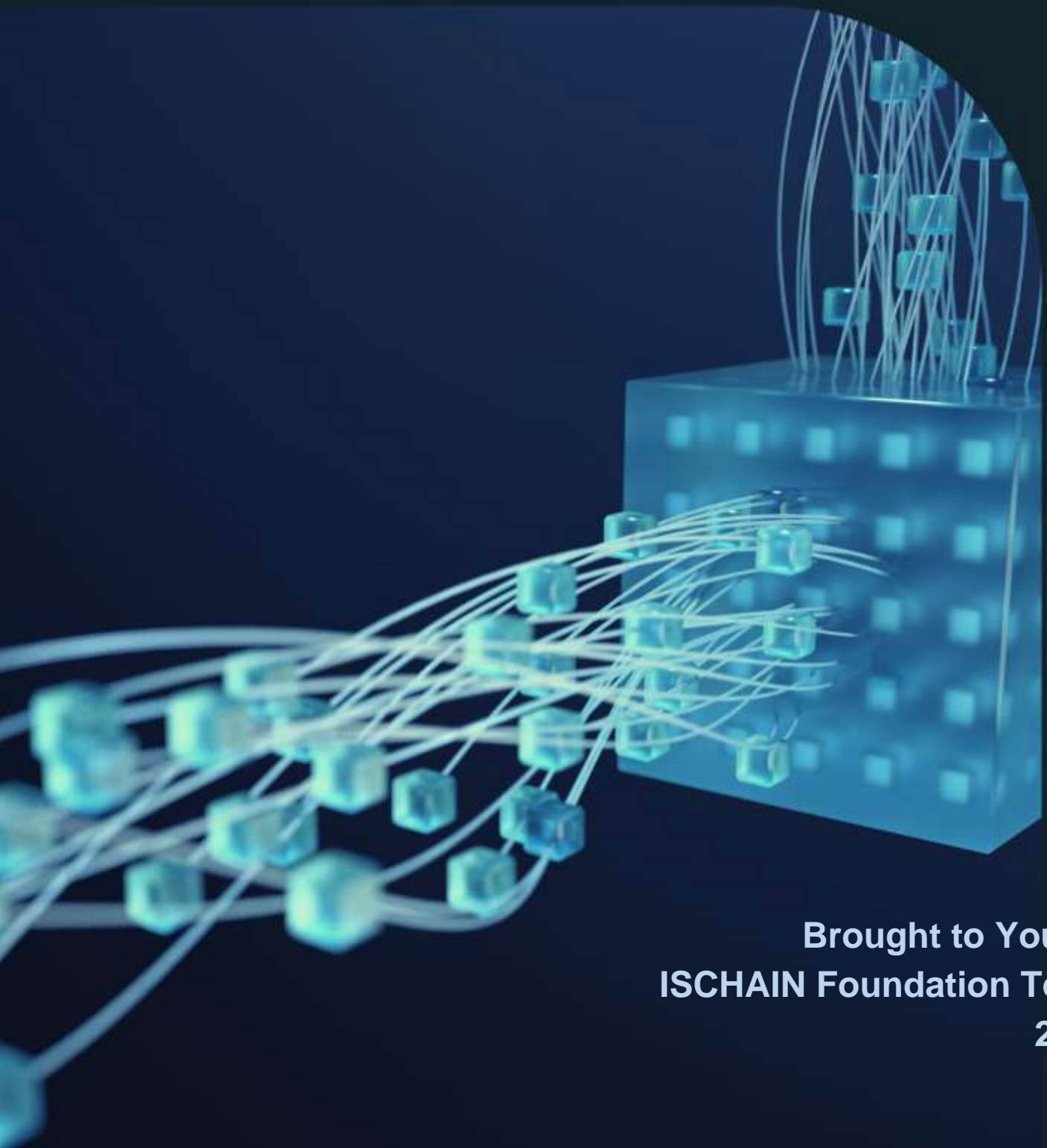

WHITEPAPER

Version 0.7 (English)

Halalanft

The First Halal NFTs Collection that Brings Sharia Based DeFi Ecosystem



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ISCHAIN Foundation Team
2022





ABOUT HALALANFT

Halalanft is an ecosystem that will bring a halal perspective as a foundation toward the NFTs collection and DeFi protocol that will build in the ecosystem. Halalanft is not just a collection of NFTs that we may see in the market at the moment, which most of them have no utility and only take advantage of the temporary hype. Otherwise, Halalanft is a long-term NFT project that will give benefit to the holder beyond enjoying the art of NFT they have purchased.

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Disclaimer

This document does not constitute an offer of securities or an invitation to invest in securities. This white paper is intended to provide information about Halalanft features and its technical structure, as well as the services provided by the project. Based on the information contained in the documentation, readers can gain a better understanding of our project.

This information is sufficient for direct users and investors. However, the information contained in this document is for informational purposes only, and the team is not responsible for any misunderstandings or misinterpretations.

This white paper is a living document and is prone to errors and administrative changes. The information presented may not be interpreted as a service commitment between stakeholders. In addition, the specific statements and estimates contained in this document are the product of optimism. This is either just information or future ideas that have not been realized at the particular moment.

Last Update : August 17th, 2022

I. About The Project

1.1 What is Halalanft?

Halalanft is an ecosystem that will bring a halal perspective as a foundation toward the NFTs collection and DeFi protocol that will build in the ecosystem. Halalanft is not just a collection of NFTs that we may see in the market at the moment, which most of them have no utility and only take advantage of the temporary hype. Otherwise, Halalanft is a long-term NFT project that will give benefit to the holder beyond enjoying the art of NFT they have purchased.

1.2 What makes us different?

We focus on 5 things that will be long-term fundamentals to build NFT's utility of this project, we call it: **House of Halalanft Strategy**. We believe that the web3 industry has enormous potential in the future, unfortunately many of the web3 projects ignore the utility aspect of the token or NFT created. Halalanft will build a halal ecosystem that focuses on providing ultimate NFT's use cases or utilities so that it has real benefits for holders.

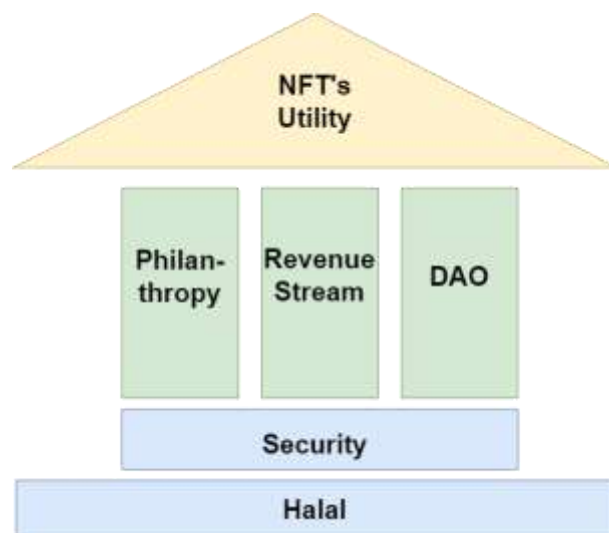


Figure: House of Halalanft Strategy

Halal (permissible according to Islamic Perspective) and security aspects are the foundation of the development and operation of Halalanft ecosystem. And to achieve the ultimate NFT's utility, it needs 3 pillars to achieve it, namely revenue stream, governance, and philanthropy.

1. Halal

As we mentioned earlier, our first focus is to make this project halal from an Islamic perspective. To make it happen, we will meet the halal certification standards from an Islamic institution that has authority to issue it.

Developing a halal web3 project is certainly a challenge, especially to reach out Islamic community. We believe that there are enormous potential Muslim or halal market on this emerging web3 industry, unfortunately references or studies of halal things in crypto space are still very limited. With Halalanft, NFT holders will feel more comfortable with the protocol and revenue streams in the ecosystem that we build, without worrying about the sharia prohibition. Halalanft has a sharia advisor expert in the core team and we will provide bunch of references about sharia guideline in the community.

2. Security

Security is a very important issue in a web3 project, therefore the NFT marketplace and the DeFi protocol that will be built in the Halalanft ecosystem will be audited by credible and reputable smart contract audit institutions. Solidity Finance and Certik will be candidates for audit institutions that we will explore.

3. Philanthropy

We will build an Islamic Education Care Center (IECC) which will focus on providing scholarships and build Islamic boarding schools, both are main focuses of our philanthropic activities. The scholarship program will be divided into two programs: Muslim Web3 Developer scholarship and scholarship for students pursuing their studies in Islamic boarding schools and Islamic universities.

We will also collaborate with some education or social institutions in distributing donations without neglecting the focus on the two things mentioned above.

IECC will has its own multisig wallet separate from the treasury wallet, which will be sourced from:

- 1) Initial allocation of NFTs sales/minting revenue
- 2) Profits from managing treasury / revenue from the protocol
- 3) Philanthropist who donates to IECC wallet

In the long term, we consider to develop educational simulation/virtual reality project, such as hajj/umrah simulation.

