



Islamic Economic Forum

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Islamic Economic Forum's Declaration on Bitcoin

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الحمد لله رب العالمين، والصلاة والسلام على أشرف الأنبياء والمرسلين نبينا محمد وعلى آله وصحبه أجمعين.

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Foreword:

Islamic Economic Forum (IEF) is a specialized group on WhatsApp founded by Sheikh Muhammed Khalid Hasani from Pakistan. The group includes Shariah Scholars, experts, practitioners, economists, academics, researchers, consultants, auditors and regulators. The different academic institutions and regulatory bodies of the Islamic financial industry such as AAOIFI, CIBAFI, IFSB, INCEIF, ISRA, and the central Shariah Boards of various countries are represented in this forum.

The Administrative Committee of the Forum (for both English & Arabic sections) consists of: Sheikh Dr. Aznan Hassan (Chairman – Administrative Committee), Sheikh Dr. Abdul Bari Mashal (Head of the Arabic Group), Sheikh Dr. M. Burhan Arbouna, Sheikh Ashraf Gomma Ali (Head of the English Group), Dr. Sarah Al-Qahtani, Sheikh Dr. M. Iman Sastra, Sheikh Siraj Yasini, Sheikh Ibrahim Musa Tijani, Sheikh Dr. Abdoul Razzak Kaba and Sheikh M. Khalid Hasani (Founder of the Forum).

The Islamic Economic Forum has carried out detailed and profound academic dialogues on different matters and issues related to the Islamic Economics, Islamic banks, finance, Shari'ah supervision, Shari'ah auditing, and Islamic investment sukuk. These valuable discussions were further documented in 20 special files, which were published later on I-FIKR, the e-library and knowledge repository of the International Sharia Research Academy for Islamic Finance (ISRA) and The Encyclopaedia of Islamic Economics and Finance (iefpedia).



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The purpose of the IEF discussions were not to issue Shariah rulings or fatwas on the subject under discussion, but to review controversial issues, and to freely exchange opinions about them among Sharia Scholars and expert members of the Forum, and to call up the latest opinions, fatwas, articles and information on the subject and discuss it.

These discussions, which are summarized in this file, assist the Islamic finance governing bodies, professionals and researchers who wish to perform further research in the matter and to compare the Shariah views on the subject under discussion.

The dialogue about one of the most popular cryptocurrencies, known as "Bitcoin", is one of the Forum's distinguished dialogues and has been held during the period from 13/11/2017 till the date of completion of this declaration on 11/01/2018. The dialogue addresses several questions in order to identify 'Bitcoin' in terms of its characteristics, main features, the extent to which it can perform the functions of currency, and Shariah views related to it. The summary of the detailed discussion is considered a reference to this declaration.

Although the Forum's discussions on Bitcoin includes a lot of valuable information, this declaration is limited to the influencing features from Shariah perspective. The rest of the information can be found in the summary file of the discussions published on the website of ISRA and iefpedia.

Its worthy to mention that the dialogue on Bitcoin held in the Islamic Economic Forum is the first extensive dialogue on this topic in the entire Islamic finance industry. This declaration is the first collective effort on its subject, the first



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declaration issued by the Islamic Economic Forum on the occasion of its second anniversary. It represents a milestone that will enhance the Forum's presence within the Islamic financial industry and may open the horizons for a new phase of research and development.

This declaration has been discussed, reviewed and amended by four professional committees comprising thirty-three members of scholars, experts and researchers from the IEF.

The following is a detailed list of members of the four committees:

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3. Ruslan Sabir Zianouf	12. Sheikh Ibrahim Musa Tijani
4. Dr. Sarah Al-Qahtani	13. Sheikh Dr. M. Iman Sastra
5. Sheikh Dr. Abdulbari Mashal	14. Sheikh Khalid Hasani
6. Sheikh Dr. Mohammed Karrat	15. Sheikh Siraj Yasini
7. Dr. Moutaz Abujaib	16. Sheikh Dr. M. Burhan Arbouna



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19.Dr. Ahmed Alayyadi	29. Sheikh Dr. Khalid Alsayyari
20.Sheikh Dr. Osaid Kelani	30. Sheikh Dr. Abdurrahman Lahlo
21.Dr. Ashraf Mohd Hashim	31. Sheikh Dr. Urwa Ikrama Sabri
22.Dr. Said Bouherrawa	32. Sheikh Dr. Abdullah Zubair
23.Sheikh Dr. Abdulbari Mashal	33. Dr. Ezzeddin bin Zaghiba
24.Sheikh Dr. Abdullah Qirban	34. Sheikh Dr. Younis Soulhi
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26.Dr. Taha Karan	36. Dr. Mohammed Nouri
27.Dr. Marjan Muhammed	37. Sheikh Dr. Abdulbari Mashal
28.Dr. Mohammed Sahri	38. Sheikh Dr. Usman Shabbir
29. Sheikh Mufti Khalid Hasani	39. Sheikh Mufti Khalid Hasani



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Before proceeding with this document, I am pleased to extend my thanks and appreciation for the members of the four committees and for the members of the Forum who have contributed in initiating the discussions on Bitcoin, and also to the Forum's Administrative Committee and the founder of the Forum for their continued efforts in managing the Forum's activities.

