about electronic currencies, I say, respected brothers, within the present day technical terms there are; electronic monies and digital currencies. It is essential to distinguish between the two. Electronic monies are an electronic means that contain and serve the currencies that they are connected to.

These new electronic mediums contain currencies that are known. It contains [for example] Dinars. However, it is an innovative electronic means, like credit cards with their various types. This in reality is not money in its essence, but only a medium. As for the actual money, it is the currencies that exist currently. Principally, this is allowed. However, dealing with it remains a topic that should be scrutinised as to whether it is an Islamic legislated means or not? However, we do not wish to delve into that now.

As for digital currencies, they are electronically computerised monies that are established within complex accounts. It is difficult to uncover them and their domain is the electronic network. Pay close attention here, there are firstly digital currencies that are entrusted in extremely complex accounts that are difficult to uncover in addition to the fact they only exist in electronic domains. They don't have any external domain, it's' only domain is the electronic network.

1.2 Type Of Money Is Numerous



Before I speak about its ruling, it is necessary for us to know that money in the Islamic legislation is of two types. This is very important. For I have come across many of the students of knowledge who have spoken about the digital currencies do not actually know the reality of Islamic legislated monies, and they muddle some affairs with others. The monies that are considered in the legislation are of two types:

1.2.A The first type

is that it has intrinsic value (value in and of itself) and the people recognize it in transactions. This is known, according to the Jurists as commodities [*Al Nuqud As-Sila'iyah*].

It is a commodity, such as gold. Gold, respected brothers, has value in itself, as well as silver and copper, and other than that which has intrinsic value. This also includes the paper money when its value is returned to and backed by gold and silver. In the past, the Dinar was underpinned by gold and silver.

The Saudi riyal was underpinned by silver. So these paper monies represent something that has value, which is gold or silver. The aforementioned here are all commodities [*Al Nuqud As-Sila'iya*].

1.2.B The second type

is the form of money that does not have value within itself but rather its value is based on the strength of the economy of a country and the governments' responsibility as a guarantor for this money, such as the paper money today. In your pockets are all papers, a paper worth a Dinar and another valued [for example] at ten Dinars. Is the value in the paper itself? It actually doesn't possess any value. Does another body cover its value? Where does it gain its value? It is in fact gained from the strength of the economy of Kuwait. As long as the economy is strong and stable, the currency is also strong.

We ask Allah that He doesn't decree this, but if any instability occurs in the economy, what will consequently happen to the value of the currency? It will depreciate.

So this does not have any value in and of itself, rather its value stems from the strength of the official economy of the country and from the guarantee afforded to the currency by the government and thus this is recorded on it. This is called *Al Nuqud Al-'Itimaniya* (*fiat money*).

1.2.C Commodities And Fiat Money

The first type is called commodities [*Al Nuqud As-Sila'iya*] because it has intrinsic value, whereas this one is *Al Nuqud Al-'Itimaniya* (*fiat money*).

They are both monies that are legally binding in the legislation. Keep them in mind as we will use them in deriving the ruling on this electronic currency in question.

Some of the students of knowledge have deemed the digital currencies to be permissible based on the permissibility of commodities [*Al Nuqud As-Sila'iya*] whilst one would initially think that the electronic currencies would naturally fall into *Al Nuqud Al-'Itimaniya* (*fiat money*), it would be supposed from the outset that it makes more sense to place it into the second category because it does not exist externally from the networks.

1.3 Electronic or digital currencies are numerous



Electronic or digital currencies are numerous, however, the most popular is BitCoin that is present nowadays. It emerged at the end of the year 2007 and at the beginning of the year 2008 as a notion. Then it appeared as a reality in the year 2009 except that it did not gain momentum and prevalence until the year 2017.