4. Revenue Stream

Unlike many NFTs projects that are present in the market today, Halalanft will become an ecosystem that has its own revenue stream for products or services to be provided. Halalanft will manage on chain & off chain revenue stream, as below:

4.1. Halal Investing

We will allocate some portion from NFTs minting revenue for the community treasury which will then be invested to earn profits then will redistributed to the NFT holders. Some of the investment strategy initiatives are as follows:

1. On Chain Investment: On chain investment will be the initial phase in managing community treasury, in three ways:

- 1) **Trading:** Buy and hold coins that have medium- or long-term potential, and will be sold when reaching the optimum profit.
- 2) **Halal Yield Farming:** Role as liquidity provider in a decentralized exchange for the halal coin liquidity pool.
- 3) **Delegator / Validator:** Delegates coins to a specific validator, or running own validator nodes to secure a blockchain.

2. Off Chain Investment: We have 4 strategic initiatives to conduct offchain investment:

- 1) **Clothing Brand:** We will produce our own clothing brand that will link the NFT to those physical clothes.
- 2) **Partnership:** We will look for partnership with local sharia business entities / cooperatives in terms of sharia funding or even membership scheme, such as funding in livestock business especially in *eid al adha* event or *aqiqah* event.
- 3) **Merchant Membership:** We will make the NFT has membership function to particular merchant so that the holder will get discounted products / services for a certain period of time.
- 4) **Mid Term:** We will prioritize off chain business funding opportunities with projected return of investment (ROI) in not over 1 year.

Funds allocation for both on chain and off chain investment will consider treasury balance and level of risk, and all of it will be determined and executed by the core team at least until the DAO is well-established.

4.2. Revenue from protocols

1. NFT Marketplace

We will build our own NFT marketplace beside listing on popular NFT markets, such as opensea. Having own marketplace will bring benefits to the holder and the protocol so that the transaction fees that are set can be more competitive and become revenue for Halalanft ecosystem itself.

2. Halal Yield Optimizer

This is a DeFi protocol that we will build, which is a platform for automatically compound the token rewards obtained by liquidity provider from certain decentralized exchange. We will fork Beefy Finance (<https://beefy.finance>) which is a well-known

auto compounder or yield optimizer with a total locked value (TVL) around \$250M on 16 chains when this whitepaper is written.

With this yield optimizer, liquidity provider doesn't need to manually harvest the reward and split the token into 2 other tokens in creating LP token and no need to compound their liquidity pool on decentralized exchange as well. The protocol will set a service fee as a revenue from this automatic compounding service.

Revenue Model Framework

The figure below shows our revenue framework model.

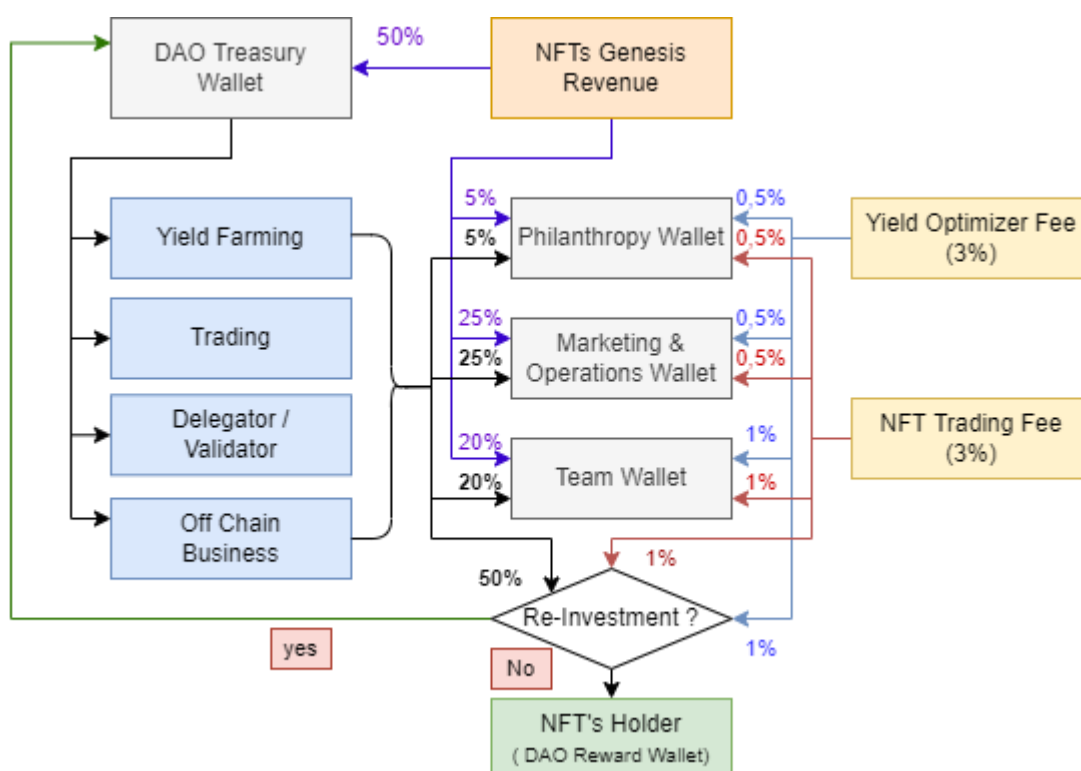


Figure. Revenue framework model

5. Decentralized Autonomous Organization (DAO)

We aware that the community is important in the web3 project, the success of the web3 project is highly dependent on the loyalty and dedication of the community. Therefore, we will make Halalanft holder have the right to submit a proposal, and right power to vote in determining a proposed proposal. We invite Muslim developers and Muslim art creator and any Halal web3 to join our community. Together we will build Halalanft to be a big and global web3 halal project with a decentralized autonomous organization governance: HalalanDAO.

6. Tagline, Slogan, Vision & Mission

Halalanft has the following tagline, slogan, vision and mission:

Tagline: Ethics Society, Leap Beyond

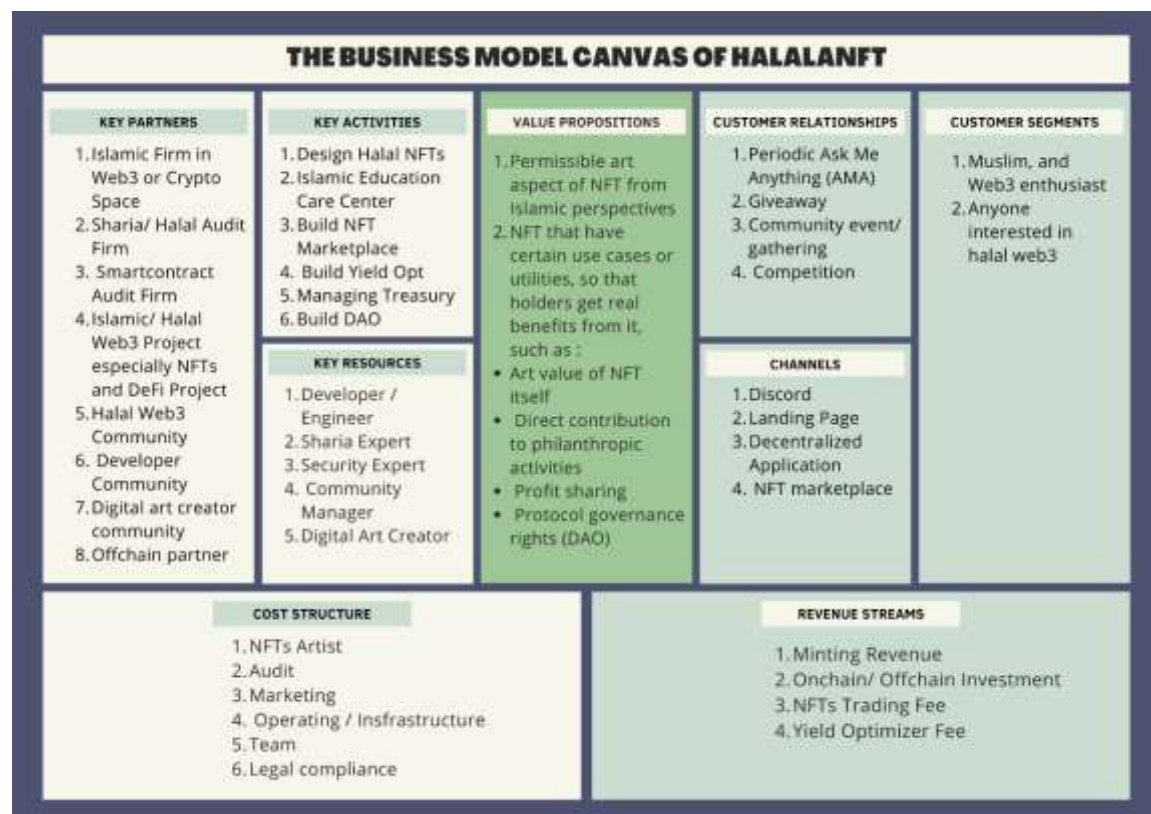
Motto: The First Halal NFTs Collection that Brings Sharia Based DeFi Ecosystem

Vision: Provide halal and secure ecosystem that focuses on NFT's utilities that brings long term benefit to holders.