Dr Abdulbari Mashal

Head of the Arabic Section

Islamic Economics Forum



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The Islamic Economic Forum's Declaration on Bitcoin

The declaration includes the following points:

1. The dialogue questions about Bitcoin
2. Technical Features of Bitcoin
3. Official Fatwas
4. Shariah Opinions

1. The dialogue questions about Bitcoin

The dialogue addresses the following questions:

First question: Is Bitcoin a commodity money? a fiduciary money? a financial liability? a commodity? Or a usufruct?

Economists differentiate between two types of currencies:

1. Commodity money, which has an intrinsic value by itself, such as gold, silver, copper, etc. Among these are also golden coins, and representative paper money or fully backed money which can be exchanged for gold.
2. Fiduciary money, which is worthless by itself but derives its reciprocal value from the Government's accreditation for it and the society's trust in it, such as the contemporary paper (fiat) money and credit. A unique feature



of money is its full liquidity, which can extinguish liabilities/obligations and suffice as payment in a definitive manner.

Based on the classification mentioned above, the following can be observed: Is bitcoin a currency with a coverage of any kind (commodity, usufruct or financial right)? Does Bitcoin have an intrinsic value or benefit contrary to its exchange value or benefit? Can the high cost of mining be considered as a major part of its intrinsic value?

Second Question: Can Bitcoin have an exchange value if it cannot be converted into government money (fiat money)?

Usually Bitcoin can be exchanged for other digital currencies; however, it might be argued that Bitcoin has no value if it cannot be converted into government currencies such as US dollar or Euro. It was noticeable, however, that Bitcoin is acceptable as a currency for real sale transactions in many shops around the world even though it cannot be traded as other currencies in numerous countries. In addition, Bitcoin was accepted in some countries as a means to pay government taxes and fees. Hence, it is necessary to clarify this point and its implication from the Shariah perspective.

Some have raised a Shariah concern regarding the basis of evaluation or pricing of Bitcoin as a financial asset, is it based merely on supply and demand? How is it different from gambling?



Third Question: what is the relationship between Blockchain and Bitcoin?

Blockchain is a modern technology in the area of electronic documentation and information security. Bitcoin applications are based on this technology. The intertwine between Blockchain technology and Bitcoin is well noticed; therefore, it is necessary to distinguish between them. It is also important to study the impact of Blockchain's technical properties on studying Bitcoin.

Fourth question: Is Bitcoin a currency or money?

– Some economic references differentiate between the two terms (currency and money) on the basis that money has intrinsic value (such as gold and silver coins), while currencies do not intrinsic value, such as the US dollar. Yet, some references use the term “money” to indicate the purchasing power of currencies and any other means of payment. Another basis that is adopted to differentiate between money and currencies is the legal recognition, which means that currencies are legally recognized while money is not necessarily recognized. Based on this, money is broader than currency, since money does not need to be recognized by the law. For every exchange transaction, one will be the price (*Thaman*) and the other is a priced item (*Muthaman*).



Fifth question: what is the source of the monetary value or the ability to be used as a price in Bitcoin (Source of *Thamania*) ?

- There are three sources for the monetary value or the ability to be used as a price. First: the public acceptance or custom (*urf*). Second: The governmental acknowledgment and accreditation of what people are accustomed to and accept. Third: the government issuance or currency minting (coinage) by the ruler (*Sultan*)..
- Regarding money with intrinsic value, historical facts confirm that the ability to be used as a price is achieved by any of the mentioned sources, but the problem arises in the money that has no intrinsic value like the contemporary fiduciary money.
- This contemporary fiduciary money has gained acceptance as a general medium for exchange from the trust which is generated from the official accreditation and being widely used by the public and the stability of transactions in the markets.
- Bitcoin has no intrinsic value, and it is not a currency issued by the government, however, it has some characteristics like fast exchanges across borders, the security from being physically or electronically stolen, and the secrecy against facing supervisory authorities.
- Before being accredited by any country as a currency used to extinguish liabilities, Bitcoin was common in exchanges and some people in some countries agreed to use it and trade it, then it gained the legal power to pay fees and taxes in some countries.



Sixth question: what is the relationship between Bitcoin and illegal transactions?

- With the dependence on Blockchain, Bitcoin enjoys three main features:
The secrecy: as exchanges are done without a the intervention of a third party (peer to peer). The security: Bitcoin is very difficult to be stolen. The speed: as funds are transferred faster than any other traditional channel. In general, the technology used in Bitcoin doesn't show the names of miners or dealers or the country where the transaction is executed. These features may encourage demand for Bitcoin for money laundering purposes, tax evasion, speculations, and other illegal or illegitimate transactions. Therefore, assessing the impact of such usages of Bitcoin on the Shariah ruling is important.
- Bitcoin is classified in some governmental announcements in some countries as highly risky in its current and future status. This is obvious in the severe fluctuations in its value during December 2017, for example. After increasing from 13,000 USD to about 20,000 USD, it decreased again to less than 13,000 USD. Therefore, will the illegal and illegitimate transactions raise this currency from one side, and will the risks surrounding the current and future of this currency be a permanent feature of this currency, from the other side? What is the impact on the Shariah ruling about it?



