

# FATAWA CURRENCIES, METALS, COMMODITIES, OPTIONS 2008-2012

## Subject: Forex Trading

From: Samy, Islam on line

Sent: Thursday, January 03, 2008

### Question: Money Trading or Forex Trading

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Money Trading or Forex Trading is Halal or not? A lot of our Muslims brothers are doing this Business. I'm also interested in it.

Jazakum Allahu Khairan for your constant help

Yours, Sami

### My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Authman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Most of the transactions of money trading on Forex are in violation of the Shari'ah rules. Specifically, the Prophet, pbuh, prohibits any money exchange transaction that does not fulfill both of the following tow conditions: 1) payment of both currencies must be in full; and 2) payment must be done at the time of the contract. This means that all trades on margin are not permissible (please do not be misled by a claim from the broker that it lends you the difference. there is no lending and they cannot do that by law, the regulations of the market requires payment of a small margin for each contract and this margin is required from seller and buyer not only from buyer). It also means that all future trades are also not permissible. If these two conditions are fulfilled, literally, money exchange becomes permissible. But I like to add that money exchange is normally done by either merchants who have shops to help people exchange currencies (money exchangers) or by persons who need other currencies for their own use or to pay for their imports, etc. Exchanging money on the internet for the purpose of profiteering from price variations is not a business that creates value or benefit society. It is closer to gambling because it only transfers wealth from one person to another. Therefore, although some limited ways of doing it are not specifically prohibited in our religion, they are really not useful and they promote a gambling spirit of profiteering instead of creating a spirit of value-creating activities that benefit human beings.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Abdul wahid

Sent: Saturday, February 02, 2008

**Question: Is Forex halal**

Assalaamwalikum,

I would like to know in general if doing FOREX online is halal or not?

Jazaka Allah,

Abdul wahid

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Abdul Wahid

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Foreign currency transactions require two conditions according to Shari'ah. These conditions came in a correct Saying of our beloved Prophet, pbuh. They are: both currencies must be paid in full and payment of both must be at the time of the contract. This means that futures and margin transactions are not permissible. Almost all transactions on Forex on the internet are futures and/or margin. They do not fulfill these conditions or at least one of them. This makes them not permissible according to Shari'ah. Additionally, even if you make a transaction spot with full payment, it is in the final analysis not any this that is beneficial to the economy, society or humanity; it is only a gain from someone else's loss, what is called zero-sum games very similar to gambling. I do not recommend you to do any Forex trading unless you need a foreign currency to use for export or import, profiteering from forex is a bad thing any way.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Omar

Sent: Thursday, March 06, 2008

**Question: : Forex.**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ  
فضيلة أستاذنا الكبير حفظه الله ورعاه، تشرفت بلقائكم والحديث معكم هنا في إربد اليرموك، ولا أخفي عنكم حرصي على قراءة أبحاثكم ونظراتكم المتألقة في مختلف مجالات الاقتصاد الإسلامي، والتي كان لها الدور الكبير في الارتقاء بهذا العلم في مختلف المجالات.

أما بعد:

لابد سيدي أنه قد استقر لديكم الحكم الشرعي لأسواق المتاجرة بالعملات العالمية (البورصات)، وخاصة بعد ظهور فتاوى متعددة منها ما يجيز بتقييد، والبعض الآخر يحرم بإطلاق، وبعد سؤال عدد من أساتذة الشريعة، أدركت أن الأمر يحتاج إلى عالم خبير وناقد بصير بهذه العمليات، وقد طرقت بابكم لما لهذا الموضوع من أهمية بالغة، حيث كثر المتعاملون بهذه التجارة، وأصبح الأمر يحتاج إلى رأي متين.

مع الشكر والاحترام

وأسأل الله تعالى أن تحظى هذه الرسالة منكم ببعض العناية.

ابنكم: عمر

**My Answer:**

Dear Br. OMAR

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

I stick to the principle that requires Hand to Hand. Futures and margins in currencies are not permissible. I also add that trading Forex on the internet even when it is done spot and with full debit/credit is merely a zero-sum transaction that is not beneficial to the economy/society. It only transfers wealth from one person to another with no economic value and therefore Shari'ah looks at it as undesired transaction and not-good profiteering from the loss of some other person.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Afeez

Sent: Monday, September 22, 2008

**Question: Forex trading**

Asalamu alaykum

Dear Sheikh,

Please I want to find out the Islamic position on trading forex. I have heard different opinions from scholars and I am a bit confused. Some said it is Halal while some said it is like gambling, hence haram. Some even said it is a fictitious trading.

Can you please explain this to me? Is it halal? If so, is it all aspect that is halal or are there some restrictions?

Afeez

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Afeez

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Foreign currency transactions require two conditions according to Shari'ah. These conditions came in a correct Saying of our beloved Prophet, pbuh. They are: both currencies must be paid in full and payment of both must be at the time of the contract. This means that futures and margin transactions are not permissible. Almost all transactions on Forex on the internet are futures and/or margin. They do not fulfill these conditions or at least one of them. This makes them not permissible according to Shari'ah.

Additionally, even if you make a transaction spot with full payment, it is, in the final analysis, not anything that is beneficial to the economy, society or humanity, it is only a gain from

someone else's loss, what is called zero-sum games very similar to gambling. I do not recommend you to do any Forex trading unless you need a foreign currency to use for export or import, profiteering from forex is a bad thing any way.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Rafikov

Sent: Sunday, November 23, 2008

**Question: Online Forex without leverage and interest**

Dear Dr. Monzer, assalamu alaikum,

I have been looking for a fatwa on online forex trading and could not find one that is comprehensive. Most of the fatwa say that currency exchange is allowed as long as it is done on the spot. However, they overlook the question of the spot online forex trading and how it is done.

For the benefit of your website readers (and I am one of those), allow me to briefly introduce forex (foreign currency exchange).

Forex is the largest market in the world, where over USD 3 trillion worth of currencies being traded every day. Of course, the largest players in this market are the banks, such as Citibank or J.P. Morgan, and hedge funds. Then there are brokers and individual traders.

Forex transaction can be spot, forwards, futures, swaps or options. Obviously, the latter four are forbidden outright, so let's concentrate on the spot forex trading.

Spot forex trading is done where a currency is bought or sold with immediate effect, but is settled within (usually) two working days. Most banks/brokers offer the possibility to trade on margins, where a small amount could be used to trade large volumes. If we discount margin trading, what is left is the bare bones spot trading, which is about trading with what one has and no leverage is used. However, there is still the issue of interest, which is either paid or charged on an existing position if the trader chooses to roll over the position overnight (or over some period of time). Without delving into the issue of interest, which is quite clear, let's consider the issue of internet spot forex trading without leverage and without accepting interest. What is the ruling on such a transaction, and whether an Islamic investment fund is allowed to use this market as a high risk investment opportunity? When answering, please, relate your answer to the Maqasid al-Shari'ah. Looking forward for a detailed answer.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Rafikov

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I suggest that you consult my website for any details on my opinion on forex trades.

I can add now that although I do not yet say it outright as forbidden I hate this transaction and urge all Muslims to avoid it. It clashes directly with the objectives of Shari'ah and it is much closer to gambling than trade. The problem in gambling is not chance as some people may think

but rather the vanity, i.e., being in vain not a useful transaction. In economics this means a transaction that does not involve any creation of value. Besides, the way most spot interest free Forex trades are done by the platform companies as pairs, this means that you buy and sell always but not necessarily out of the funds you have deposited, only settlements net results go to your account. This means you buy and sell only as records but you do not pay for what you buy and there are no debit credit records in your deposit account of these transactions. This makes the transactions that are done this way not permissible even on micro level not only on the grounds of the Maqasid that calls for avoiding any thing that does not produce value.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Abdur Raqeeb and Nayar

Sent: Friday, February 06, 2009

Location: United States

**Question: Currency Forwards Trading**

Dear Br. Abdur Raqeeb and Nayar

Assalamu alaikum warahmatullahi wabarakatuhu,

Alhamdulillah Jazaakallah for your kind offer to help.