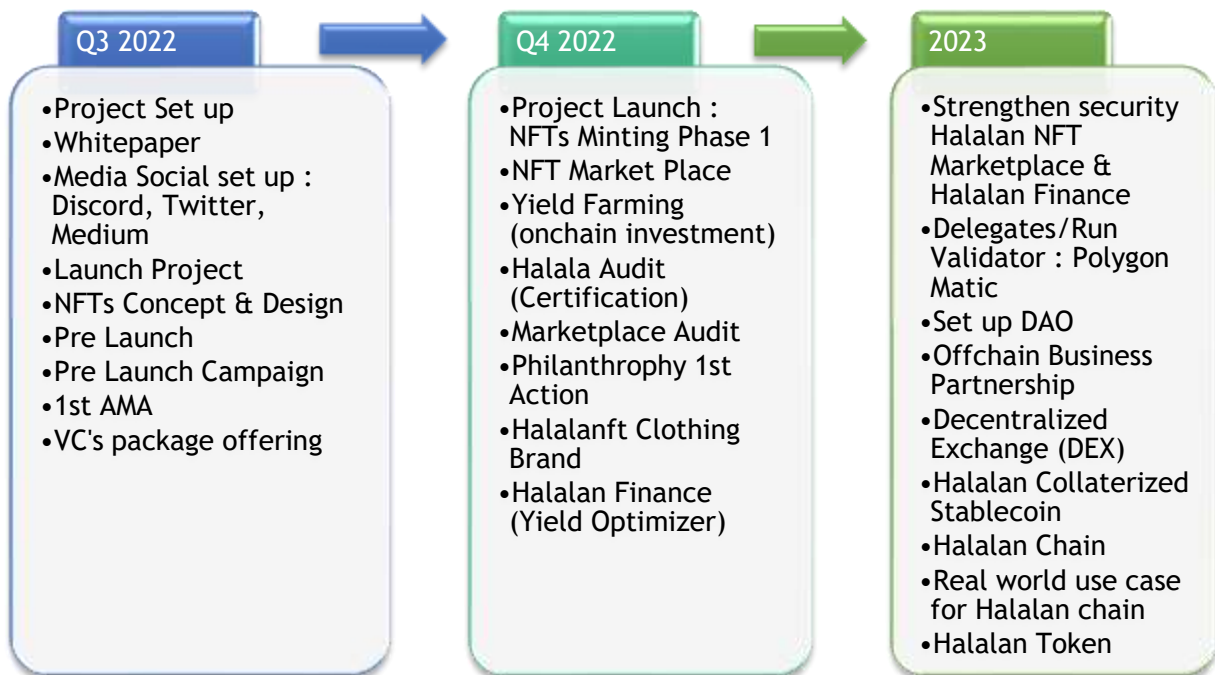
Mission:

- 1) Designing and providing a halal NFTs collection and its own marketplace
- 2) Building a halal yield optimizer.
- 3) Managing DAO treasury funds in Halal manner.
- 4) Empowering Islamic global community.

1.3 Business Model Canvas



1.4 Roadmap



We will evaluate the achievement periodically and make adjustments, if necessary, with public notification (in our official discord). As for entering 2023, we will maintain the protocol that has been running so that it will remain sustain and secure. Then, we put validator, DAO, develop decentralized exchange, collaterized stablecoin, blockchain/ subnet, and native token on the list.

II. Our Ecosystem & Their Halal Perspective

2.1 Halal NFT

2.1.1 What is NFT

NFTs are described as a special type of token that represents a unique asset. The term fungible means something that can be replaced by something similar. It is a type of token that can't be replaced by another similar token as what is represented is unique and non-interchangeable. NFTs represent scarcity of digital content. While both NFTs and cryptocurrencies operate on blockchain technology, NFTs are not interchangeable the way one Bitcoin is the same as another. They each represent unique digital files that live on the blockchain.

2.1.2 NFT's in Fiqh

The concept of fungibles and non-fungibles has been addressed at length by the Islamic jurists and schools of Islamic law. In summary, fungibles are called *Mithliyyat* in Fiqh, whilst non-fungibles are called *Qimiyyat*.

A non-fungible (*Qimiy*) is that property or asset which does not have an identical or near-identical asset to it in its form (*surah*). Examples of this include animals of same genus, unique items such as a dress designed and made for one person, a painting or calligraphy which is unique. *Qimiy* has also been translated as heterogeneous property.

If a person's fungible item is destroyed by a third party, the first remedy is a like-for-like replacement, because a near-identical is in existence. Whereas, if a non-fungible item is destroyed by a third party, only the market value of the item is paid as damages, since an identical replacement is impracticable.

2.1.3 Halal / Permissible NFT Principle

When reviewing NFTs, Islamic scholars will generally be considering the following principles:

1. *Maliyyah* – something which reasonable people have an inclination towards and can be retrieved when needed.
2. *Taqawwum* – something which has a lawful utility and benefit.
3. *Manfa'ah Maqsudah* – In the discussion of services, the jurists stipulate that the utility of something must be such that it is sensible and commonly sought after by people. It should not be something that the Shariah objects to or reasonable people would not seek such utility^[iv].
4. Extravagance (*Israf*) and wastefulness (*Tabdhir*).
5. Any potential wider Shariah infringements.
6. The Impact of investing in such assets, and how it impacts the remaining wealth of a person to fulfil their Islamic duties and obligations in particular to maintaining oneself and their family.

NFT art & collectible should:

1. Not anything unlawful to see in Shariah, such as limbs and areas which the Shariah orders to be covered and concealed
2. Not anything sacred in Shariah which it prohibited to portray such as the Allah, the Prophets etc.
3. Not ridiculing or disfiguring of other people
4. Represent something lawful and Halal.
5. Not be something futile and mere amusement.
6. Have a genuine utility which is of worldly benefit or spiritual benefit.
7. Not a living creature that is forbidden to be portrayed.

There are two kinds of portraying non-living things:

- 1) Portraying things that made by humans, for example cars, masjid, boats, and so on, are allowed without dispute. Since it is permissible for humans to make them, so they are allowed to draw them as well.
- 2) Portraying of non-human made objects, such as mountains, rivers or the sea, are permitted by scholars. However, there are opinions that exclude several things, and this opinion is weak, namely the opinion which states that the image of a tree or plant is detested (*makruh*). There are other opinions which states that the image of a tree is haram and the image of the sun and moon is haram, but these are two weak opinions too, since the prohibition in the hadith is for the image of a living creature.

We realize that there are differences of law between portraying and getting benefit of pictures. But, the detail information of images law will not be mentioned in this whitepaper.

God willing (*Insyah Allah*), the detail particularly about halal web3 will be elaborated next in the community.

2.1.4 How to get an NFT

Typically, one NFTs collection has the same character theme but with different traits (either its group traits or sub traits)

When someone wants to buy an NFT for the first time, typically there are 2 ways to do this, and this depends on the artist, developer, or the owner of the NFTs project:

1. Buy from the NFT marketplace. Someone can buy an NFT that he sees and likes on the marketplace because the character's theme and the traits have indeed been revealed. So that there are no problems buying and selling NFT in the marketplace,

thus it is permissible as long as the NFT's image content / NFT's major use case being traded are also permissible/halal.

2. Purchase by minting an NFT from developer sites or decentralized application. Here the buyer cannot be sure which image will be obtained. Thus, it can be said that there is *gharar* (uncertainty) or *jahalah*. However, *gharar* here is minor and tolerable if the difference is only in traits and it has no effect on minting price (all NFTs have the same minting price)

Scholars agree that minor *gharar* does not affect the validity of a contract. [Ahkamul Qur'an Al-Jashshas 2/189, Al-Masalik fi Syarh Muwattha 'Malik Ibnul Arabi 6/83, Al-Majmu' Imam Nawawi 9/285, Hasyiah Raudh Murbi' Ibn Qasim 4/351]

Thus, as long as there is object of being sold, the object is known (namely an image), the theme character is known, the buyer can determine the number of items he wants, the NFT sold can be handed over, and the nominal price is known, then this minting transaction is valid & permissible in sharia perspective. And it can be an invalid transaction if one of the above information is not met. And Allah knows best

2.1.5 Halalanft

Halalanft is an art collection of living tree figures with several different attributes including hijaiyah letter on its body: *Ha* or *Alif* or *Lam* (which if assembled become *Halala*, means permissibly). Those will make every single Halalanft unique.