2. Technical Features of Bitcoin

In general, currencies are differentiated from each other in terms of their nature, main features, functions and use. The forum's discussion on the related questions can be summarized as follows:

Nature of Bitcoin:

- Bitcoin is a digitally encrypted currency with no physical or tangible nature and without any intrinsic value or beneficial use. But in fact, it is considered as *Maal Mutaqawwam* (valuable item) due to its exchangeability benefit and relative trading in a number of countries.
- With this characteristic, Bitcoin is similar to contemporary credit money such as the US Dollar and Euro where governments don't guarantee their replacement with gold or any other commodity. However, Bitcoin differs from coins, representing paper money and *fulūs* as these types of money have, (unlike Bitcoin), their intrinsic value.
- Bitcoin is different from contemporary electronic currencies and modes of payment (such as PayPal and others) as Bitcoin doesn't have any intermediary guarantor that regulates exchanges and is not linked to any local currency (government cash).

Issuance of Bitcoin:

- Bitcoins are obtained through mining as a reward for each successful mining process. Bitcoins are mined on average every 10 minutes and this process will continue until the maximum limit determined for issuance of Bitcoins (i.e. when 21 million units of Bitcoin), is reached.



- Any person or entity can do mining using the Blockchain-based Bitcoin applications. However, the formation of mining pool groups weakens the chances of solo miners as compared to participants in those groups.
- No government or international entity in the world can be designated as the issuer of this currency. With this characteristic, Bitcoin differs from contemporary fiduciary money which is issued by the governments.
- The Bitcoin was announced in January 2009 based on a research published in November 2008 by an anonymous entity/company or person named Satoshi Nakamoto. It is believed that he has over one million Bitcoin units of a total issuance (creation) ceiling of 21 million (about 5% of the total issuance) by participating in initial mining process during 2009 and 2010 according to an attached English study by a programmer which was circulated by a number of reports such as the attached CNBC report. It is worth mentioning that Bitcoin is an encrypted currency and the information available on the network does not show any details about account holders and thus, it can't be said with certainty that (Satoshi Nakamoto) really possesses this number of Bitcoin as the study itself admits.
- According to the comparisons cited in the referred report, The United States holds 8 thousand tons of gold out of the 187 thousand tons of gold in the world, i.e. 4.3%. Thus, owning 5% of Bitcoins may give this entity/company an opportunity to control the price of Bitcoin.
- In order to perform transactions with Bitcoin, there is no need for any private entity as an intermediary, regulator, or guarantor; rather the transactions can be executed directly between the dealers without an intermediary to perform the transaction, which may completely eliminate the need for the banking sector in money transfers.



- Despite the relatively higher costs of mining, both for the equipment and the energy it consumes, these costs as well as the mining efforts, don't give the Bitcoin currency any intrinsic value other than its exchange value as the case in contemporary fiduciary money whose issuance and control requires huge costs but ultimately provides no value other than the exchange value.

Blockchain Technology:

- The Blockchain technology was invented by Stuart Haber and W. Scott Stornetta in 1991 under the concept of timestamp of digital documents. Blockchain is not Bitcoin, rather blockchain is a technology used by Bitcoin.
- Blockchain is like a very distinguished accounting ledger on which transactions are done quickly and easily, and is shared by many (distributed ledger). Addition to this ledger is possible (but it is impossible to modify it i.e. the previous transactions cannot be altered). Blockchain has a number of transparency levels according to their different applications, and information experts claim that it is a safe technology which can't be penetrated or digitally sabotaged.
- The ledger is divided into a number of blocks, each contains a number of transactions. Each block contains also an encrypted reference to its previous block which can be traced (without the alteration of all subsequent blocks). As for Bitcoin, it can be traced back to 2009. Any change within the contents of a block changes the encrypted reference and the authentication process fails.



- Blockchain is a technology for storing, validating and licensing of digital transactions in the internet with a higher level of security that may be impossible to break under the technologies available today.
- The traditional method of storing, verifying or authenticating relies on a central body or a third party, most of the time, in any transaction. This party authorizes or guarantees the transaction, such as banks which control the transfer of funds against specific fees/charges, as well as the Department of Land Registry which controls the transfer of ownership of any property in any country.
- On the contrary, Blockchain technology ,as a peer-to-peer database, eliminates the third-party guarantor. So, instead of the database being with the central third party, the Blockchain database is stored frequently in all the devices you use. And specifically, to each miner, or user who has downloaded all of the Blockchain data. This property makes it very difficult, if not impossible, to manipulate the data. According to technical experts, manipulation may be possible but not economically feasible.
- Breaking this technology is not possible at the moment; however, technologically speaking, and especially in the light of rapid developments, it is an uncertain future. This is one of the technological risks to the encrypted digital currency because it is based on technology which is renewable in its evolution.
- The fact that the Blockchain is a distributed database (duplicated) and doesn't contain a central entity to prove its operations, any transaction on Blockchain (such as the transfer of digital currencies or the transfer of any property on the Blockchain) requires authentication (validation or verification) by a number of dealers. Depending on the different



applications that depend on Blockchain, specific dealers/traders or parties may be assigned to carry out the task, or leave it available to any trader as the case of Bitcoin, where the trust in the validity of the transaction depends on the majority's approval that the transaction/process is correct.