Can You please inform us whether forward booking of the US dollar is allowed???

If yes, please inform what are the conditions under which we can do the forward booking of the US Dollar or the Euro or the Pound Sterling???

Jazaakallah,

wassalam,

Abdur Raqeeb and Nayar

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Brothers Abdur Raqeeb and Nayar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Speculating on foreign exchange for the purpose of making profit as is done on the internet forex trading and in the forex markets is not permissible. Further, we have a correct Hadith to the effect that exchanging currencies must be only with immediate delivery and full payment of the two currencies (hand to hand).

On the other hand, buying future currency contract to for a future obligation or future asset in a foreign currency as in the question is a genuine real need and genuine real needs are not prohibited. I prefer however the use of options because the form of the future currency contract seems to come in a head-on contradiction with the Hadith referred to above.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Nur

Sent: Wednesday, February 18, 2009

**Question: Internet Currency Trade (FOREX)**

Salam dear Dr. Monzer Kahf

Here are listed my findings about Forex in the Shari'ah view via the net and I am sure most of them are from you :)

(1) <http://www.islamonline.net/livefatwa/english/Browse.asp?hGuestID=Ta4O7M>

Online forex trading is essentially forbidden because of the requirement of full delivery or both currencies at the time of the contract. This requirement is mentioned in a correct saying of the Prophet. Consequently, any contract in which you pay an amount that is smaller than the exact value of the other currency (margin) is not permitted. Also, any contract that has a time lag in the delivery of either currency is not permitted. This leaves out, as permissible, day trading and spot trading if they are done with full cash payment.

(2) [http://www.islamonline.net/servlet/Satellite?pagename=IslamOnline-English-Ask\\_Scholar/FatwaE/FatwaE&cid=1119503543678](http://www.islamonline.net/servlet/Satellite?pagename=IslamOnline-English-Ask_Scholar/FatwaE/FatwaE&cid=1119503543678)

"Trading in currencies has certain rules and regulations in the Shari`ah. The most important rule to remember when trading in two different currencies is that it has to be on spot basis, i.e., you are not allowed to trade in options and futures on currencies. In addition, you are not allowed to trade by margin (paying only 10% of the total amount while the balance is considered to be debited to your account). If you are trading in cash and on spot basis, then this is allowed in the Shari`ah whether it is done on a day trading basis or more than a day since you are 100% owner of the currency and you can sell it any time you wish.

(3) <http://www.islamonline.net/livefatwa/english/Browse.asp?hGuestID=RlfoZL>

Question: I want to know if dealing in FOREX market is haram or not?

Answer: Dealing in forex has conditions to be permissible: 1) it must be with no interest, 2) it must be spot only, no futures, and 3) it must be with full payment and without any margin. On the other hand, you must remember that it is very risky and in the final analysis it does not in reality add value, it is merely speculative, a point that makes it very hated in Shari`ah.

(4) <http://www.islamonline.net/livefatwa/english/Browse.asp?hGuestID=1380rA>

Trading currency in the Shari'ah has the following requirement: the transaction must be cash, i.e., with immediate delivery of both currencies at the time of contracts. This means the following:

1. You have to have accounts in the currencies you are trading.
2. Credit and debit of the currencies traded must be done immediately at the time of contract.
3. The transaction must be spot, forward in currencies is not permitted.
4. Trades on margin are not permitted as the full amount of both currencies must be debited/credited at the same time that is the time of the contract.

If these four conditions are fulfilled, it doesn't matter whether the broker allows you to withdraw immediately or not; these becoming procedural matters not related to the contract.

(5) <http://www.islamonline.net/livefatwa/english/Guestcv.asp?hGuestID=7H0Jcz>

I look forward for your reply :)

Wassalam

Your sister in Islam

Nur

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Nur

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I do not give a Shari'ah opinion based on info on a website. Producers change website continuously. If you want a specific question write it with all pertinent info and I will try to answer it.

My opinion on internet currency trading is now that all of it is prohibited for the following reasons:

1) Trading is done in pairs; this means that a currency is purchased against another currency regardless of the account you have with them. This make the condition of delivery impossible and any claim of delivery is thus incorrect.

2) Day and other internet trading forms are all speculative and do not produce any real value. They are like gambling games that result in one profiteering and another loosing; un-necessary speculation that produces no value.

Thank you for searching my previous views and all are amended according to the above.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Farah

Sent: Tuesday, March 10, 2009

Location: Pakistan.

**Question: Currency and gold trading**

Salams

Assalam-O-alikum. Scholar Dr. Monzer Kahf will be answering question related to "Modern Financial Transactions". Because of the time difference and other obligation I can't ask live questions. However I am submitting my question here with the hope that it will be communicated to the respected scholar. By browsing your site I have finally come to know that Prize Bond is Haram in Islam. I have invested my money by buying gold and some foreign currency, with the intention to sell it whenever I need money. I want to know whether this type of investment is halal or not? And by this money can I take my family to perform Umrah? My second question is, in Pakistan we have got some Islamic Banks, namely Meezan Bank, Dubai Islamic Bank etc., which offers Halal Investment Certificate. Are these types of certificate really halal and can we buy them? Lastly, what type of investment does Islam prefers?

Regards,  
Farah

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. Buying gold and foreign currencies is permissible provided the buy is cash with full delivery done immediately at the time of the contract. (Full delivery means credit to your account with the bank of the foreign currency and handing the gold to you unless the bank has a god storage and gold current accounts, the latter is very unlikely). If these conditions are not fulfilled the transaction is then prohibited, in this case I suggest that any gain should give any profit to Muslim charities. In other words: margin and future transactions on gold and foreign currencies are not permitted in Shari'ah.
2. I suppose that certificates issued by Islamic banks in Pakistan must have approval from their Shari'ah advisors, if so they should be OK unless you do not trust the knowledge and honesty of these advisors.
3. You are correct about prize bonds, they are prohibited, and the OIC Fiqh Academy studied them carefully and issued a statement to this effect.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Omar

Sent: Friday, March 27, 2009

Location: Canada

**Question: Gains from Currency Exchange**

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Following is a financial question:

Visitor Question:

Salamu 'alaykum, Dear brother, I have taken \$2000 Canadian and converted into U.S. dollars (which became \$2000 U.S.) a few years ago when the U.S. currency was weak. I anticipated that its value would go up soon. Right now I can convert back the \$2000 U.S. into Canadian and get \$2400 Canadian. I want to do that and spend that extra \$400 on the poor. I thought it was an easy way to make additional money and I can give to the poor who does not beg. The problem is I have recently read a bit about it and it seems this extra money is considered Riba. Is that true? Is the income I get from currency conversions considered haram? I love to please Allah so I need to know if I have to throw out that extra money, give it to the poor or keep it for myself. May Allah reward you.

Jazakum Allahu Khairan for your constant help

Yours,

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Omar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If the Canadian 2000 with which you purchase the US currency is yours (even if it were borrowed money it is still yours), the difference in Canadian now when you sell it is fully Halal because it is permissible to anyone to own any currency and to convert it in any other. This is your property and it gained value over time. Definitely this is not Riba. It is rather Halal to you. You may like to spend it on the poor as a charity that is fine and will InShaAllah be rewarded by Allah. If you want to keep it to yourself, it is also OK.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Rauf

Sent: Sunday, March 29, 2009

**Question: Gold and Silver Fund**

Assalaamu Alaikum Sh. Monzer:

Insha'Allah all is well!