Halalanft will be minted on Polygon (Matic) Blockchain, with standard ERC 721. The following is an example of NFT Halalanft sketch (subject to change):



With a brief literature review and sketch example above, we could say that Halalanft is permissible in Islamic perspective. This is based on the following points of view:

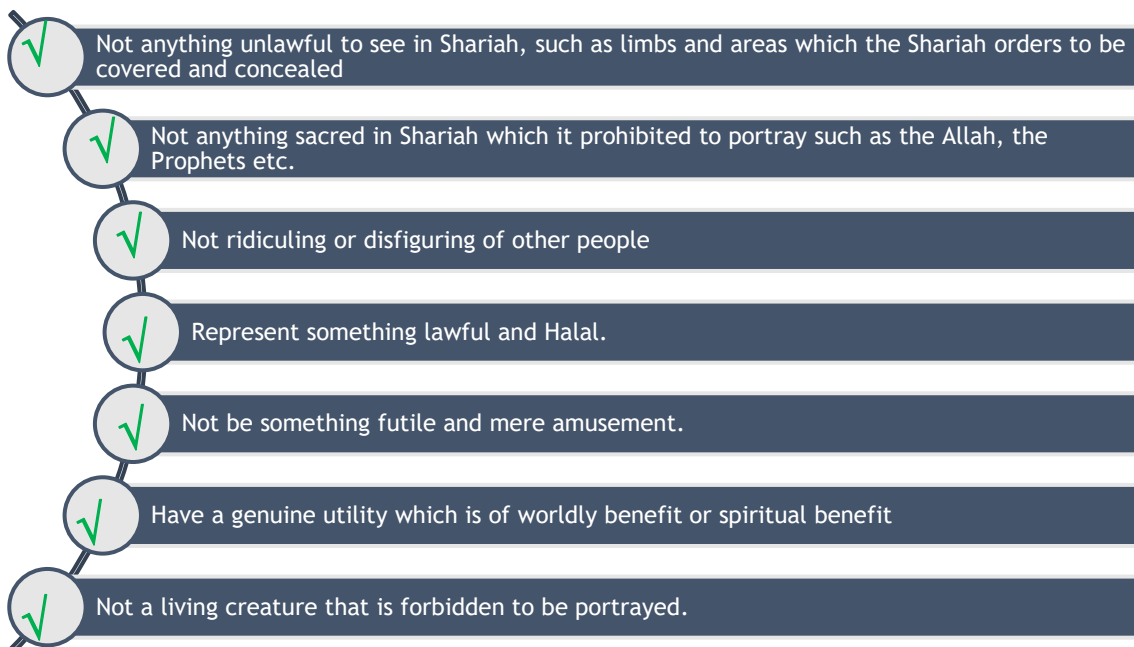
1. The basic character of Halalanft is plants/vegetation. This does not fall into the category of living things that are forbidden to draw such as humans, animals, etc.
2. Attributes like hands, feet, eyes, mouth, body, back/wings, and their traits, does not make the sketch impermissible since it is basically not a living thing. This is according to Imam Ibn Qudamah:

"If the image is removed from the part that makes the creature unable to live without it, such as the chest or stomach, or the head is separated from the body, then it is not included in the prohibition. Because the image is lifeless after the part is removed, as if the head is removed.

But if the part that is removed from the creature he can still live after, such as if the eyes and feet are removed, then it is still a forbidden image. And if at the beginning the picture is just a body without a head, or a head without a body, or there is a head but the rest of the body is not an image of a living creature, then it is not a forbidden image, because it is not an image of a living being." Al-Mughni, Ibn Qudamah, 10/201

3. Have a clear use cases and utilities for this world and the hereafter (details can be found in the section "what make us different"). In fact, by purchasing/minting NFT, buying and selling transactions in the marketplace, and using autocompounder services, you actually contribute directly to philanthropic action.

In summary, compliance checklist from Halalanft is as follows:



And Allah knows best

Reading Reference:

- <https://amanahadvisors.com/nfts-shariah-compliant/>
- [Al-Mughni, Ibnu Qudamah](#)

a. NFT's Supply

Halalanft consists of 2 rarity levels: Common and Rare, and will be minted in 2 phases. Common and Rare NFTs have totally different traits.

Minting Phase 1:

- Total Common NFT :4500
- Total Rare NFT: 1000

Minting phase 2 will have the same supply and will be conducted if genesis minting phase 1 is sold out.

b. NFT's Utility

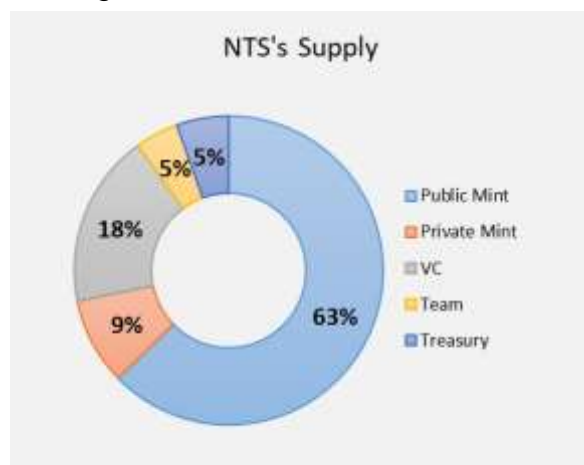
We have previously explained about the NFT's utility in "House of Halalanft Strategy" section. Thus, to sum up, Halalanft will have the following utilities:

1. Store of Value
2. Profit Sharing Rights
3. Governance Rights

Both Rare and Common NFTs will have same utility and same right toward the ecosystem. The difference is that rare NFTs have less supply and have more unique traits.

c. NFTs Allocation

Minting Phase 1



Allocation	Supply	%	Note
Public Mint	3450	63%	Common : 2,500 Rare : 950
Private Mint	500	9%	
VC	1000	18%	
Team	250	5%	
Treasury	300	5%	Common : 250 Rare : 50
Total	5500	100%	

Team allocation will be 12 months vested, which will unlock 1/12 every month, start from 1 month after minting event date. Team's vested NFTs have no profit sharing rights until it's unlocked.

VC's allocation will be 3 months vested, which will unlock 1/3 every month, start from 1 month after minting event date. VC's Vested NFTs still have sharing profit rights, but no right to sell unless it's unlocked.

Treasury allocation will be used for airdrops during marketing campaigns, protocols testing, or certain events to escalate engagement/interaction with community.

d. NFTs Marketplace

We will build our own NFT marketplace to bring more benefits for NFT holder and the ecosystem. The marketplace will be built on Polygon (Matic) Blockchain, with **USDC** as the currency.

Transaction fees (buying & selling) will be subject to a 3% fee. The fee structures are:

- 1% goes to NFTs Holder
- 0,5% goes to Philanthropy Wallet
- 1% goes to Team
- 0,5% goes to marketing & operations wallet

Fees & their structures within the marketplace are subject to change, considering the dynamics and strategy of the future market, with public announcements in Discord.

e. Halalanft Minting Model

To avoid major *gharar* from sharia perspective, Halalanft will implement a minting model with different minting prices between common and rare NFTs, but still with one minting price for each rarity level. And Allah knows best.

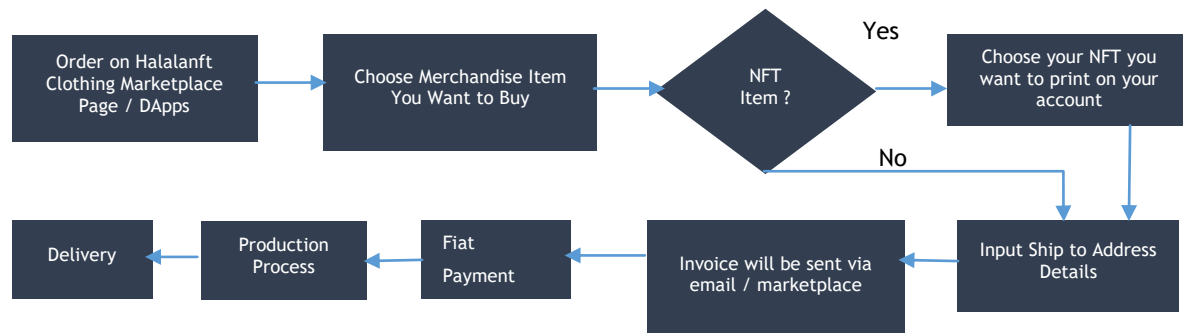
f. Halalanft Clothing Brand

One thing that makes Halalanft unique from most other NFT projects is that Halalanft will has its own clothing business with art designs from the Halalanft collection. Anyone who owns a single NFT from the Halalanft collection has the right to order merchandise such as t-shirts, hoodies, long sleeves, mugs, and so on with their own NFT designs. QR code will be printed on top of the merchandise which will contain information such as:

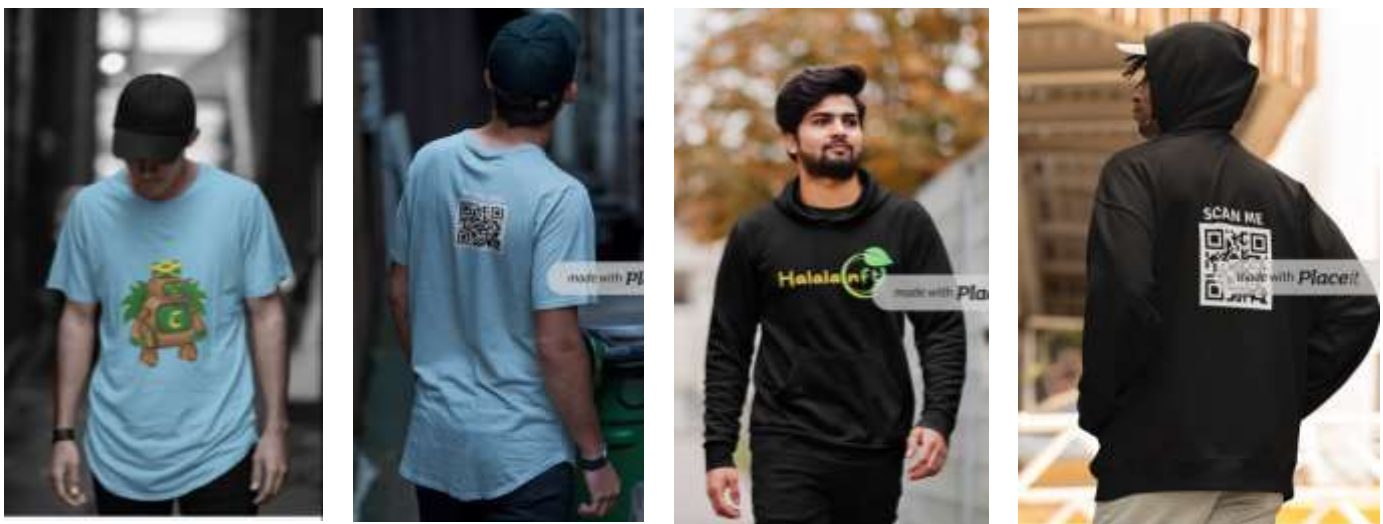
- 1) NFT identity: contract, token ID
- 2) Attributes/Traits
- 3) Current NFT price
- 4) Transaction history
- 5) Production details

Halalanft Clothing not only provides NFT clothes/merchandise, but also provides non-NFT one. Thus, for this category, it is not necessary to have an NFT to order.