During this year, it gained strong momentum in its tangible form whilst most of the Islamic legislative bodies withheld from offering a verdict on it. Most of the considerable Legislated bodies in the Islamic lands withheld, until now a verdict has not been issued. Some of these bodies are engaged in studies on it now and others are waiting until the matter stabilizes, meaning; “We will not issue a verdict on it because it is an unstable matter, when its situation settles and becomes clear, a verdict will be issued”, as far as they are concerned.

Some legislated bodies have issued a verdict and likewise some researchers have done the same.

1.4 Permissibility Based On Its Anticipated Outcome

I shall notify you my beloved ones, that some of the verdicts for the permissibility of it are based on its anticipated outcome, not upon the current reality of this currency. So they declared its permissibility based on their reliance that these currencies will become officially recognized currencies. So they passed their verdict for its permissibility based on their forecasted predictions and not on the present reality.

This is not correct jurisprudence [Fiqh]. Why? This is because it is mandatory that a ruling be based on the current reality. As for anticipations, they may occur or may not. Anticipated future events are from the unseen realm dear brothers. It may occur or may not, especially since there aren't any present indicators that reveal the future. There are no present and realistic economic indicators that point to the future [of this currency].

Therefore, it is not allowed to declare a ruling based on the future. We rule on reality. If the condition changes in the future, then we rule according to those occurrences if we are still alive and able. This is because a ruling revolves around its juristic reason.

Similarly, such a verdict [for its permissibility] is an incentive that encourages people to deal with electronic currencies in their present form. If you tell the people it is permissible, they have prematurely received what they have been eagerly awaiting, they will not wait for your anticipated predictions to develop. They will immediately engage in it, and this is impermissible.

Thus, it is obligatory that any speech on these digital currencies be in accordance to its current and real form. This is the first notification. The second is that those who pass the verdict for its permissibility say that these digital currencies are a phenomenon that we cannot repel, thus affecting its prohibition as was the case at the time of the emergence of the fax machine.



1.4.A Fax Machine Analogy

When the fax machine first emerged, some of the scholars said that it was unlawful, they said it uses Jinn (devils). You slot the paper in a machine and it appears in another country, they said 'this is magic and a manipulation of the Jinn (devils)'. After that, the matter was settled, acknowledged, it was deemed lawful and the scholars began to use the fax machine and what is even more advanced than it. So they claim that the digital currencies are equivalent to this, and this is a huge error.

There is a difference between contesting the new because it is merely new or its reality is truly unknown such that a person does not know its reality and so resists it, and between resisting something because it is in fact unlawful.

As for the first one, then no doubt things will change throughout time and the actual reality of the matter will become apparent, as in the case of the radio, fax, etc. As for the unlawful, which is prohibited because of its unlawful nature, then it will always remain unlawful.

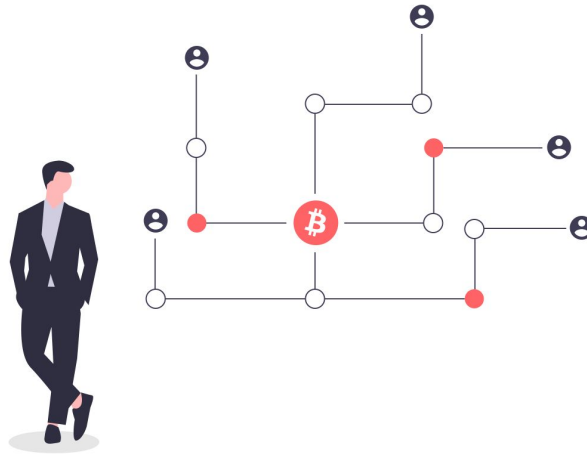
1.4.B Medicinal Drug Analogy

I will draw an example, drugs in some lands are a reality, smoking cannabis in some Muslim lands is a real occurrence amongst most youth and they smoke it openly whether it be cigarettes or otherwise. Instead of eating seven 'Ajwa dates in the morning, they smoke a cigarette of cannabis. They say: "Get a morning serving". It

became a reality. Should we now say that since it has become a reality, we cannot prevent it because it has become a reality? Rather the answer will remain the same and we shall continue to say it is unlawful, unlawful, unlawful and unlawful and it is incumbent that we counteract them.