I wanted to inquire from you, what is your opinion on investing in gold and silver, obviously with the intention to profit from it. I know we can invest in gold and silver in a number of ways, to name a few:

- Buy coinage & bullion and sell when price is high, or just hold it indefinitely
- Trade using online brokers, provided trading is based on sound reasoning & information about the direction of the price of gold, I.e. not gambling
- Invest in gold/silver mining stocks, provided the company fits in the 'stocks permissibility guideline'
- Invest in/trade gold/silver Exchange traded funds - ETFs (though they are not asset backed generally).

Any better ideas you may have around gold/silver investing?

Jazak Allah Khayr.

FiAmanAllah

Rauf

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Rauf

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The rulings on Gold and silver have two aspects: 1) they were currencies of the Time of the Prophet, pbuh, and we take other currencies by analogy to them (but although to a large extent they are no more currencies, we still have to respect the text that names them), and 2) they are commodities used in industry like jewelry in the past and many other industries today. We notice though that the Prophet applies the rule of currency even on gold and silver jewelry. We also notice that as commodities they are produced and traded.

Trading gold and silver and currency certificates is out of question as any trade in this regard must be actual, physical and hand to hand.

Now trading any commodity must have an objective of making this commodity reach its user, let us understand a point that is essential and basic in legitimizing trade: trade is a service that creates value because it bridges the gap between producers and consumers. This is the fact of trade and this is why it creates value. Any departure from this principle carries trade out of its role and objective into speculation and profiteering.

Let us come to the rulings on the basis of the above:

1. Buying stocks of gold/silver producing companies (of even trading if they trade according to Shari'ah) for the purpose of becoming a producer or trader should be permissible provided the shares ownership/trading conditions are satisfied.
2. Buying such shares and all other shares for the purpose of speculation is not permissible. What is the difference between trade and speculation? It is like the difference between moving one's body right or left compared with dancing, dancing may have different ruling although it only consists of moving right and left. Intention is important in the difference and revealed objective is also important, more so the structure of the operation, as in funds designed to speculate on share and commodities.
3. Buying gold and silver as a store of value is permissible provided Zakah is paid regularly. Buying them for hoarding is not permissible; the difference is only the intention.
4. Trading gold and silver and currencies for the purpose of providing a service for those who need them is permissible while trading them for speculation, as apparent in almost all internet trading, is not permissible.
5. Of course in all the above we assume compliance with the conditions of physical delivery, hand to hand (a receipt of actual deposit in a warehouse does the same along with charge on account of the price).

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Minhaj

Sent: Friday, April 24, 2009

**Question: Trading in Currency and speculation**

Dear Br. Dr. Monzer Kahf Assalamu alaikum: I pray you are in the best of health and Iman.

Recently, I have read your article: "The Global Financial Crisis; Ideas for Long Term Solutions: Short Term Notes". I appreciate your voice of reason and amr bil ma'roof.

I need some reasoning voice to see if I am doing anything wrong against the noble Islamic principles. In one of your lectures at the MCA in Santa Clara, I had asked you a question if trading currencies were permitted. And, if I recall correctly, your answer was "yes it is as long as there is no interest involved."

Br. Yaqoobi has also given fatwa that trading in currencies is permitted as long as they are not done on margins and no interest is involved.

However, your article says "limiting the transactions of currency trade on internet or completely banning them and canceling the licenses of platforms of currency speculations on the Internet."

I agree on your premises as speculations do not add any value to real economies and creates crisis.

However, what if the currency trading is done without margins and without any interest on deposits, wouldn't it be "bai" where there is buying and selling involved? The way I trade is: First, no margins at all. Second, no interest on deposits. Third, spot trade where there is a contractual agreement that the settlement is done on the spot and not 2 days later. I trade through Duetsche Bank and I deal in a few million dollars using their internet platform that has been modified to meet my requirements of no margins, interest and spot trading.

In fact, I trade with my own money and not funds from anyone. My objective has been to create an alternative system of currency trading whereby it is halal. And, once I have my methods together, I would want to offer this product to Islamic banks, institutions, and to investors. As you already know very well, Islamic banking lacks in halal products and my intention has been to offer this service. But I did not want to take risk with other peoples' funds and therefore use my own funds.

The objective has been noble as I do see many brothers and sisters in our community are either involved in stocks (some of it halal and some of it not so) or other trading activities. I also see that a lot of Muslim money is lying idle in banks. Wouldn't it be better to offer halal products whereby their wealth could be increased and with this increased wealth they can continue to give Zakah and sadaqat? Keeping in mind, not every working man/woman can start a tech business or some other activity whereby they can create products, they are looking to park their idle money with the intention of growth.

I also understand and know very well that currency trading can be very speculative and also full of risks as the markets behave very volatile especially these days. However, I do my homework and buy currencies after a lot of homework. Again, all transactions are done on non-margins, at spot, and non-interest basis. In other words, my way of trading currencies limits risks which are an inherited part of any buy/sell trades in any business. And, that I follow fatwas on permissibility of carrying out this form of business.

I remember, you mentioning to me in our small talk that there is need for Islamic Leasing companies; a project which needs to be established to serve our community. I would also think that even in Ijarah there is some risk involved and also some speculation even though the level of volatility of the speculation may be lower. Even in Islamic purchase of buying/selling of

stocks there is some speculation involved. And, would we ban internet trading of stocks and currencies even if they are done according to Islamic principles (no shorting, no interest, etc.?) Please tell me if what I am doing is right or wrong? Also, what else I can do to make trading more halal? Also, is it even worth thinking that this product should be offered to Islamic banking in a purified form? Is this another alternative product that should be established according to Islamic principles and offered by professional managers, who are good in their character and conduct, to Islamic institutions and investors?

Please let me know. Your prompt answer will be very much appreciated. I can also be reached at my telephone number listed below. Thank you for your time and your service. Wassalamu alaikum.

Sincerely,

Minhaj

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Minhaj

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

While any single transaction of trade on the internet or any other means is permissible, of course within the known conditions, speculation of any item is not permissible. Hence, if it is realized that a form of trade has become purely speculative we go for its prohibition. This is what happens in currency trading. Trading currency is permissible if it is spot and with full payment. But internet trading has become only a speculative practice. I believe it is then prohibited. I see currency trading as a service to those who trade real goods and services across borders and therefore they always need to buy (and have to sell) foreign currency, I do not see it as a trade of its own except for those who facilitate access of importers and exporters. Any other practices are irrelevant and should be contained to minimum.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Minhaj

Sent: Friday, April 24, 2009

**Question:**

Dear Br. Dr. Monzer Kahf Assalamu alaikum: Thank you for your reply. However, your answer on one hand leaves room for currency trading via internet permissible but then it also prohibits it. What I understood from your answer is that if currency trading is done for the purpose of trade itself then it should be prohibited (or minimized) while if it is done as part of export and imports of goods then it is permissible. Tell me if I understood it differently.

The real issue is "speculation". If currency trading is based on speculation then it should be prohibited. I understood this premises in general, and from your answer as well.