The following is cash to order flow from Halalanft Clothing.



Below is a mockup of Halalanft clothing (credit to Placeit.net)



2.2 Crypto Halal Investment

We got a lot of insight into the cryptocurrency sharia guide from Islamic Finance Guru (IFG) and Amanah Advisors. So here we formulate some points as the halal principle of crypto assets.

A crypto asset can be considered as halal asset if:

- 1) Their substance is permissible
- 2) How to have it, is also permissible

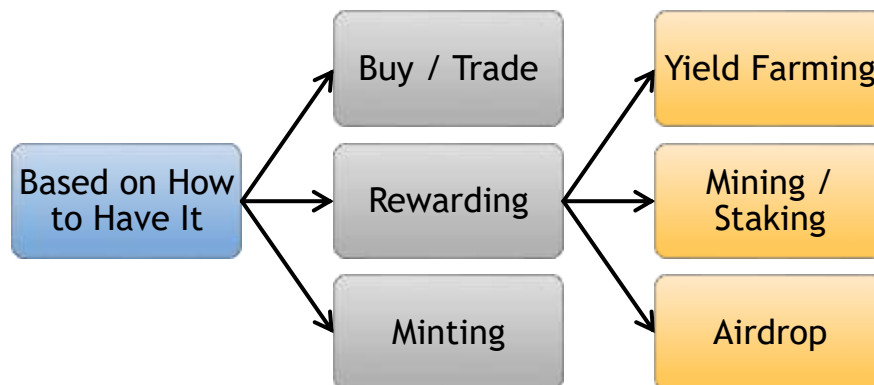
2.2.1 Based on the substances

- 1) All native tokens of blockchain network are basically permissible, whether they support smart contracts (programmable blockchain) or not. The various applications, protocols or smart contracts built on top of the blockchain are separate things. Thus, it is necessary to understand that blockchain which supports smart contracts is like operating systems such as Windows, Linux, and Android. Anyone can use it to build various services and protocols. If any function of something (which is built on the blockchain) falls under dubious or unlawful activity, it doesn't mean that invest into the blockchain coins is against the sharia law as well. Need to separate the technology and its use. Examples: BTC, ETH, BNB, DOT, ADA, SOL, AVAX, FTM, ONE, ATOM, NEAR, IOTX, etc.
- 2) All native tokens of oracle protocol and decentralized application/protocol are basically permissible, unless:
 - Native token of the protocols which has main or major use case in lending and borrowing with usury. Example: AAVE, GEIST, CREAM, etc.
 - Native token of the protocols which has the main or major use case in gambling. Example: FUN, ATRI, etc.
 - Tokens that have the main or major use case for accessing prohibited things, for example tokens for accessing pornography or music services. Example: AUDIUS, VIB, etc.
 - Native token of the protocols which has the main or major use case for providing synthetic/derivative token of crypto or non-crypto assets. Example: UMA, SNX, etc.
 - Native token of the protocols which has main or major use case for trading futures, options and other trading derivatives.
- 3) Native token of the game protocols plays to earn (P2E) is basically permissible as long as there is no any prohibition from game scheme and graphic content. While playing the games is a different discussion.
- 4) Stablecoins are basically permissible. Using it for various use cases like in a lending/ borrowing with usury or in gambling platform is another case. However, in our perspective, better to avoid crypto collateralized stablecoin like DAI since their minting process involving fee addition which is included as usury. It is obvious impermissible if we have them by minting, but we need further investigation from sharia perspective in case someone grab them from exchange or even rewarded by someone.

As for algorithmic stablecoins, since they are not collateralized by fiat or crypto assets and just rely on seigniorage model so they have particular risk that holder must understand, as Terra UST depeg event recently. Better to avoid it. Allah knows best.

2.2.2 Based on how to have it

There are three ways of someone to get a particular crypto asset, by trading in an exchange, rewarding in three mechanisms and minting itself. The following chart is showing how to own a particular crypto asset.



a. Buy from the Cryptocurrency Exchange

Cryptocurrencies Exchange is a digital exchange that helps users exchange cryptocurrencies. For some exchanges, they also facilitate users to trade fiat currencies to cryptocurrencies. The exchange is divided into 2 types:

- Centralized Exchange (CEX): an exchange that operates in centralized manner and requires full custody of users' funds. Users of these exchanges do not have full control over their assets, and put their assets at risk if an exchange is hacked and is unable to repay debts. Examples of CEX: Binance and Coinbase
- Decentralized Exchange (DEX) = an exchange that allowing users to exchange cryptocurrencies without the need for an intermediary (i.e centralized exchange) and without giving up custody of their coins. Anyone can participate in providing liquidity so they will get a dividend from transaction fee and native token incentives from the DEX. Example of DEX : Uniswap, Pancakeswap, Sushiswap, Spookyswap, Trader Joe, etc

Slightly different from regular purchases on cryptocurrency exchanges, there is a token purchase scheme as form of fundraising for new web3 project. This is referred as initial coin offering (ICO), or if the offer is hosted by DEX it is referred as initial DEX offering (IDO).

Sharia Perspectives:

Buying and selling through exchanges either CEX or DEX is permissible as long as it is a spot transaction. While futures, options, or other derivatives is not permissible due to usury / interest fee involvement and regarding compliance of object possession status at the time of the sale. Participating in ICO or IDO is permissible as well, as long as the coins or the tokens are halal from its substance aspect.

Reading References:

- <https://practicalislamicfinance.com/are-crypto-futures-halal-or-haram/>
- <https://www.islamicfinanceguru.com/articles/options-trading-halal-or-haram>
- <https://www.islamicfinanceguru.com/crypto>
- <https://www.islamicfinanceguru.com/halal-cryptocurrency-bitcoin-guide/>
- <https://shariyah.net/wp-content/uploads/2021/05/The-Shariah-factor-in-Cryptocurrencies-and-Tokens.pdf>

b. Rewarding

There are three mechanisms of earning coins or tokens as a reward:

I. Yield Farming

Yield farming is perhaps one of the most innovative features of Decentralized Finance (DeFi). It refers to the activity of allocating capital to DeFi protocols to earn returns.

Most DeFi protocols are peer-to-peer financial applications where capital allocated is used to provide services to end-users. The fees charged to users are then shared between the capital providers and the protocol.

There are two terms that we need to know before understanding more about yield farming:

- 1) Liquidity Pools: Liquidity pools are token reserves that sit on smart contracts and are available for users to exchange tokens. Currently the pools are mainly used for swapping, borrowing, lending, and insurance.
- 2) Liquidity Mining: The reward program of giving out the protocol's native tokens in exchange for capital. It is a novel way to attract the right kind of community participation for DeFi protocols

Along with two terms above, yield farming can be divided into two operations. However, there could be other methods of yield farming beyond the two below:

▪ **Lending Platforms**

DeFi lending platforms such as Compound, Aave and Maker have similar underpinning principles. At their core, they are lending protocols. To understand how

they work, let us look at Compound Finance. Compound Finance is a DeFi lending protocol. In more technical terms, it's an algorithmic money market protocol. You could think of it as an open marketplace for money. It lets users deposit cryptocurrencies and earn interest, or borrow other crypto-assets against them. It uses smart contracts that automate the storage and management of the capital being added to the platform.

The assets held in the liquidity pool are lent on interest and the pool earns income through borrowing. The returns that are generated are through lending contracts. The balance of crypto is lent to others. At any time, a liquidity provider can redeem their cUSDC for normal USDC plus interest paid in USDC.