Section 2

Islamic ruling on these currencies



We now move on to speak about the Islamic ruling on these currencies. Those who research these currencies are divided between two opinions.

2.1.A First Opinion

The first opinion is that it is permissible to deal with them in exchange and trade. Exchange: As you know, there are now methods of paying using the electronic currency, and the trading as in: the buying and selling the currency itself on the available platforms.

2.1.B Evidence

Their evidence for this is that business transactions are principally lawful. They say this is included within mutual dealings and that business transactions are permissible. They also say that some countries have begun to approve these currencies and other countries are studying whether to approve them or not. So, in their view, it has begun to gain the strength of a country's functioning economy. Is it clear dear brothers thus far?

So the first reason in justification of their argument is that it is considered a business transaction, which is principally lawful, and the second reason is that it has begun to gain the strength of a country's functioning economy.

Some of the countries have approved it, such as Germany as well as some other European countries and some countries in South America whilst some other countries are studying whether to approve them.

They also mention that the most authentic opinion amongst the Scholars is that whatever the people recognise as a means of exchange, in fact becomes money.

Therefore, if the people were to recognise animal skins as a medium for exchange, then an animal skin becomes money. And the people today have recognised the medium of exchange as electronic or digital currencies.

2.2.A Second Opinion

The second opinion is the absolute impermissibility of dealing with electronic currencies. The illegitimacy of dealing with them is due to some affairs. It is notable to mention that the ruling for its impermissibility has come from official bodies, the *Iftaa* (office for Islamic verdicts) in Egypt and the *Ifta* (office for Islamic verdicts) in Turkey. They passed the verdict that it is impermissible. The basis of its impermissibility roots from the following affairs;

2.2.B Evidences

2.2.B.i *The first affair - no real value*

It does not possess any real value. Rather, its value according to economic parameters as measured by economists is zero value. Its value depends on complex digital accounts that cannot be relied on.

2.2.B.ii *The second affair - country acceptance*

There isn't a single country that issues it or has a structure in place as a guarantor in case of its collapse. Consequently, it has not obtained any characteristic from the characteristics of legitimate money. How is this the case? It does not have any intrinsic

value, so it is not a commodity [*Al Nuqud As-Sila'iya*], nor does it earn its strength from the economy, thus it isn't considered from *Al Nuqud Al-'Itimaniya* (*fiat money*). This highlights that this currency is void of the attributes that make up legitimate money according to the Islamic legislation.

2.2.B.iii *The third affair - value*



Its value is based on market speculation and it is very risky. All the economists consider it high risk. According to the economic measures, there is low risk, medium risk, and high risk.

The figures vary slightly, however, between 1%-20% is considered low risk, between 20%-50% is considered medium risk, and from 50%-70% is considered high risk.

Most economists consider the risk of electronic currency above the 70% mark, it is very high risk and highly susceptible to collapse at any moment. Moreover, this is further indicated by the severe fluctuation of the value of this currency. The value of this currency spiked until it reached \$20,000, then it suddenly lost 60% of its value and then dropped again until it reached its current value below \$6000.

2.2.B.iv *The fourth affair - unknown issuers*

Its issuer is unknown. Who issues it? Past or present, they are unknown. The currency is produced by particular actions that have been loosely translated [into Arabic]

imprecisely. It is not a detailed translation of the English word, but it is the closest meaning. So its source is unknown.

2.2.B.v The fifth affair - encryption

It is impossible to monitor it and use it accurately. Why? Due to it being so finely encrypted. Who is able to monitor it? Consequently, this makes it a source for evil actions like terrorism.

Terrorists today have found a platform for their financial transactions. There has recently been stringent controls on the financing of terrorism, so they have found an open platform in digital currencies as it is impossible to monitor it. It is also used for laundering tainted money and has subsequently become a welcoming platform for despicable actions.