Authentication and Mining of Bitcoin:

- The authentication process in Bitcoin is designed to verify the validity of the process i.e. the client/trader has a sufficient balance of Bitcoin before transfer and then prove the transfer of balance from sender to receiver.
- This is done practically by solving a set of mathematical equations through techniques and software, not manually.
- Technically, Bitcoin transfer processes generate mathematical values that must be grouped together by predefined algorithms. These algorithms generate a different Hash each time and this process must be repeated several times until a Hash is achieved in which certain characteristics are found according to the rules of Bitcoin. This Hash is the current block values + Hash of the previous block + a special number produced by the experiment and the guess (nonce). Since the information of current block and Hash of the previous block is available to all, what the miners do is to compile current operations and guess different nonces to reach the required value that matches the predefined mathematical rules according to the design of Bitcoin.
- At current levels, a Hash is found almost every ten minutes. Technical experts claim that it is easy to verify the validity of the Hash after it has



been discovered, which allows other miners to detect any attempt to tamper with it.

- The number of new Bitcoin units (created by the system for each block) decreases gradually and the difficulty of finding the Hash automatically changes according to fixed rules, making the average time required to find each block about 10 minutes on average. The aim is to reduce over-mining process and maintain a competitive environment among miners and reduce the monopolization of one hand/company to the process by possessing high computing speed.
- The mathematical process described above requires advanced computer equipment and consumes high power and therefore has a relatively high cost. In order to give an incentive to the processors to do so, the first to prove the validity of a set of operations/transactions and collect them within the “block” adding it to the series of blocks receives the transfer fees for all the transaction contained in (that) block. And it is to note here that winner is only the first and all others who participated and consumed ‘energy’ in other validation processes lose what they spent. Limiting the profit to those who succeed in forming/building the blocks is what incentivizes the workers on the network to compete in validation of the transactions and this conceptually ensures the speed of implementation.
- The system automatically creates a number of Bitcoin units at the completion of each block until reaching the upper limit of mining. These units are also received by the first person who validates/verifies a set of transactions within the block and this continues until reaching the upper limit of mining after which, the first one who succeeds at verification of the block receives the transfer commission/fees only.



- It is clear from above that mining is the result of validation processes until the maximum number of Bitcoin units is reached (21 Million units) as new units cannot be generated/created after this limit (i.e. mining stops in the literal sense). However, the "miners" will continue to carry out the verification process and the formation/creation of the blocks in order to receive transfer commission/fees.

Regulating Bitcoin

- The features of Bitcoin, currently, are established with the acceptance of the majority of miners; therefore, these properties could be changed with the willingness and acceptance of the majority of the miners.
- Practically, it's impossible to give special rights or privileges to a local authority within the Global Bitcoin network.
- Any financially capable organization or institution may choose to invest in mining devices. If such party succeeded in controlling half of the capacity of Bitcoin's production network, the party could ban or reverse the latest transactions. However, there is no guarantee that the party can maintain this ability because it should invest as much as the investments of all miners around the World.
- It is possible to control the usage of Bitcoin in a similar way to controlling any other instrument. Bitcoin could be used for various purposes, which could be deemed legal or illegal depending on the laws prevailing in the relevant jurisdiction. Therefore, Bitcoin does not differ from any other instruments,



which could be under different rules and regulations in the various countries. Using bitcoin could be made difficult by applying some legal restrictions.

- Therefore, it is difficult to anticipate the percentage of consumers who will continue using Bitcoin technology. Any government that decides to ban Bitcoin may preclude businesses and local markets from developments, and hence, passing innovation to other countries.

The limited quantity:

- One key feature of Bitcoin is the fact the maximum number that could be issued is limited to 21 million units only. This is actually not a barrier to its usage because each unit can be divided into 8 digits (0.000 000 01 BTC) and thus transactions can be made using these subunits of Bitcoin like millibitcoins or mBTC which equals 0.001 BTC.

The usage and prevalence:

- Bitcoin has been introduced as a global digital currency that is not limited to a certain geographical area of the World. It is not affiliated to any country or law in the World, and not subject to any local or international authority that can directly control its main transactions which are: mining, authentication and executing exchanges.
- The governmental reactions towards Bitcoin varies between acceptance and considering dealing with it as a crime, or taking a middle position by



warning against investing in it as the opinion of the US securities commission and financial markets. In this regard, we mention the opinion of the European Justice Court about accepting Bitcoin in paying taxes, beside the approval of Chiasso Municipality in Switzerland to pay taxes through Bitcoin. The German government is among the first countries to acknowledge that Bitcoin is legal,. It also gave Bitcoin a “tax classification” by considering it a financial asset, and not electronic money.