Sharia Perspectives:

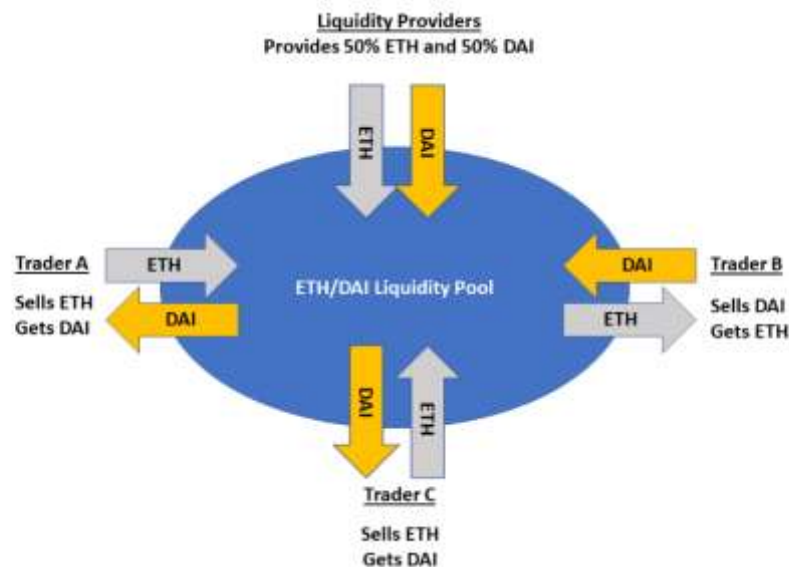
Since the yield in yield farming on lending platforms is created through lending contracts, the yield is usury (*riba*). In Islam, a loan (*Qard*) is a gratuitous contract and lending to people in need is a commendable practice. Both the Qur'an and Sunnah promise reward to a lender who provides a loan to a person in need. *Qard* agreement is a form of social assistance to keep the community together through hard times. Thus, any profit or additional return in lieu of the loan is impermissible and non-sharia compliant. Interest is explicitly prohibited in the Qur'an and the Sunnah.

▪ Decentralized Exchanges

A DEX is a platform that enables trading and direct swapping of tokens without the need for an intermediary. Mostly of the DEXs are liquidity pools based.

Liquidity pools, in term of DEX operations, are token reserves that sit on DEX's smart contracts and are available for users to exchange tokens with. Most liquidity pool-based DEXs make use of Automated Market Makers (AMM), a mathematical function that predefines asset prices algorithmically.

AMM is one of the most innovative inventions from DeFi in recent years. It enables 24/7 market hours, higher capital accessibility, and efficiency. There are various types of AMMs, and different DEXs have implemented the various "flavors". The majority of DEXs that launched during the DeFi summer 2020 are AMM-based DEXs such as Uniswap, SushiSwap, Curve, Balancer, and Bancor.



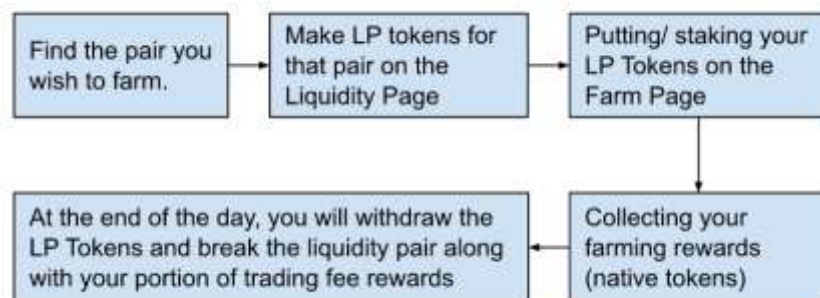
You can think of liquidity pools as just pools of tokens that you can trade against. Above picture shows that if you wish to swap ETH to DAI, you will trade on the ETH/DAI liquidity pool by adding ETH and removing an amount of DAI determined algorithmically from the liquidity pool.

Depositors, known as Liquidity Providers (LPs), seed these liquidity pools. LPs deposit their tokens into the liquidity pool based on the predefined token weights for each AMM. Whenever liquidity is deposited into a pool, unique tokens known as liquidity pool tokens (LP Tokens) are minted and sent to the provider's address. These tokens represent a given liquidity provider's contribution to a pool.

LPs provide funds in liquidity pools because they can earn a yield on their funds, collected from trading fees charged to users trading on the DEX. The fees which are accumulated during every swap through the DEX, based on the proportion you have contributed to the LP. e.g., if you contributed 10% of the total LP, you shall receive 10% of the total fees. These fees are automatically contributed to the LP, so your total personal LP contribution keeps on increasing according to accumulated fees. For example, in TraderJoe, a DEX on Avalanche Blockchain, you earn **0.25%** of all trades on particular pair proportional to your share of the pool. Fees are added to the pool, accrue in real-time, and can be claimed when you withdraw your Liquidity.

And not just share a portion of trading fees, typically DEXs have incentive program to attract & retain LPs participation by giving out the protocol's native tokens in some particular liquidity pair. This can be done by staking LP tokens, and this is in DEX documents usually referred to yield farming itself or in some references called liquidity mining or liquidity farming.

The following is a flowchart of how to do yield farming in general. For more details, refer to the respective DEX documents.



Impermanent Loss

Yield farming, particularly in providing exchange liquidity, is not without risk. Impermanent Loss (aka IL) is one of the risks you take on for being a liquidity provider and is a result of how AMMs function. Large swings in the relative price difference of the two tokens in the pool could result in a loss compared to holding the tokens themselves if you withdraw at that precise moment (hence the term impermanent). The loss is only "permanent" if you withdraw your liquidity completely, however that does not mean the IL will necessarily go away over time. Generally speaking, the trading fees received for being a liquidity provider and the yield from the farm can offset IL risk, but nothing is guaranteed.

Sharia Perspectives

According to Shariyah Review Bureau about trading fee, since the traders are coming onto a platform and are being provided the space and platform to trade tokens, this permits a fee for the transaction to use the DEX. And since the decentralized exchange is primarily dependent on the LP providers, the LP providers are central to the infrastructure and operations of the DEX. Therefore, the transaction fees are permissible to earn for LP providers.

Still in the same paper, they conclude that if tokens are provided to a lending platform, then such an activity is not Sharia compliant since interest-lending is involved. Yield farming that involves DEXs have the potential to be Sharia compliant depending on the underlying mechanisms of liquidity mining and the nature of the income.

In our opinion, trading fees in providing exchange liquidity are permissible. What needs to be considered is that each crypto asset that will be paired to be LP Tokens must comply with halal crypto principles based on its substances. For example, if you provide liquidity AAVE-USDC pair, then obviously the rewards you earn from it are impermissible.

Incentives in form of native tokens of a DEX are permissible as well, this is protocol's way of attracting and retaining liquidity providers. And with this, the risk of impermanent loss may be covered. And Allah knows best.

Reading References:

- <https://shariyah.net/wp-content/uploads/2021/09/Crypto-Yield-Farming-Can-the-mechanics-address-Sharia-principles.pdf>
- <https://docs.pancakeswap.finance/>
- <https://docs.spooky.fi/>
- <https://docs.traderjoexyz.com/>
- *How to DeFi : Beginner*, by coingecko research team, 2nd edition 2021
- *How to DeFi : Advance*, by coingecko research team, 1st edition 2021

II. Mining & Staking

There are currently two main ways of adding a transaction block to a blockchain.

- 1) Proof of Work (PoW)
- 2) Proof of Stake (PoS)

If you know how Bitcoin works, you're probably familiar with Proof of Work (PoW). It's the mechanism that allows transactions to be gathered into blocks. Then, these blocks are linked together to create the blockchain. More specifically, miners compete to solve a complex mathematical puzzle, and whoever solves it first gets the right to add the next block to the blockchain then rewarded with bitcoin.

While in a proof of stake (PoS) system, users who own some of the cryptocurrency 'lock' or hold their funds in a wallet. Instead of having to solve maths puzzles to add blocks to the chain, users are selected at random based on how much currency they have locked up. The user who is chosen at random is rewarded with a coin. Typically, how it works is the more coins you hold the more you can 'earn', so the size of your stake is directly proportional to the chances of being chosen to forge the next block and earning coins. This is called staking.

Thus, mining and staking activities serve the same purpose, which is adding blocks or validating transactions on the blockchain. However, staking in term of validating transaction on the blockchain, must not be confused with staking in term of DeFi space such as yield farming (please refer to Yield Farming section).

Sharia Perspectives :

According to Islamic Finance Guru, as the activity of racing with other miners with computational power to "solve" the puzzle, mining is intrinsically not haram. As for staking as a concept is not Islamically problematic as well. It is simply a rule-based approach used by a crypto project to decide who will get the right to add to the blockchain.

There are a few important caveats to make here about staking:

1. Each crypto project has its own specific staking dynamics and so the particular rules of a crypto project may not necessarily be sharia-compliant if they throw in something novel. However, if they use very straightforward staking concepts, that should be fine.
2. Staking is just a mechanism of creating new coins in a crypto project. You also need to make sure that the crypto project itself is sharia-compliant. So, for example, if a crypto project links itself directly with gambling, then regardless of how it uses staking, it will be impermissible.

Maybe there are people who argue what if the transaction that will be validated/added to the blockchain by validators or miners is a usury (*riba*) transaction, gambling, money laundering, or used for other crimes. Well, the fact that there are various transactions being validated not necessarily make validation activities is impermissible to do unless it is known that the transactions are purely haram or mostly haram. And as far as we know, we completely cannot choose and do not know what type of incoming transaction will be validated by a miner/ validator. Thus, back to the basic law principle in transactions (*muamalat*): permissible. And Allah knows best.

Reading References:

- <https://www.islamicfinanceguru.com/articles/general/is-bitcoin-mining-halal>
- <https://www.islamicfinanceguru.com/articles/investment/crypto-staking-the-islamic-perspective-investing-options>
- <https://academy.binance.me/en/articles/what-is-staking>
- <https://academy.blockchain-council.org/courses/take/certified-blockchain-expert-training/lessons/12010457-what-is-blockchain-mining>

III. Airdrop

Airdrops are essentially freely distributed tokens. Projects usually conduct airdrops as part of their marketing strategy to generate attention and hype around their token launch, albeit with the tradeoff of diluting token ownership.