I believe that the way I trade currencies is not based on speculation but based on economic facts. I look at the fundamental data: like the unemployment and inflation rates, GDP, Industrial Orders, Consumer surveys, and 26 other data, etc. I have done my best to take the element of speculation out. However, we all would also admit that in current economic situations you could not 100% eliminate speculation from any trade whether it be buying of stocks or real estate or commodities. For example: Buying of gold is to safeguard against inflation which we are already witnessing and will witness it even more. As our government would have to pay back trillions it has borrowed, I do foresee more than 10% inflation within a few years. Gold prices may be around \$2000 per ounce as the real value of the dollar will be less. Gold, like oil, is priced in the market against dollars and not euros or pounds. If gold is not purchased in advance to hedge against future inflation, the real value of goods will be much more expensive. We have seen this case in Brazil about 20 years ago and now in Zimbabwe, Pakistan, and some other countries. I have seen with my own eyes how people are not able to afford living as food is more expensive while salaries don't catch up with the inflation rates.

Another example is the parity of currencies. It is a common known fact among economists, traders, importers/exporters that Euro is expensive in its real value. A pencil which costs, let's say, \$0.50 in USA costs \$0.58 in Europe because of expensiveness of Euro. Companies who trade with European countries face the issue of currency gain or loss all the time. John Deere lost in sales of equipment but had hedged against Euro so it made a profit as when the receivables were converted from Euro to Dollars. Chinese companies and the government have faced huge losses because of weakness of dollar. If some form of parity is not there, savings from hard work of population of many exporting countries would become worthless as their savings will be worth less. Currency trading tries to bring some parity by buying/selling process. I believe if there was no trading of currencies, Euro would be still worth \$1.60 and not \$1.20 (its real parity value). Yes, sometimes speculation in stock markets will make currencies fluctuate accordingly. However, this correlation is also weaker now. Currency prices are more and more based on the fundamental factors of various countries. Euro has come down from its high price of \$1.60 (last summer) to around \$1.30 because of weakness of the economies of the euro zone countries. As these countries face more political and economic challenges, Euro may come back to its real parity value of \$1.20 by the end of June. However, if there was no currency trading, the values will be set up by banks and it will not be a true reflection of the economic fundamentals.

Understanding how the economics work today, I personally believe that currencies are reflection of economic strength of certain countries. I do understand that there is some speculation involved as some major institutions try to interject their biases by try to give direction as to which way the currency prices should go. However, more and more this practice is not having effect as it used to in the past. The volume of currency transactions which is in trillions has made these speculative interjections mute. George Soros could not break the bank of England again. Currency speculators cannot create 97-98 crisis of South East Asia anymore. Simply the volume has increased and no single entity can control its flow any more. It does not

mean they don't try to. But then it is true of stock markets too. Rumors are often part of selling/buying stocks.

Dear Br. Monzer. I look at the fundamental economic facts of various countries and buy and sell based on these factors. I do spot trading, on non-margin basis, with Duetsche Bank where I already have my money deposited with them. I get a report on what I have sold and bought instantly. I pay an extra commission to them for doing spot trades with immediate settlements. I am buying from the bank and selling it back to the bank under a contract. I do not trade through a broker. Therefore, I am trading using real money and not some borrowed money on interest.

Knowing how I trade and knowing that I am not trading based on speculations but based on economic fundamentals of various countries, is it still not permissible for me to trade? Please let me know.

Also, if it is not permissible to trade in the way I do it, then what other ways it will be permissible? Yes, imports/exports are one avenue and this service could be provided to importers/exporters in the Muslim world. I think it can be a service of immense value to the Muslim countries which are dependent on their revenues from imports/exports. Kuwait de-pegged from dollar but still many oil producing countries sell oil in dollars. Saudi Arabia lost billions because of lack of knowledge of valuing their oil revenues in real parity of currencies.

Dear Br. Monzer! I do see a value. Yes, I understand the premises of speculation and I don't trade based on speculations but economic fundamentals. And, I do it within the confinements. Is it still not permissible for me to trade and also gradually build this product whereby it can be a service to our people? If we don't do it as an alternative, then Islamic banking alternative would not have happened. Shall we not safe guard ourselves against speculators by knowing what they do and to offer an alternative? I see my role in this capacity.

Lastly, I don't think this is a simple case of someone just trading currencies on the Internet but a case of where someone is trying to build a halal product to offer to the Muslim world to safe guard ourselves and by providing an alternative vehicle of wealth maintenance, if not wealth growth. I am not buying real estate because of speculations but buying with the intention of collecting rent and also when I sell, hopefully, I have made some money in the appreciation of the property. I trade currencies on this principle. Is this speculative? I don't think so. If I am wrong, then I do stand corrected.

I look forward to your answer and further elaboration. Wassalamu alaikum.

Sincerely,

Minhaj

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Minhaj

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I think we have different meaning of speculation. For us in Islamic finance speculation is when you buy it as you said based on all these factors but simply because you are not buying it to serve the export and import. Your buying and selling are not a part of the service of real production and exchange it is purely financial, like any other person who deal purely financial. What we mean by non-speculative businesses is when you go real in the market producing rice and cotton or serving those who produce it. You are assigning your resources to play currency not to provide service with your trade. This is what we mean by speculation. Period!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Faisal

Sent: Monday, April 27, 2009

Location: United Arab Emirates

**Question: Currency trading in Forex market**

Dear Dr. Monzer,

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Following is a financial question about currency trading based on Forex market

I want to know whether the Currency trading (based on Forex Market) is permissible in Islam. My Question will be cleared by the following example: I buy 1 Euro for 2\$ with an intention to sell the Euro when its value becomes 3\$. But a point to be noted, in this trade I have an equal chance/probability of losing money when the dollar exchange value goes below the purchased rate. I am ready to face the situation. Following are some conditions 1) All these transactions are done through internet. 2) If I buy Euro, the conversion rate is in dollars and it will immediately deducted from my account. 3) My account is held by financial institution that is supervising all the transactions. 4) When I Sell my purchased Euro in future, on profit or loss, then my profit is added or my loss is deducted from my account balance, all these happen immediately on selling of Euro. 5) I buy the Euro today and sell it tomorrow or afterwards.

Jazakum Allahu Khairan for your constant help

Yours,

Faisal

Islamonline.net

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Faisal

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I suggest that you should do some homework to understand the whole issue with all its complications and aspects. Please try to look into my website [www/kahf.net](http://www/kahf.net) under the title of Fatawa/Sarf or money exchange or forex.

The Prophet, pbuh, made two conditions for any currency trading in an extremely authentic Saying reported by both Bukhari and Muslim. These two conditions are: 1) the two currencies of the trade must be handed over at the time of the contract and the full amount of both must be subject to handing over. These two conditions are never fulfilled in internet trading of currencies even those platforms that advertise that they are Shari'ah compliant. They may not charge interest but they do not fulfill these conditions. Besides, trading currencies has an objective of making foreign currencies available for those who need it. Is this the objective of internet trading of currencies? Internet trading of currencies is based on someone loses and someone gain, it is not a trade to provide service, why should such useless game be permitted? It is purely speculative!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Saleem

Sent: Wednesday, May 13, 2009

Location:

**Question: Buying and Selling Foreign Currencies**

Dear Professor Dr. Monzer Kahf,

For the sake of Allah Subhaanahu wa Ta'ala, please advise me.

Does Islam authorize me to buy foreign currency and then wait until the selling rate goes up to sell it?

Jazaak Allah khair.

Saleem

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Saleem

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

If you buy a quantity of foreign currency and get what you purchased physically at the time of buy also at the same time gave the price in local currency. Then hold on to the foreign currency for a while and sell it later same way. That is permissible and any profit you may make is Halal InShaAllah.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Raffick

Sent: Saturday, March 28, 2009

Location: Africa

**Question: Buying Gold on Murabahah**

Dear Br. Prof. Dr. Monzer

wa alaikoumousalam wa Rahmatullah wa Barakatou

Jazak Allah for the answer of the first question. I would be much grateful for the second question:

A member of Al Barakah is a goldsmith/jeweler and he wants to have a Murabahah to purchase gold for his business. Is it permissible?