- In the same context, a federal court in Colorado, USA, looked into a case where Bitcoin units were purchased on credit. At the maturity date, its value increased drastically, and the debtor refused to pay it in the high market value and insisted on paying its value as at the purchase date. After some sessions, the judge decided that payment should be done with market value at the payment date¹.
- On other side, many countries have declared their plans to issue their own cryptocurrencies and developing their payment instruments as a reflection of their refusal of Bitcoin.
- In general, Bitcoin has played the functions of money or currencies as a medium of exchange, a store of value, for settling liabilities, and in some cases; settling governmental liabilities. Some people argue that issuing currencies is a sovereign matter, and thus, Bitcoin is not considered a currency. A fatwa issued by the Presidency of Religious Affairs in Turkey mentioned that the non–recognition by the government for Bitcoin negates its financial aspect (i.e. Bitcoin is not considered as money).

¹ See the links at the end of this document.



Mining groups:

- Mining is a competitive process with a return that has been attractive for a large number of investors who established so-called “factories” or “farms” that include tens, hundreds or maybe thousands of sophisticated computers to solve the required mathematical equations. Because the mining is a competitive process (as its returns go to those who first accomplish the work in solving the equations); therefore, the chances of a solo miner (who works individually) in winning the returns became less. As a result, various models of group mining, which comprise various individuals work together through internet, have emerged recently.
- Ways of collaboration and establishing “groups” are different. It could be achieved through establishing firms or via some platforms and websites on the internet. For example, someone with a computer (or even a mobile phone) can sign up in some websites to communicate with others and work with them in mining by using certain software to solve part of the required mathematical equation (it should be noted that the process might not be financially feasible unless the speed of the computer is good enough).
- It is noted that some computers are specialized in mining. They are equipped with a high speed and customized features. In addition, the usage of “cloud computing”² in the mining process where the user rents

² Computer clouding: is a term indicates the sources and computer systems available on the internet which offer for the user, while connecting to the network, a number of integrated computer services including programming processing capabilities through simple programming interfaces that don't display the details and internal processes.



the computing power of some servers around the World for the mining process is highly notable today.

- Some platforms and websites on the internet receive funds to participate in the mining process according to different contracts and terms. There are doubts that some are fraudulent platforms which receive funds under the title of “mining groups”
- Generally, miners of each group share the earned returns from mining, however, it is noted that contracts and mechanisms of sharing the returns vary a lot.

Bitcoin Wallets:

–Bitcoin units are stored through the so-called “e-wallet”. The user can perform transfers and payments through these wallets as well by using a “private key” which enables users from logging to the public key.

The following are the most prominent types of wallets:

– **Computer wallets:** they enable users to send and receive cryptocurrency besides establishing new “addresses” to receive transfers and storing its Private keys.

–**Mobile phone wallet:** is quite similar to computer wallets; however, it enables the user to apply NFC³ technology (Near Field Communication) for paying the price of his purchase directly.

–**Web Wallets:** a user of such wallets can create them by registering in the website of the wallet through simple steps that are similar to creating an email.

³ NFC: is a relatively secure technology that is used to transfer data wirelessly within a close range.



Such wallets, unlike previous types, enable companies that offer them to store private keys on behalf of their clients. This feature eliminates the concerns of losing the wallets inside the computer in case of forgetting the private key. However, the same feature could allow the existence of another risk which is the hacking risk because hackers of these websites can obtain the stored information and therefore steal the funds which can't be redeemed.

–**Hardware wallets:** consist of small devices designed especially to be a wallet and nothing else, therefore, no software can be installed on it, which makes it more secure in cases of electronic theft, and possible hacking attempts by any malwares. Because such wallets support backups, funds can be redeemed in case of computer loss.

Exchange Platforms:

–Generally, the user can get Bitcoin units through local currency either by exchange platforms or by purchasing them directly from those who own them. Besides, Bitcoins are obtained through goods or services, which are sold in Bitcoin or directly through mining processes.

– Many websites on the Internet offer exchanging Bitcoin units against local currencies. These websites offer a venue to match willing sellers and buyers. Some platforms also sell Bitcoin directly.

–Different platforms offer different features, and they work according to different rules as well. Some offer electronic wallets that are integrated with the platforms.



- Some platforms allow users to transfer the purchased Bitcoin units freely (without any restrictions) while other platforms impose some restrictions.
- Exchanging Bitcoins happens through various platforms (i.e. selling it against local currency). Some platforms impose terms on users regarding withdrawing their capital/profits that are invested in selling and buying from the platform.
- Large number of users use these platforms as an investment avenue similarly to “forex” platforms where they allocate some funds for speculation through many buy and sell transactions to get profits without any intention to ultimately own Bitcoin units and using them for payment.