Some projects also conduct airdrops to reward early users who have interacted with their protocols. Each protocol will have criteria for qualifying airdrop recipients, such as the timing of interaction and minimum usage frequency.

Sharia Perspectives:

Based on how to have it, it is permissible to participate in an airdrop event to get free coins/tokens as long as the term of conditions for getting it are not problematic in sharia perspectives. If the coins/tokens rewarded are classified as impermissible asset based on the substances then it should be avoided. And Allah knows best.

c. Minting

Minting here is divided into two things:

I. Minting new born tokens.

Mints new born tokens seem to be an easy thing to do at the moment. Bunch of tokens listed on coinmarketcap or coingecko, either with cool utility or no utility at all. Either with or without the underlying protocol / project behind. Typically, many critics about cryptocurrencies in general because of this one point of view about how easy it is to create a cryptocurrency. Well, we do agree at some points since we're all know that valuable token or coin depends on its use case or utility.

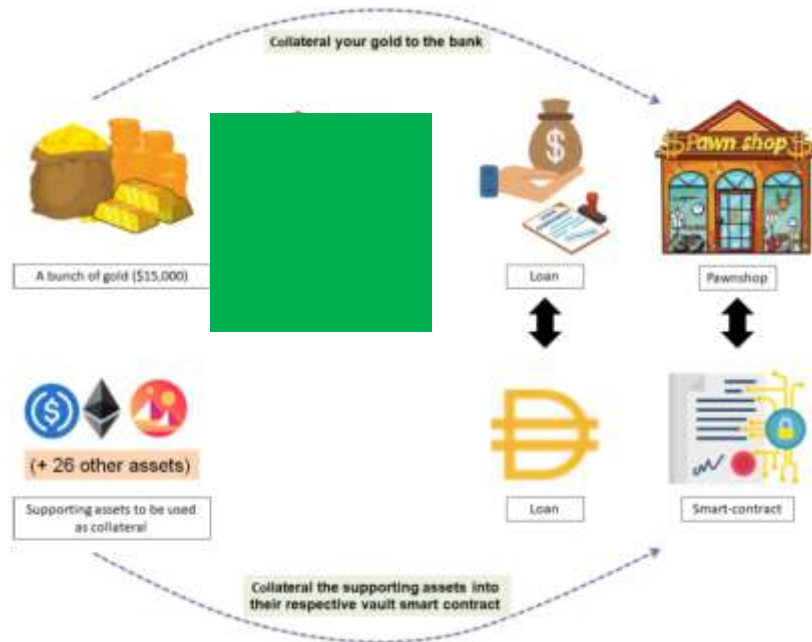
Tokens must have decent token economic (tokenomic) design and utility that can solve a real-world problem. Developer or tokens issuer have a big responsibility to make a sustainable token in a long run. Not just pump and dump, or even with bad intention such as scam or rug pull.

II. Minting stablecoin with collateral,

Such as minting DAI via maker DAO protocol. However, there are two ways we can get our hands on some DAI :

1. Minting DAI

We will walk through how DAI can be minted using a pawnshop analogy.



Let's assume that one day you are in need of \$10,000 cash, but all you have are gold bars worth \$15,000 at home. Believing that the price of gold will increase in the future, instead of selling the gold bars for cash, you decide to go to a pawnshop to borrow \$10,000 cash by putting your gold bars as collateral for it. The pawnshop agrees to lend you \$10,000 with an interest of 8% for the cash loan. Both of you sign a contract agreement to finalize the transaction.

Now let's change the terminology to get the narrative of DAI:

Gold bars (Collateral)	➡	Ether (one of the collateral examples)
Cash loan	➡	Dai (DAI)
The pawnshop	➡	Maker
Contract agreement	➡	Smart Contract (Vault)
Loan interest	➡	Stability Fee

What happens is that you will mint or 'borrow' DAI via the Maker platform by putting your Ether (ETH) as collateral. You will have to repay your 'loan' along with the 'loan interest' which is the stability fee when you want to redeem your ETH at the end of your loan.

To provide an overview, let's walk through how you can mint your own DAI.

On the Maker platform (www.oasis.app), you can borrow DAI by putting your ETH into the vault. Assuming ETH is currently worth \$150, you can thus lock 1 ETH into the vault and receive a maximum of 100 DAI (\$100) with a 150% collateral ratio. There are currently three types of vaults for ETH with different collateral ratios, but for the sake of simplicity, we will assume that the collateral ratio is 150%, which is the ETH-A vault.

You should not draw out the maximum of 100 DAI that you are allowed to but leave some buffer in the event that ETH price decreases. It is advisable to give a wider gap to ensure your collateral ratio always remains above 150%. This ensures that your vault will not be liquidated and charged the 13% liquidation penalty in the event that ETH falls in price and your collateral ratio falls below 150%.

2. Trading DAI

The above method is the way DAI is created. Once DAI is created, you can send it anywhere you want. Some users may send their DAI to cryptocurrency exchanges. You may also buy DAI from these secondary markets without the need to mint them. Buying DAI this way is easier as you do not need to lock up collateral and do not have to worry about the collateral ratio and stability fee.

Sharia Perspective :

Mint tokens without any halal projects or protocols either being or already build behind, is impermissible from Islamic perspective. Those tokens have no utility or use case at all.

While minted stablecoins with collateral, this is included in pawning or *rahn* chapter, and briefly, minting stablecoins such as DAI involves usurious fees such as stability fees, minting fees, or in similar protocol calls it as repayment fees. Moreover, there will be liquidation process if collateral to debt ratio suffer bellow the threshold with a penalty fee.

Thus, in our opinion better to avoid crypto collateralized stablecoin like DAI since their minting process involving fee addition which is included as usury. If we have them by minting, obviously it is impermissible. However, we need further investigation from sharia perspective if someone grab them from exchange or even rewarded by someone. Allah knows best.

Reading References:

- *How to DeFi : Beginner, by coingecko research team, 2nd edition 2021*
- *How to DeFi : Advance, by coingecko research team, 1st edition 2021*

2.2.3 Halalanft on Chain Investment Strategy

After the explanations in the previous two sections, we plan to manage on-chain treasury funds with several strategies in the following table.

No	Investment Category	Crypto Asset	Annual Percentage Rate / Yield (may change overtime)	Blockchain	Platform	Reference
1	Trading	BTC, ETH	Capital Gain	Bitcoin Chain / Matic (wrap version)	Hold on wallet, Trading on DEX	Accumulate, Take Profit, Hodl
2	Yield Farming	ETH-USDC	14 %	Matic	Quick swap	https://quickswap.exchange/#/farm
3		WBTC-USDC	6 %	Matic	Quick swap	https://quickswap.exchange/#/farm
4		USDC-USDT	3 %	Matic	Quick swap	https://quickswap.exchange/#/farm
5		USDC-PAXG	10%	Matic	Quick swap	https://quickswap.exchange/#/farm
6	Delegator / Validator	MATIC	14 %	Matic	Staking on mainnet	https://polygon.technology/staking/

In our opinion, the investment instruments above are low-medium risk instruments (in crypto space context). Low risk for BTC, ETH and fiat collateralized stablecoin, while medium risk for other L1 Blockchain assets within top 100 market cap, such as matic.

As for investing in high-risk asset, i.e other L1 blockchain projects or a protocol's token with very low market cap, let's say outside top 100 market cap, we still consider to bring it into portfolio as long as the project has promising utility (according to our research) and of course have high potential gain in the future. Even so, the allocation for that is only 5-10% of the total treasury balance.

2.3 Halalan Finance (Yield Optimizer)

Halalan Finance is a sharia compliant, multi-chain yield optimizer that automates reward harvesting and yield compounding from liquidity providing of DEX platforms. Halalan Finance will launch on the Polygon chain and will expanding to others.

Halalan Finance platform brings together sharia compliant of yield farming opportunities in one place and automates away the hassle of manually harvesting reward tokens.

Once a user deposits funds into a vault, Halalan Finance begins automatically harvesting rewards for you. It's able to amplify your yield by not only harvesting reward tokens but also using that reward token to add liquidity to the underlying liquidity pool thus increasing your stake in the farm.

To ensure the funds of all our users stay secure, we will take a two-stage approach at security; by designing our contracts as trustless and hiring professional auditors.

Fees & Its Distribution

Halalan Finance has a fee structure with 3% performance fees with zero deposit/withdrawal fees (subject to change). In return for this low fee, we pay the gas fees on behalf of users (use some portion from the yield) and help them earn more yield in their sleep.