Best Regards

Wasalaam

Br. Raffick

**My Answer**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Raffick

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Sorry for missing the second question.

My answer is that you cannot finance buying gold on Murabahah because any buy of gold, silver and currencies must be on cash basis. If this member is very much trusted and you can have sufficient collateral against moral hazards you may finance him on Musharakah basis. You become a partner in his business and then set a target date when you want to break this partnership and then he will buy you out at the value of your share in the business then. To do this Musharakah you have to evaluate his business now at a fair value say 100,000, you invest say \$50,000 in his business for six months after six months you evaluate again, take your profit and he may then buy you out for cash. Of course in profit distribution you will give a share for management and the remainder will be in proportion to capital contribution, in this example 2 to 1.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Safi

Sent: Friday, April 09, 2010

**Question: Forex trading**

Asslam-alay-kum!

My name is Mohd and I am into Forex trading from past 2yrs and now I came to know that online Forex trading with any broker is not allowed in Islam. I am unable to take a decision from my end as now I got very good experience and now I trade very good, but I need your help to know the truth. I came to know that leverage is not allowed even. Along with me there are many of my Muslim trading friends who are involved in online Forex trading, if u can give me an answer for this then InShaAllah I will quit this if it's against Islam and also will try to help my Muslim brothers who has made Forex as their living. And is there any authentic Fatawa about this? I will be eagerly waiting for your reply.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Safi

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The answer is already given by you. Trade increases total wealth in a country by creating value. Trading currencies aims at making foreign currencies available for persons who need them for any use. If trading forex on the internet a way of creating new value? It is only a way of getting wealth going from a loser to a winner. It is not then trade, it is rather mere speculation. The difference is just that. Any financial transaction that aims at only transferring wealth without creating wealth cannot be called trade and it is mere speculation that harms and does not benefit. Besides, for currencies especially leveraging, futures, lack of actual possession and trading in pairs one currency for another (instead of selling what you have to buy another currency), all these are factors that make forex internet trading not permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**From:** rizwana

**Sent:** Saturday, January 07, 2012

**Question: trading gold on Forex**

Salam Sheikh,

Are FOREX trading and buying/selling gold halal? Also, is keeping money in an Islamic bank and taking the profit halal? As far as I know, Islamic Banks are no way better than a conventional bank. What else can be my source of income? Stock market is down in our country and I would like to leave my job and become a house wife.

Jazakallah

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Rizwana

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Trading currencies on the internet is not permissible in Shari'ah for three reasons:

1. There is no real possession of what is bought and sold immediately at the time of contract.
2. The trades are done in pairs always; meaning that regardless of what you own as a balance the trades are, in fact, virtual not real.
3. These activities are not really trade because trades make some good or even currency available to users. This internet activity is a pure speculation and contains no service whatsoever.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

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**From:** rizwana

**Sent:** Tuesday, January 17, 2012

Walaikum Assalam Sheikh,

You said previously that FOREX trading online is not permissible. However, is it permissible if I do it offline, i.e., buy and sell from money exchangers?

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Sr. Rizwana

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Buying and selling foreign currencies with immediate delivery of both at time of contract is permissible. However is it a trade for those who are not in need for a foreign currency? It is a trade for those persons who need them or who help others obtain them but it is not a business for others who only speculate of currencies. Speculation, whether on currencies or goods or real estate, is not permissible in our Shari'ah because it adds no value.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**From:** rizwana

**Sent:** Tuesday, January 17, 2012

Walaikum Assalam wa Rahmatu Allahi wa Barakatuh Sheikh,

Actually the value of dollar is increasing these days, so I thought of buying a few hundreds of dollars and keeping them at home, then sell them off later say after 6 months when the value will have increased (with a view to making profit).

Please let me know if this is permissible.

Jazakallahu Khairan.

**My Answer:**

I don't see it not permissible if you make the contract and delivery at same time at a local money exchanger or bank.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**From:** Esam

**Sent:** No date

As-salamu `Alaykum. Dearest Sheikh,

**Question: is Forex Haram?**

The Malaysian scholars have issued a fatwa banning foreign exchange (Forex) trading for Muslim individuals. Could you kindly give us a detailed Islamic view on this issue?  
<http://www.onislam.net/english/news/asia-pacific/455827-forex-trading-haram-malaysia-ulema.html>

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Esam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

There is no change in the Fatwa on Forex. In my opinion it is NOT permissible in our religion: It is pure gambling, it has no real possession, it uses margin in currencies, it is in reality just fake credit and debit of accounts no Sale and purchase as people know them in real life

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**From:** Oseni

**Sent:** Monday, February 01, 2010

**Question: Is Forex permissible?**

Salam Alaykum,

May the peace and blessing of almighty Allah be with you. I was browsing the net and I saw some of your write up on forex trading but after going through I discovered that you did not state whether it is permissible or not. I will be happy if you can send me a mail stating whether it is permitted or not. Thanks. May Almighty Allah continue to increase his blessing on you and your household.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Oseni

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

My opinion about all internet currency trading is that it is not permissible for two main reasons each one of them is sufficient to make it not permissible: 1) the contract on micro level does not fulfill the requirement of currency transactions as stated in the Hadith of the Riba in sale that mentions six items of which currencies come first. Internet transactions are done in pairs and there is no real buy with delivery and no real sell with delivery, only pair and whatever you have as deposit in only an escrow money; 2) the speculative nature of the currency transactions on the internet that defeats both the objective of Sarf contract (currency trade contract) and the objective of trade itself. Trade requires and implies that one provide a service not simply jump on price changes. I stand against all kind of speculation and have a limit that is relatively clear in my mind between trade and speculation as mentioned above. This distinction can be very obvious in certain contracts and behaviors such as currency internet trading, day trading in

currencies, commodities and equities, contracts for the difference, betting on currency changes, futures of commodities, trading indexes and the like.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Asim

Sent: Saturday, July 31, 2010

**Question: Currency trading on line**

Salaamuaalykum Dr. Monzer,

I am a brother from Denver, Colorado. I have read many of your articles/works related to the impermissible ruling of online forex trading.

Unfortunately, I have become specialized and become very good at online forex trading before I learned its status of haram. InShaAllah I will not be doing anymore, but I just want to ensure these words below belong to you and are your view?

Also brother... what can I do with my trading skills? I think equity trading is halal. But I have doubts about short selling as well as buying on leverage. There is 1 to 4 leverage in equity.

**My Answer:**

Since I am still good at trading based on the charts, InShaAllah I am trying to find a way I can trade them with a deliverable good as well as no margin or leverage.

The Islamic rules for trading currencies: There must be full delivery of the full amount of both currencies at the time of the sale contracts.

This means 1) No margin is permissible. 2) No leverage is permissible. 3) No forward is permissible. It also means that only spot (like when you go to a local money exchanger or office of a local bank and exchange cash for cash) is permissible. It can be done electronically if the full amount of both currencies is debited/credited at the exact same time of the contract. What these internet companies usually do does not fulfill these conditions!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

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Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina

Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

These are my words, but I also add to them: as in the case of money exchanger there must be a service provided that justifies the sale. This cannot be on the internet because no service is provided to any person,

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

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Bismillah al Rahman al Rahim  
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe speculation is not permissible in Shari'ah whether it is in currencies or equities. If you intend to trade as a speculator in equities I wouldn't recommend it. If you intend to buy shares because you believe that these companies provide good services and help the human race, it is ok to buy these shares and own them and if you need liquidity to sell them too. I think the charts system of trading is purely speculative and does not in fact bring and benefit to humanity, what you gain is typically what others lose.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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Dear Br. Asim

If you mean by sending the web that there are Fatawa that give other opinions, I am fully aware of it and I know that most Shari'ah scholars who did not study finance in detail give many Fatawa that are not accurate because of their lack of knowledge in the field.