Risks of Bitcoin

- Some believe that the instability of the Bitcoin value, the high risks associated with it, and the spread of illegal transactions through using it are inseparable fundamental features associated with Bitcoin. Others argue that these matters are temporary and could affect the efficiency of Bitcoin in general, but they don't cancel its consideration. In this regard, a researcher from Australia mentioned an estimation of the illegal transactions using Bitcoin (Prostitution, narcotics, weapons) to be almost 50%.
- Nevertheless, other reports indicate the decline of illegal transactions using Bitcoin for many reasons including the evolvement of the mechanisms used by authorities and the emergence of new methods that may allow uncovering the identity of illegal users⁴.

⁴ <https://www.bloomberg.com/news/articles/2018-01-02/criminal-underworld-is-dropping-bitcoin-for-another-currency>.



3. Official Fatwas

A Summary of the fatwas issued by the Religious Affairs in Turkey that consider Bitcoin impermissible.

– “Cryptocurrencies are not under any central authority, and therefore, they are not under the State’s guarantee. In this context, they could be used in speculations and money laundering which make dealing with them inappropriate”.

– Despite that virtual currencies are used by some people for exchange, the facts that these currencies carry no stamp/signature or authorization from any central monetary institution, and not having the State’s guarantee or the government’s credit, don’t make them a type of money⁵. In addition, being open to speculation because of their volatility (to lose or gain value) allows them to be easily used in illegal businesses like money laundering and businesses that are not under the State’s control. For all those reasons, buying and selling such currencies is inappropriate⁶ from a religious perspective.”

A Summary of the fatwa issued by Palatinate Fatwa House to consider Bitcoin impermissible:

- The fatwa mentions: (The Supreme Council for Fatwa is in line with the opinion of considering mining Bitcoin an impermissible act as it contains

https://motherboard.vice.com/en_us/article/5337kd/bitcoin-isnt-the-criminal-safe-haven-people-think-it-is.

⁵ Assuming that the translation from Turkish is correct, it is noted that the fatwa neglects the financial aspect of Bitcoin too.

⁶ Assuming that the translation from Turkish is correct, it is noted that the fatwa used “inappropriate” from a religious perspective which may not mean that dealing with Bitcoin is impermissible because it is not a financial matter.



excessive uncertainty (gharar) and carries the meaning of gambling. Buying and selling Bitcoin is not allowed also because it is still a currency with an anonymous source and no guarantor for it, besides being too volatile and risky and could be affected by stealing its keys, and because it allows: fraud, deception and cheating. Therefore, it is not permissible to deal with it, mining it, selling or buying it.)

A Summary of the fatwa issued by Egyptian Fatwa House to consider Bitcoin impermissible:

- The fatwa mentions “it’s impermissible in Shariah to exchange Bitcoin by selling, buying and renting or other acts, moreover, it is not allowed to subscribe in it because it is not considered an accepted medium of exchange from the relevant authorities, and due to the harm included in it that arises from uncertainty, and the deception in its usage, standard and value.

The following reasons are reported to be mentioned by mufti in the explanations of the Bitcoin impermissible:

- It represents a penetration for cybersecurity and protection.
- It represents a penetration for central financial systems and central banks.
- It is used to evade from security authorities to execute illegal purposes.
- It is used by armed and extremist groups like “ISIS” and drug dealers and money laundry gangs.
- It contains deception and fraud.
- It is an entire electronic currency that is exchanged via Internet only.



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- It is a decentralized digital currency with no physical existence and can't be exchanged in a tangible way.
- It contains elements of uncertainty and ignorance.
- It is impermissible for buying and selling and entering into contracts.
- It doesn't have a central regulatory authority behind it.



4. Shariah Views

Brief of characteristics influencing the Shariah rule of Bitcoin

Concluded from the technical description of Bitcoin and its working mechanism, the characteristics that influence the Shariah rule – without any duplication or contradiction– are merely the following:

1. The ignorance of the issuer
2. The ignorance of the future of Bitcoin
3. The absence of the issuing authority or a guarantor of issuing .
4. (The absence) of government regulation and supervision bodies.
5. The large number of speculations and the relative instability of its value.
6. The large number of illegal uses.
7. Ascertaining of the criteria of *mal*, money and *thamaniyyah* (monetary usage) in Bitcoin in practice .

Identifying the *manat* that is the (reason) of general Shariah rule and the particular Shariah rule of Bitcoin:

Some scholars think that all of the pre mentioned characteristics are the elements that could lead to adopt the prohibition of Bitcoin, while others see that the essence of Bitcoin itself leads to the view of permissibility, whereas other external factors i.e. speculation, illegal transactions, investment through E– wallet or mining or dealing through third party, each one has its own particular Shariah rule according to the working



process and the variable contractual conditions of each. Below are the different views in this subject are detailed.

Shariah Opinions

The scholars have two different opinions. The first is the permissibility, while the second is the prohibition. The basis of both views is detailed in the following paragraphs, in addition to the consequences of each view on financial transactions in practice .