Performance fees are structured as below (subject to change) :

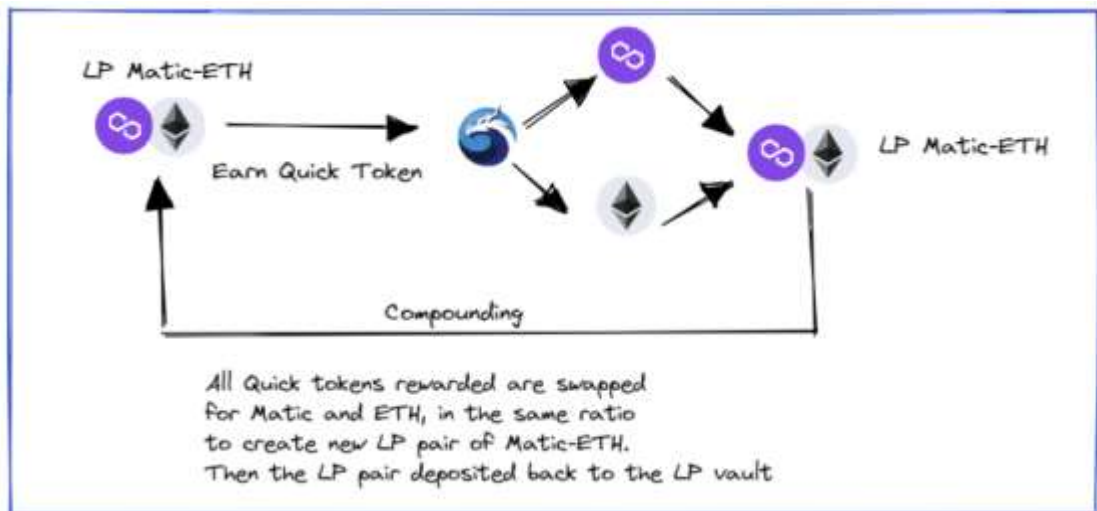
- 1% goes to DAO Reward wallet
- 1% goes to Team
- 0,5% goes to Philanthropy wallet
- 0,5% goes to marketing & operations

Halalan Finance will provide 2 ways in compounding the yield.

1) Basic Yield Optimizer

Basic yield optimizer takes the profit from investing in one token or LP and compound 100% back into the initial investment as shown below. This strategy prevents any profit taking from the investment and also creates a closed-loop where only one token or LP is invested in at a time.

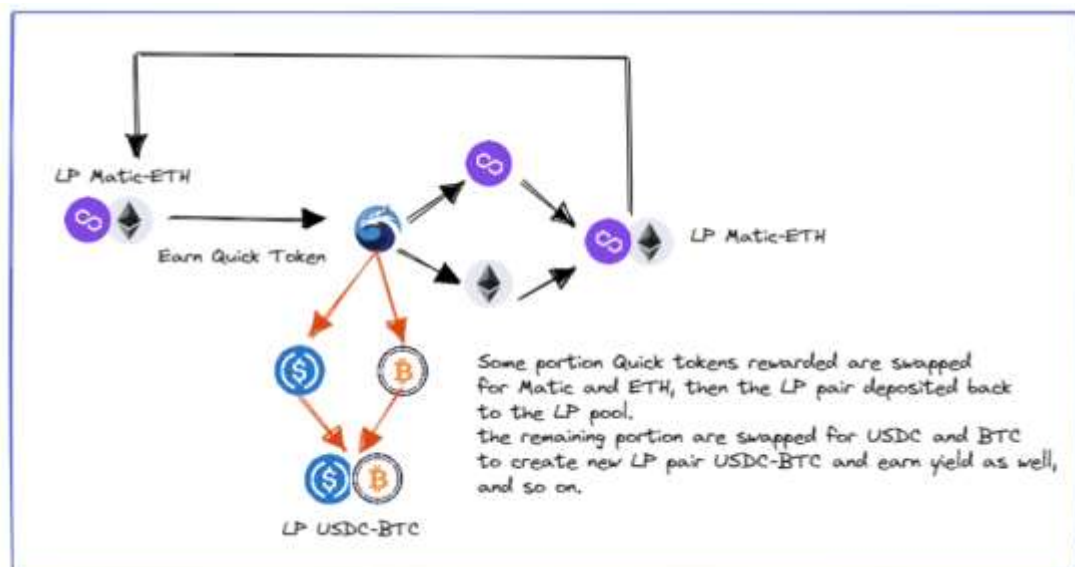
Below is description about how basic yield optimizer works, i.e. deposit LP Matic-ETH with Quickswap as the underlying platform.



2) Advance Yield Optimizer

Advance Yield Optimizer allows users to split profits from one token or LP in customized percentages between profit reinvesting in the initial token or LP and investing into a second token or LP.

Below is description about how basic yield optimizer works, i.e deposit LP Matic-ETH with Quickswap as the underlying platform. Instead of compound 100% back into the initial LP investment, some portion of the reward swapped for new LP investment.



Thus, Halalan Finance will have 3 things that make it different from another yield optimizer:

- ✓ Sharia compliant, team will only list the halal coins/tokens on the platform
- ✓ Users automatically doing a good deed, in a way distributing some of their yield for philanthropic actions.
- ✓ Instead of only doing basic autocompound, Halalan Finance provide an advance yield optimizer as alternative.

Sharia Perspective

We have elaborated about permissible rewards obtained from DEX for liquidity provider (see [Yield Farming section](#)). Thus, compounding those reward is permissible as well. And Allah knows best.

Reading References :

- https://www.bloomify.co/bloomify_whitepaper.pdf
- <https://docs.chargedefi.fi/products/bloomify/bloomify-basics/fees>
- <https://koge.gitbook.io/kogefarm/>
- <https://docs.beefy.finance/>

2.4 Treasury Management

2.4.1 Wallet Address

Halalanft will have 8 multisig wallets, 2 of 4 from the core team (subject to change). And we plan to include representatives from the community when the DAO is established or representatives of trusted and credible entities.

1. DAO Treasury Wallet: TBA
2. Onchain Investment Revenue Wallet: TBA
3. Halalan Finance Revenue Wallet: TBA
4. Halalanft Revenue Wallet: TBA
5. Reward Wallet: TBA
6. Philanthropy Wallet: TBA
7. Team Wallet: TBA
8. Marketing & Operations Wallet: TBA

2.4.1 Minting Revenue Allocation



Revenue from Halalanft minting will be distributed to treasury wallet, philanthropy wallet, marketing & operations wallet, and team wallet. The allocation portion is as shown on the pie chart.

2.4.2 Dashboard

We will also build a stats dashboard page that will give info to the investors or stakeholders about whole halalanft ecosystem, such as:

- 1) Number of NFT Holders
- 2) NFT volume traded
- 3) NFT's Floor price
- 4) NFT's Price to Earnings Ratio
- 5) Wallet Balance
- 6) Initial Yield Farming Capital
- 7) Yield Farming Balance
- 8) Liquid Backing per NFT
- 9) Protocols Revenue
- 10) Total Value Locked (of Yield Optimizer)

2.4.3 Periodic Report

As our responsibility to NFT holders as our investors or to our stakeholders, we will release periodic reports about things within ecosystem including treasury management.

2.4.4 Profit Sharing

As we said at the beginning of this whitepaper, NFT holders have the right to receive profit sharing from halalanft ecosystem. The distribution of profit sharing will follow several mechanisms as follows:

- 1) Profit sharing generated from protocols revenue for NFTs Holder, both Halalanft marketplace and Halalan Finance, will be send into Reward Wallet
- 2) Profit sharing distribution generated from on chain & off chain revenue stream as follow:
 - DAO Treasury: 50%
 - Team: 20%
 - Marketing & Operations: 25%
 - Philanthropy Wallet: 5%
- 3) Profit sharing will be distributed via airdrop to NFT holders based on the snapshot period that will be determined
- 4) Profit sharing which will be distributed to the holders, can be distributed entirely, or partially retained to reinvest. This decision can be decided by the community through voting.

III. Launch Plan

3.1 Venture Capitalist / Angel Investor Package

We offer a discounted price compared to the public minting price to investors with a larger investment profile. This offer is limited to 1000 NFTs which will be divided into 10 packages, 100 NFTs /package, at \$ 9,000 USDC /package. Thus, investors will get a 10% discounted price from public minting price. In addition, angel investors will have special access (either on discord or another private channel) to have more intimate discussions with core team in proposing & determining certain strategic moves

3.2 Whitelisting

Whitelisting is a part of our prelaunch marketing campaign to create some exclusivity and hype for the launch Halalanft. As a whitelisted, you will get early access to the presale, and will have the ability to buy NFT at a 5% discount from the public minting price, limited for 500 NFTs.

You will also be given an exclusive discord role and gain access to a private channel with other whitelisted that has closer access to the core team of Halalanft.

Since Halalanft core team is from ISCHAIN Foundation team, we will prioritize whitelisting spot for ISCHAIN community. We will publish/offer the remaining NFTs from whitelisting allocation outside ISCHAIN community/public.

Whitelisting Details

- Limited allocation: 500 NFTs
- Whitelist Private minting: \$ 95 USDC
- Whitelist Private minting date: TBA
- Maximum minting per wallet: 5 NFTs/ wallet
- How to get whitelisting spot: Fill a whitelisting form (link form TBA)

3.3 Public Minting

We manage to launch Halalanft into 2 phases:

Phase 1:

- Common: 2500 NFTs, \$ 100 USDC each
- Rare: 475 NFTs, \$ 500 USDC each
- Minting date: TBA

Phase 2: TBA

IV. Team



Iwan
Co Founder &
Business Development



Riyan
Co Founder &
Lead Developer



Fida'
Sharia Advisor



Rama
Lead Operation

V. Audit

TBA

We will announce the details of the audit conduct once we have appointed the audit firm and its progress.

VI. FAQ

TBA



THANK YOU