However, you asked me and I gave you my opinion

Prof. Dr. Monzer Kahf

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**From:** Iyad

**Sent:** Thursday, February 23, 2012

**Question: Is forex Haram?**

Assalamou Alaykum Dr. Monzer,

I came across your website from Dr. Kutty's site.

I got into a training that cost a lot and was under the impression that Forex trading is halal, however, doubt has been growing while learning more about it and asking about how halal, or haram this is.

I understand that spot Forex is permissible and have no issues in the hand to hand interpretation, etc. what I am having problems with and cannot really understand - since I am not a specialist in this - is the leverage part.

Where I am getting training they claim that I can get leverage with no interest which is fine, however, I read somewhere that leverage is not allowed Islamically since it is fake, or non-existent money and not real.

Do you happen to have any professional explanation and understanding about this, or how can I get this to closure. And if available leverages being offered are not permissible, are you aware of any Islamic structure, or offerings for this?

Any help would be greatly appreciated and sorry if I asked you a question that many other people are asking around.

Jazakoum Allah Khayer and May Allah put this in Mezan Hassanatoukoum.

Thanks, *Regards,*

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. IYAD

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Forex spot is different from sale of currency on spot. Forex and all internet currency trade works in pairs. That is buying a currency for another, both are only virtual. No currency exists and your money is in an escrow fund. Buying currency from a real life broker is permissible for two kinds of people: 1) entities who need it for their own obligations or assets; and 2) people who help the first category by making foreign currency available for those who need it like money exchangers and broker who help direct users. It is not Halal for people who have a few thousand Dollars and jump to click on computers. For this category it is DEFINITELY HARAM BECAUSE THEY ACTUALLY HURT THE REAL USERS BY CREATING FLUCTUATION AND SPECULATION ON CURRENCIES. Spot internet forex is not a currency real buy or sell.

Leverage is an obvious example of the virtuality of the transaction, let interest aside which is only for rolled over balances, you deposit 1 Dollar and buy and sell (one currency for another) in the value of 100, there is no loans involved and there is no body with this huge pocket to lend you. The contract itself only requires a margin that is escrow money of 1% or 2%.

What is called Islamic is to replace the daily interest for outstanding balances (differences of interest rates of the 2 currencies you claim to have traded with a fixed fee. This fee is still interest not a fee. It has nothing to do with the problem in virtuality of the transaction.

I am fully aware that in Islam currency are not created for profiteering they are created for exchange and other functions and it is permissible for some people to help facilitate those who need other currencies reach them. This is what make sale and buy permissible in currencies provided it is done real and hand to hand in a senseful reality

Noting that doing Forex without leverage is not really worth it with little investment as the one I can afford. With leverage or without it, spot of future, internet trading currencies is not really trading; it is a Shari'ah great violation.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**From:** Mohammed

**Sent:** Monday, March 19, 2012

**Question:** Forex trading

Dear Dr. Monzer,

Assalamu Alaykum.

I have been looking to understand the Shari'ah position on Forex Trading and I am so glad that Alhamdulillah, I found your website somehow and got to read your answers. I pray that may Allah SWT reward you for your work on guiding Muslims on matters of Finance.

I would be very grateful if you could provide me with some clarifications:

With regards to trading currencies, you have mentioned that it is permissible, given the condition that the currencies are "exchanged in FULL, on the SPOT" (Yadan bi Yad, Ha'a bi Ha). If these conditions are not met, the transaction is deemed to consist of an element of interest (Riba al Fadl). Therefore, 'leverage/margin funding in forex' as well as the 'futures contracts in forex, both are not allowed.

You have also explained at one place that when you trade forex with an online broker today, you are not buying or selling actual currency. Rather, you are merely purchasing a contract by putting up a margin (let's say 10%). My question is that if you ensure there is 100% margin money in your account, will the trade be Halal, even though the broker only deducts 10% from your account? I ask this because I think I read your comment that the Shari'ah objective here is to prevent over trading or over heating/over speculation, which I think I am not doing here since I am only trading with what I have? Or is there another reason for the prohibition?

Further, if in the above case the trade is haram, would it be halal if the broker actually deducts 100% margin from my account? (Also assuming that I do not carry the trade overnight, in which case it will not attract any interest).

Furthermore, you also mentioned that trading currencies (especially as a profession) adds no productive value to the society and as such it is not recommended for a Muslim, although it is not Haram if they are exchanged on the spot in full.

My humble view here is that currency traders serve an important function - i.e., they add liquidity to the market. In the absence of traders in any market, buyers would not find sellers easily and vice versa. As an economist yourself, I think you would agree that this is true for any commodity. I appreciate your point that currencies are unlike other commodities, since they are supposed to be a medium of exchange and do not have any intrinsic utility, like wheat or gold for instance. Nonetheless, the currency market needs active buyers/sellers too. I would be very keen to know if you agree with this viewpoint.

I know you would have a very busy schedule and I will be very grateful if you could find some time to send me your comments.

JazakAllah Khairan,

With best wishes,

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohammed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

There is another important element in forex: trades are done in pairs not really from your account. Your account serves as escrow only. That is your account is normally in USD but the trades are done in any pairs. In other words, even when you buy Yen for USD the amount is not paid by you but a debit account and a credit account are opened in one you have an asset and in the other a liability. The transaction is in fact fake not real exchange of currencies.

The system has the transaction on margin there is nothing called 100% in the system. Even if the broker, say, deducts from your account it will have to put it in a temporary account and collect interest on it.

Besides, what benefit to the economy you get from day trading? Only speculation and volatility of prices! In currencies, other commodities and in real estate too as we've seen it.

This was true in the sixties and seventies of last century when communication was difficult even between banks. It was then a good argument even with a lot of dints in it. But today's communication made it untrue. There are sufficient real traders in markets who can reach each other easily and you do not need these speculators especially day traders. This applies to currencies and shares and all other items that we trade. Economists today complain of too many hours for trading to the extent that makes trading a sort of gambling rather than providing a service.

Look at the requirements of full payment and full possession that the Shari'ah adds, how much do they reduce speculation?

Add to it, currencies have a special status that needs them to be much less volatile; they in fact need stability which day traders cannot provide rather they hamper and hinder. Let alone the spirit of gambling. Internet trading make people quit productive work and have an easy way to become richer, why producing wheat and sugar then? Let us play on the internet for easy profit. Is that corruption of the real economy? No matter what we say it is in fact nothing less than the effect of bribery and gambling, why going to the field and waiting?

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Hafizuddin

Sent: Friday, July 27, 2012

**Question: Forex Islamic accounts**

ASSALAMUALAIKUM W.B.T

Dear respected scholar

I would like to ask a question, and need some clear answer about it. Regarding online Forex trading, we know that nowadays many brokers provide Islamic Account for traders to trade in Forex, in which the trade does not involve Riba. One of the most reliable broker that I believe in is TADAWULFX. Below are the explanation given by them in regards with no Riba policy and Hiba h ([http://www.tadawulfx.com/public/trading accounts/islamic-forex-account.html](http://www.tadawulfx.com/public/trading%20accounts/islamic-forex-account.html))

1. No Riba Policy: Clients benefiting from the Tadawul FX No Riba policy may hold positions for an undetermined time at the original opening price until they are closed and no charges will occur. Tadawul FX may revoke the 'No Riba' policy in case of abuse with a 48 hour notice by email.