First view: Permissibility

Scholars who are of this view consider that the criteria of *mal*, money and *thamaniyyah* (monetary usage) are ascertained in Bitcoin, they build their view on the following:

1. Adhering to the legal maxim that says: “original rule is permissibility in financial transactions .”
2. Bitcoin is considered *mal mutaqawwum* (valuable property or asset recognized by the Shariah) that has legal value by virtue of the fact that in practice it is exchanged for other currencies, goods and services.
3. Bitcoin plays the functions of money or currencies in general, although not issued by a government authority. Besides there is no economic or Shariah limit for currency to prevent that.

Discussion of the objections of this first view



One of the objections on the first view is that Bitcoin is exposed to wild fluctuations, large number of speculations and illegal uses, however this objection is discussed and defeated as the following :

- The volatility in the prices of Bitcoin, and then the relative instability in its value, affects the efficiency, as is the case of many contemporary currencies and equity, but does not affect its *Thamaniyya* (monetary value).
- The illegal uses of Bitcoin are contingent and do not affect the general Shariah rule, as many contemporary currencies are vulnerable, they are at risk of fraud as well. On the other hand, these illegal uses are reversible according to the studies referred to in this declaration.
- The ignorance of the issuer, as well as the absence of regulators and government control authority have no impact on the general Shariah rule; because all the rules of Bitcoin are publicly stated, and well-known to all players and customers through the applications of Bitcoin-Block chain. The progress of the work in this field does not create salient features to form a firm Shariah rule in this regard. On the other side, the trust from a government backing in a currency is replaced here with the blockchain technology which establishes trust in itself .

Therefore, according to the first view:

- It is permissible to be engaged in verifying and mining for the purpose of obtaining the units of Bitcoin, whether through possessing hardware and software directly, or renting through the purchase of cards that authorize



the use of third party's hardware. However, the Shariah rules of investment in mining through E- wallet or authorizing third party should be studied each case on its own merits .

- It is permissible to exchange Bitcoin for other currencies, as well as accept them as a counter value in commodity transactions, furthermore it could be exchanged for other cryptocurrencies that are considered permissible .
- Exchanging Bitcoin with other currencies or with gold and silver are all regulated by the Shariah exchange rules (*bai al sarf*). It is worth mentioning that each cryptocurrency is considered as a separate type of currencies as the case in a fiat currency. In addition, the accumulated Bitcoins are subject to the rules of zakat on gold and silver .

Second view: Bitcoin is Prohibited

This view is based on the following:

1. The ignorance of the issuer.
2. The ignorance of the future of Bitcoin.
3. The absence of the issuing authority or the guarantor of issuing .
4. The absence of government regulation and supervision .
5. The large number of speculations and relative instability of its value.
6. The large number of illegal uses.
7. According to aforementioned elements, Bitcoin is not *mal mutaqawwum* with legal value .



In fact, all these bases, which are mentioned in the discussions of the features that affect Shariah rule, could be classified into four categories :

- The first category is the *gharar* (uncertainty), *Jahala* (ignorance) and *qimar* (gambling), and this category covers the first four points.
- The second category is that bitcoin could be of “means to evil”, and this is referring to points 5 and 6.
- The third category is non-consideration of Bitcoin as *mal mutaqqawwum*
- The fourth category is related to the prohibition of Bitcoin, according to some scholars, as a precaution since it involves some doubtful elements that violate the permissible transactions according to the supporters of this view.⁷

Concluding Remarks:

- This declaration is merely specific to Bitcoin, despite the similarities between cryptocurrencies (such as Bitcoin, Ripple, and Ethereum), still some differences may affect the Shariah rule of each case, and hence such differences shall be carefully examined .
- There are various contractual conditions for the formation of mining pools or groups; therefore, it is impossible to give a common Shariah opinion regarding these types of services; and hence, the contracts used by each service provider must be individually examined. In this regard, the Forum

⁷ WhatsApp group called “The global forum for *Maliki Madhab*”. Most of the group members contributed to the IE forum discussion on the Bitcoin.



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recommends discussing these services further. This also applies to e-wallets and trading platforms.

– The permissibility of trading of Bitcoin – referring to the first view– does not imply encouraging Muslims to invest, trade in or speculate with Bitcoin, as such actions involves risks represented by price fluctuation of Bitcoin against the local currencies.

May the peace and the blessings of Allah be upon our Prophet
Muhammad, his family, his companions and all those who will
follow them in righteousness till the Day of Judgment.

Dr Abdulbari Mashal

Head of the Arabic Section

Islamic Economics Forum



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About the Islamic Economic Forum (IEF)

January 2, 2018 marks the second anniversary of the Islamic Economic Forum (IEF) – a specialized discussion group on WhatsApp founded by Sheikh Muhammed Khalid Hasani from Pakistan, which includes Shariah Scholars, experts, practitioners, economists, academics, researchers, consultants, auditors and regulators comprising different Governance, Academic institutions and Regulatory bodies of the Islamic financial industry such as IDB, IRTI, AAOIFI, CIBAFI, IFSB, INCEIF, ISRA, Central Shariah Boards and World Bank – Islamic Finance Group and many others around the globe.