2.2.B.vi The sixth affair - economic effect

The experts in the jurisprudence [*Fiqh*] of business transactions and economics have realized that this currency is harmful to the economics of nations and actually weakens the economy of a country. In turn, this leads to the economy of a nation being partly under the manipulation of unknown parties who can dictate the economics and influence it as they wish. It is no longer in the full control of the government of the country.

I would not regard it as far fetched, even though I do not have any tangible evidence for this particularly, that the Jews are behind this. I say this because the Jews often produce such mysterious economic innovations. This is because the ideology of the Jews in world domination is through the philosophy of money. Likewise, the Freemasons attempt to establish their dominance in countries through their dominance over the economy.

There is no doubt that these digital currencies will weaken the current economies, especially if they are given a platform to reign. Economies will sway in the wind and the economics will be dominated by unknown figureheads who will manipulate it to their liking.



Gharar

All of this leads a jurist to ascertain that it contains a lot of *Gharar* (unknown, untrusted and unspecified trade) and a substantially high number of unknown possibilities. It is in reality the highest form of risk.

The jurist who is an economist and the businessman who knows the market will both acknowledge that it involves the highest form of *Gharar* (unknown, untrusted and unspecified trade), and The Prophet ﷺ prohibited the *Gharar* in transactions (unknown, untrusted and unspecified trade) as has been reported in Sahih Muslim and there isn't any doubt that these digital currencies are certainly categorised in the highest level of *Gharar* (unknown, untrusted and unspecified trade).

2.2.B.vii The seventh affair - gambling

I have previously mentioned six affairs and commented as you have heard, as for the seventh matter, it is the colossal risk it entails. A person pays a portion of his wealth hoping to receive a large return without exerting any actual work. Thus, it matches a form of gambling. You purchase these currencies in question which do not have a reality using a portion of your wealth and then you wait until it rises in value in order to

gain a profit, you aren't actually performing any work nor does it have a reality. So in it is a form of gambling.

2.2.B.viii *The eighth affair - high risk*

It has a high level of risk without any endorsement for it. No country has placed any warranty on it despite its severe risk. So investing wealth into these currencies is a squandering of wealth, and Allah has forbidden us from wasting wealth as the Prophet ﷺ has conveyed.

Summary

So as I have mentioned, it is apparent to me – and Allah knows best – that the correct opinion is the second one and that it is unlawful (*haram*).

As for the argument of those who permit it, they say, that the basis of all business transactions and trade is that they are permissible. 'Yes', we respond. The origin of business transactions and trade is permissibility whilst Allah has broadened the aspect of business transactions and trade for the Nation of Muhammad ﷺ and He did not tightly inhibit them in it.

However, it has concurrently been stipulated that there must not be any prohibitions of the Islamic legislation included in the business transaction. If a preventative cause from the legislation exists in the transaction, then it becomes unlawful (*haram*).

For example, if we exit the *Masjid* [Mosque], and I ask Allah not to allow this to ever occur, and we find a man at the door of the *Masjid* selling bottles of alcohol, "One for the ten, one for ten". We would say: "My brother, what are you doing?" He would say: "selling". We would say: "It's unlawful (*haram*)", and he would respond: "The origin in business transactions and trade is permissibility and Allah says: "whereas Allah has permitted trading [2:275]". Would a sane person say this is valid? No. It contains a Legislated preventative.

And we have clarified the preventatives in the legislation such as obscurity in transaction, unknown trade, and the wasting of wealth pertaining to these currencies.



As for their argument that some countries have approved this currency, like Germany, and some other European countries and some South American countries, then we respond; none of the countries have issued this currency or adopted it in their economics or back it financially. What actually occurred is that some of these countries approved these currencies for accountability purposes in the attempt that the country ensures its share from the tax. When these countries noticed the financial activity involved and the substantial amounts of money, they decided that if they do not take action, the country would lose its gains from the taxes.