2. Hibah (Gift or Donation): The term 'Hiba h' refers to gifts awarded voluntarily in return for a loan given. Tadawul FX will select different organizations in order to enable investors to donate a percentage of their profits to them.

At Tadawul FX, we offer clients the possibility to choose Islamic Forex Trading conditions for any of our Forex account types including Mini, Standard or Premium accounts, regardless of base

currency or leverage offered. Islamic trading accounts may also be used for Managed forex accounts, as the only determining factor is the religion of the client that the trading account belongs to. Tadawul FX enables its clients to trade with no swap charges and with no other additional charges, spread or hidden fees, 'simply fair and ethical trading conditions for all'.

The Islamic Accounts offered by Tadawul FX are not the same as the Islamic Accounts generally offered by other Forex companies. They differ based on the fact that Tadawul FX offers SWAP free accounts with no other additional charges, whereas most other companies transfer this fee by widening the spread on Islamic Accounts. In order to abide by Islamic religious beliefs, one must not pay interest but if that interest charge is transferred to a different type of fee, it is basically still a charge to cover the interest. This is also referred to as a SWAP fee in disguise. Tadawul FX does not do this, again demonstrating that Tadawul FX offers fair and ethical trading conditions.

"The Islamic Accounts offered have been created to be compliant to Islamic religion, specifically Shari'ah Law. To make it easy to understand with a simple example, the Shari'ah Law that is taken into account for Islamic Accounts is to give or receive and not to expect anything in return. This is why Tadawul FX provides Islamic Accounts with no additional charge, hidden cost and most importantly no interest fees (SWAP Free Accounts)."

Your kind answer and explanation would really helped most of Muslim traders out there who is still wondering about this matter. Because there are some scholars state that online Forex trading using Islamic account is permissible and some states otherwise. I would appreciate is you can reply this email. Thank you.

Jazakum Allahu Khayran  
regards,  
HAFIZ

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Hafuzuddin

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Forex and other internet currency trading are not permissible in Shari'ah for a multiplicity of reasons. This non-permissibility includes what is claimed to be Islamic Forex too.

In brief following main reasons are detrimental in internet currency trading:

1. Currency selling and buying requires immediate delivery at the time of contract; this is not fulfilled in internet currency trading.
2. The margin trading violate Shari'ah requirement for selling and buying currencies.
3. The internet transactions are structured as pair's one currency against another not as buy and sell. This means that funds you deposits are for security only to charge difference to it only not to pay for trades.
4. It is purely speculative because people who need currency they buy it from banks for transfers or from money exchangers when they need cash.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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## Subject: speculation in financial market

From: Bahaa

Sent: Friday, June 20, 2008

### Question: CFD trading

Dear Doctor Kahf,

I would like first to apologize for the disturb that my email my cause.

Then, I am currently trading on Crude oil: Spot/intraday and I have asked you last Monday (through Islam online session), if leveraging on commodity (oil) is halal or not and you have kindly provided me with the answer.

However, a friend of mine told me that the price provided by the broker is the CFD oil price and not the spot price. I went to the broker website, and indeed, I find oil/Nasdaq 100/S&P 500 under that category. Can you tell me please, in one word, if we are allowed to trade on CFD crude oil price or not? If you have 2 minutes to explain I will be grateful too, if not I will be thankful if you can just reply buy saying Haram/halal?

To be honest, I have never heard before about that CFD and I went to your website and checked your answers for 2006/2007 but I found nothing related to this topic.

One more time, I am sorry for the disturb,

Jazaka Allah khayr,

Bahaa

### My Answer:

Dear Br. BAHAA

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You missed explaining what CFD is?!

Best Regards,

Wassalam

Monzer Kahf

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From: Bahaa

Sent: Saturday, June 21, 2008

Dear Doctor Kahf,

Based on brokerage's website, CFD "are Contracts for difference, is a financial instrument similar to an index or share which allows you to trade an underlying index, share or commodity contract without having to own the underlying asset itself.

CFD is a contract between two parties, buyer and seller, stipulating that the seller will pay to the buyer the difference between the current value of an asset <<http://en.wikipedia.org/wiki/Asset>> and its value at contract time. (If the difference is negative, then the buyer pays instead to the seller.) For example, when applied to equities, such a contract is an equity that allows investors to speculate on share price movements, without the need for ownership of the underlying shares Contracts for Difference (CFD) are

traded on margin, using leverage to maximize your trading capital. We offer at least 20 times leverage on your invested capital.”

Based on that, I guess that CFD are a way to sell “wind to the boats” so it is prohibited. I will switch InShaAllah to a new broker and insure this time that it is really the spot.

Doctor Kahf, jazaka Allah Koll kheir and I wish to have the pleasure of meeting you.

Bahaa Eddine

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Bahaa

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

According to your explanation, these are definitely prohibited and a Muslim may not enter into such contract and any profit from it is not legitimate Shari'ah wise, it should be given to Muslim charity.

Wa Allahu A'alam

Wa Al Hamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject:** From: Sadeken

Sent: Wednesday, October 08, 2008

**Question: CFD trading**

I have recently read your answer relating to the permissibility of trading CFD (a financial derivative contract) dated 22/4/2003. In that article you cited trading CFD as unlawful based on the reason that the contract is not to deliver a commodity which can be completed to delivery or payment of price. I would like to know your opinion and reasoning if the subject was approached from a different angle.

First of all CFD is a mutual contract between two parties. This could be related exactly to any two parties making a contract and agreeing to tie the value of the contract to any value of any object. Which is the case with any paper currency in existent today, where the paper money is in actual fact just a mere piece of paper which has been subject to a value based on societies/people's perception of demand? But where the key to this discussion lies is in the fact that that piece of paper is only valid in a certain environment (I.e. country/society/governance) and not valid in another environment. So meaning currency is only a contract valid within the right market for it. As with CFD is acts the same as this piece of contract known as “money” in whereby it is only an acceptable commodity within a particular market I.e. the financial markets around the globe (between dealers/institutions). In actual fact the CFD contract is a piece of commodity just like currency but converted into an electronic format (as can be done so the same for currencies).

I would appreciate your opinion on this matter. As such in today's terms now buying and selling is not necessarily limited to only physical items...as we have seen with the sale of software's and other electronic medias which are only available in forms other than physical.

Thank you. Wassalam.

**My Answer:**

Bismillah al Rahman al Rahim

AL Hamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sadeken

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

My opinion is the same. The CFD is not valid in Shari'ah; it is pure fake and has no reality at all. It is not like money that has a government support as a legal tender. Please read your statement below again and you will notice that in your analogy you made several jumps (from money as a real government supported tender to fiction in agreeing on the difference only) and these jumps are not acceptable. They are similar to the jumps interest defenders make from time value of commodity to time value of debts/money. We do not accept these jumps as they take you away from reality. Further intangible assets have ability to be reproduced in ways that provide real utilities (right of publications in books to be read, software in saving labor on computers, etc.) whereas the CFD is pure speculation. The analogy with currency (and then in its sphere we treated like currency) is between fiat paper currency and tokens created by say New York underground that allow you to push the bar on entering the underground facility. These tokens are like limited use money. . . Definitely not the CFD.

Wa Allahu A'alam

Wa AL Hamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Sadeken

Sent: Thursday, October 09, 2008

**Question:**

Thank you very much for your reply. JazakaAllahu kheir.