The Forum was created for the purpose of positive discussions on various issues and challenges facing the Islamic Economic & Finance Industry in order to explore ideas and solutions pertaining to Islamic Economic & Finance from an economic as well as Sharia perspective. Since there are already various forums devoted to Islamic Economic & Finance, this forum is expected to have more emphasis on critical analysis as well as to make ensure you're up to date with the latest market movements, analysis, and research.

The forum has become a renowned media platform for governing and regulatory bodies in particular, AAOIFI, CIBAFI, IFSB and ISRA, as well as providing an appropriate channel for the activities of banks and other bodies represented in the forum, and for the individual activities and events among the Forum members gloriously.



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The Forum has three groups based on medium of communication, two English-language groups; Islamic Economic Forum–IEF and Islamic Economic Council–IEC, and one group for Arabic speakers under the name منتدى الاقتصاد الإسلامي

There are more than 600 participants in the Forum from all over the world.

The Forum has produced several working papers documenting the rich and valuable dialogues held among the Forum members, which have been published on the website of ISRA Malaysia, and the Islamic Economics and Finance Encyclopaedia (iefpedia).

The Forum (Arabic Section) adopted a strategic plan for discussion, which dealt with the considerable issues in Shariah Standards of AAOIFI, and discussed the Shariah Standard of currencies and standard of cards, and then covered the topics of discussion in depth and newly arisen matters in the Islamic financial industry in general which exceeded 20 topics. Since November 13, 2107, the Forum has started to discuss on the topic of Bitcoin. This discussion culminated in the issuance of declaration No. (1/2018) on Bitcoin dated 10/1/2018 to serve as a strategic shift in the form of documenting the forum discussions and outcomes in line with the second anniversary of the Forum.

Following are some of the topics discussed in the forum (Arabic Section):

1. Discussion points in the shariah standard “Currency”
2. Discussion points in the Shariah Standard “Cards”
3. New Zealand Waqf Sukuk – ISRA
4. Performance Guarantee and Transfer of Guarantee in Istisnaa
5. Payment /Investment of Waqf proceeds



6. Identification and possession
7. Reverse Istisnaa
8. Treasury operations, trade in currencies, money market and capital market
9. Simulation in legal contracts
10. Working of Non-Muslim in Islamic bank in supervisory or executive level
11. What are the real economic objectives in Islamic Shariah?
12. Can feasibility studies be performed using a non-interest discount rate?
13. How to establish the second step of the Islamic banking and finance industry?
14. Do we have an Islamic economic theory parallel to Western theory?
15. Structure of Islamic banking. Where is the flaw?
16. Positive Banking
17. Discussion on the opinion of Grand Mufti of Jami Al Azhar – Dr. Ali Goma to allow contemporary banking interest on deposits and loans.
18. Learning and training in Islamic banking
19. Reserves and provisions in Islamic banks
20. Digital Currency – Bitcoin

While in English section the discussions are more generic where macroeconomic matters as well as practicalities are discussed. A number of topics discussed were left to be compiled.

Here are some topics discussed in English section and documented in files:

1. Contra-Trading
2. Commodity Murabaha
3. Currency Salam



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4. Tawarruq

5. Profit & Loss Sharing – Dr. Daud Bakar’s thesis

Joint Administrative Committee for both English & Arabic Section of Islamic Economic Forum:

Sheikh Dr. Aznan Hassan (Chairman of Administrative Committee)

Sheikh Dr. Abdul Bari Mashal (Head – Arabic Section)

Sheikh Dr. M. Burhan Arbouna

Sheikh Ashraf Gomma Ali (English Group Head)

Sheikh Dr. M. Iman Sastra

Dr. Sarah Al-Qahtani

Sheikh Siraj Yasini

Sheikh Ibrahim Musa Tijani

Dr. Abdoul Razzak Kaba

Sheikh M. Khalid Hasani (Founder of the Forum)

The countries represented in the Islamic Economic Forum have reached 58 countries from all continents of the world as follows:

List of Countries represented in *Islamic Economic Forum*

1. Afghanistan
2. Algeria
3. Australia
4. Bahrain
5. Bangladesh
6. Belgium



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7. Bosnia & Herzegovina
8. Brunei
9. Canada
10. China
11. Djibouti
12. Egypt
13. France
14. Germany
15. Guinea
16. India
17. Indonesia
18. Iraq
19. Jamaica
20. Japan
21. Jordan
22. Kazakhstan
23. Kenya
24. Kuwait
25. Kyrgyzstan
26. Lebanon
27. Libya
28. Luxembourg
29. Malaysia
30. Maldives
31. Mauritius
32. Morocco



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33. New Zealand
34. Nigeria
35. Oman
36. Pakistan
37. Palestine
38. Philippines
39. Qatar
40. Reunion Island
41. Russia
42. Saudi Arabia
43. Singapore
44. South Africa
45. Sri Lanka
46. Sudan
47. Suriname
48. Switzerland
49. Syria
50. Tajikistan
51. Tanzania
52. Tunisia
53. Turkey
54. UAE
55. Uganda
56. UK
57. USA
58. Yemen