However, they deemed that if they validate it, we are then able to commit our citizens to pay taxes from these transactions. Therefore, they do not approve of them from an economical perspective, nor do they issue them, nor does the government of the country ensure a guarantee for it in the case of its collapse, rather, it is to guarantee its right to the taxes. If a person experiences any complexities with the currency, they do not have any warranty for their loss, yet, they are obliged to pay a tax return related to these currencies. This is what occurred.

It is also mandatory to differentiate between approving a currency for accounting benefits and approving a currency by issuing it and giving a warranty for it. The point that must be adhered to is that a country approves these currencies by either issuing them and making them legal tender or giving warranty, and all this is not present within these currencies.

As for their argument that the people recognize it as a method of exchange whilst some of the Scholars have declared that whenever something becomes recognized as an exchange, it becomes money, we respond to this by saying that this attachment is invalid.

Why? Because the speech of the Scholars who hold this opinion is only in relation to commodities [*Al Nuqud As-Sila'iya*] which has intrinsic value, now if the people recognize it, then it becomes a currency and it does not need to be endorsed by the government because it retains its value from itself. Gold has value. If the people recognize gold as an exchange, then it is considered money. Even animal skins, if they become acknowledged as a form of exchange, it consequently has a value in and of itself.

However, O brothers, if one uses their intellect, can one buy one hundred grams of gold with a piece of animal skin? It is not possible. According to intellect, something is assessed according to its value. Let us analyze how much an animal skin is worth? A *fiIs* (a subdivision of a currency similar to a penny)? Okay then, is it worth a *fiIs*? The animal skin can be used to buy anything worth a *fiIs*. So this is the speech of the scholars regarding the money that has intrinsic value, however this electronic currency is not of that kind, thus, it is not correct to make this connection.



Conclusion

In conclusion, as far as the speech on this currency is concerned, I remind every believer to be guarded in dealing with it. We have clarified it and all we can do is clarify. We clarified the statements of those who say it is allowed, the reason for their statements, as well as the angles in response to their statements along with the statements of those who say it is impermissible and the reasons for their statements in accordance with the principles of the legislation. I am reassured in my heart that the principles of the legislation reject any dealings with these currencies. With that I say to the believer who is hesitant regarding it to remember the statement of the Prophet

Leave that which gives you doubt for that which does not give you doubt

And the statement of the Prophet

The law is clear and the unlawful is clear, and between the two of them are doubtful matters about which many people do not know. He who avoids doubtful matters clears himself in regard to his religion and his honor, but he who falls into doubtful matters will fall into that which is unlawful. Like the shepherd who pastures around a sanctuary, he will soon pasture inside it

Just as I remind you of the statement of Ibn ‘Umar (may Allah be pleased with them both):

Verily, I place a barrier between the unlawful and me with a barrier from the lawful. I do not puncture it.

Here, Ibn ‘Umar is saying that the unlawful matters are clear, so place a barrier between the unlawful things and yourself, the barrier must not be composed of the unlawful matters but rather from the lawful. And the lawful matters are numerous –all praise is due to Allah- but still place a barrier and do not puncture it, because the one who punctures the barrier will most probably fall into the unlawful.

The least that can be said about this issue is; “Leave that which gives you doubt for that which does not give you doubt” in accordance with the command of the Prophet. Even though the affair is not doubtful to us, in fact it is clearly unlawful. However, I say: if you

are doubtful then do not let Shaytan (Satan) deceive you. “Leave that which gives you doubt for that which does not give you doubt”.

I ask Allah, the Exalted to guide the Nation of Muhammad ﷺ towards the lawful, and that He suffices them in the lawful (*halal*) as opposed to the unlawful (*haram*), and protect us from the newly invented matters, and that He aids us all to hold fast to what Allah loves and is pleased with.

May peace and blessings be upon our Prophet Muhammad