I would also like to know your opinion on this matter. The current Islamic banking systems we use here in Brunei Darussalam are based on Islamic concepts using Islamic terminologies with proper Ijab and Qabul made on agreements. However, the Islamic banks are still using the same concepts as conventional banks do in most aspects from guaranteeing loans to repossessing assets etc. etc. The only difference that draws the line between making it halal and haram and differentiating between Islamic banks and conventional banks are just the terminology and thinking behind it all. What is your view on this?

Another question on Riba....As most businesses here are founded on finances coming from pre Islamic banking eras...I.e. coming from conventional banks....is the money from a Riba based loan haram to consume and use for speculating in commerce? What is the position on the person paying the interest as opposed to the person dealing out the interest?

Thank you very much for your answer.

**My Answer:**

Bismillah al Rahman al Rahim

AL Hamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Sadeken

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. I don't agree with you on Islamic banks' transactions. I rather think that although the numbers look similar there is very important paradigm type difference between Islamic transactions and conventional ones.

2. On the second matter I did not understand your distinction. Of course making an interest-based contract is Haram and it is then Haram to use funds from interest-based loan in anything, further speculation is a very bad practice, don't you see what happens to the world today!

Wa Allahu A'alam

Wa AL Hamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Sadeken

Sent: Thursday, October 09, 2008

**Question:**

Thank you very much for your reply. Jazak Allah khair.

1. Conventional banks V Islamic banks - Well in theory the paradigms is of course different but the underlying concepts are still the same. In essence then it is only the terminology which constitutes the differences in the paradigm. Take for example a business finance scheme/loan from an Islamic bank. They would still require the use of guarantor and collateral which in essence protects the banks from further losses and still on the outset makes the deal a pretty much one sided favored deal. Don't you think so? Still the very essence of the profit sharing or rather risk sharing which I would prefer to call is still based on the concepts of conventional banking. So is changing the paradigm or a few terminologies and ideas on the contractual agreements really sufficient to fulfill true Shari'ah underlying values and purposes/aims. It seems to me on the outset it's like we are rather manipulating ideas and loopholes while ignoring the true Shari'ah values and intentions. I would appreciate your views on this matter. (We can take the Islamic banks business financing scheme as a platform for discussion)

2. Riba prior to the arrival of Islamic banking – This question is relating to the 70's or 80's era where Islamic banks were not present in Brunei Darussalam. All the banks here were conventional banks. Almost all commercial activities were based on banking with these banks...Hence most business financing were Riba based financing as well...How do you suggest the matter to be dealt with now?

3. When would speculating be haram in Shari'ah as most businesses have elements of speculation in a sense? Even us being in the scrap metal business we speculate on the prices we don't intend to consume to benefit from the scrap junk of ours. Appreciate your views on this.

Wasalam.

**My Answer:**

I don't want to argue with you. You need to study Islamic finance and a little of Shari'ah, excuse me to say that your info is very limited but you do not know it. You are 120% incorrect on the three points, rather awfully incorrect. I invite you to subscribe to one of my training course if you like to learn. And I will not answer any further question from you because it entered now a stage of being futile and argumentative.

Best Regards,  
Wassalam  
Monzer Kahf

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From: Ildous

**Sent:** Thursday, March 08, 2012

**Question: Forex and speculation in financial markets**

Dear Dr. Kahf, as-salamu `alaykum.

Please, clarify the Shari'ah stance towards speculation in financial markets, such as forex, stocks, commodities, derivatives, etc. What is the *Hukm* on this issue? What evidence do you use to arrive at such *Hukm*? Please, state verses from the Qur'an, evidence from the Sunnah, and from other sources of Shari'ah. And what are the implications of this *Hukm* to Islamic financial markets? Is it necessary to limit the speculative transactions in the financial markets, and how to do that? Is anything being done to address this issue by the Islamic finance community? Thank you.

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Ildous

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is a very big question and can't be tackled in the present context.

There is ample evidence in the Qur'an and Sunnah, including prohibition of Riba and gambling and Gharar in exchange, to indicate that in order to earn one must own an asset which can grow and create added value.

The whole Islamic Fiqh is full of application of this principle. Shari'ah does not accept untrue or unreal transactions. Additionally a buy has an objective which is to use what you buy for a definite useful objective. Buying without the intention to buy but for waiting to sell is not in fact trade. Trade is buying a thing and providing some kind of service then selling it.

If you study the decisions and the deliberations of the OIC Fiqh Academy you will notice that prohibition of speculation is an underlying reason for many of its position on issues. Commodity Futures, options, indexes trading are all prohibited because of speculation. Conditions in contracts, e.g., Salam merchandise cannot be sold before possession, and requirement of possession before one can sell whatever one buys and prohibition of Najash (bidding on prices to raise them) and other artificialities in the market and in many Sayings, are to avoid speculation. This applies not only on commodities and stocks but on all goods and services and houses, etc.

The matter is stricter when it comes to money. Requirement of possession and hand to hand is itself a restriction on speculation. Forex and other internet games with currencies have added problems because the transaction itself is only papery that is fiction. It goes in pairs not in buy and sell, and on margin, all not true exchange of currencies.

Of course I did not make a full answer because it requires a lot of details and essays.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

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### **Subject: Riba Al Fadl**

**From:** Irfan Khan  
**Sent:** Friday, March 30, 2012  
**Question: Forex and Riba al Fadl**

Dear Sheikh,  
Assalam-u-Alaikum!

If we buy gold on today's rate and the seller agrees to be paid later (I.e. delayed payment), may be even in installments, does it fall in the category of Riba Al Fadl? Please keep in mind that most of us cannot buy gold for marriages etc. by giving all the cash hand to hand. May Allah Guide us all towards the Right Path, Aameen!

Wassalam

**My Answer:**

Bismillah al Rahman al Rahim  
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Irfan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

YES, IT DEFINITELY FALLS UNDER RIBA AL FADL. I keep in mind that it is difficult, but it is not me. It is the Prophet, pbuh, in one of the Most authentic Hadith reported by al Bukhari and by Muslim who said that Gold for Gold, silver for silver, . . . etc. same quantity for same quantity, hand for hand. . . if the items differ (meaning gold for silver, etc.) quantity difference is ok but must be Ha'a bi Ha' meaning hand for hand.

Then for God's sake do not buy gold for your daughter if you cannot pay it in full and obey the Prophet instead. Selling gold for any other currency is same as the Prophet said, it is like gold for silver. And difference in time of payment is both Riba ah Fadl and Riba al Nasi'ah too.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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### **Subject: Quest, Gold trading and smuggling**

**From:** Mohammed  
**Sent:** Friday, January 04, 2008  
**Question: quest net company is it halal or haram?**

Dear Monzer:

I'm Mohammed from Saudi Arabia. I want to ask you about network marketing especially about quest netcompany, is it halal or haram? Because some of imam here said this is Riba. I want to know if it's Riba or not?

Regards

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Mohammed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In quest net, there are two issues, from the Shari'ah point of view: 1) exchange of currencies and gold, here any transaction that violates the conditions given by the Prophet, pbuh, are not permissible. Please see below an answer I gave recently to another questioner in this regards:

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Authman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Most of the transactions of money trading on Forex are in violation of the Shari'ah rules. Specifically, the Prophet, pbuh, prohibits any money exchange transaction that does not fulfill both of the following two conditions: 1) payment of both currencies must be in full; and 2) payment must be done at the time of the contract. This means that all trades on margin are not permissible (please do not be misled by a claim from the broker that it lends you the difference. there is no lending and they cannot do that by law, the regulations of the market requires payment of a small margin for each contract and this margin is required from seller and buyer not only from buyer). It also means that all future trades are also not permissible. If these two conditions are fulfilled, literally, money exchange becomes permissible. But I like to add that money exchange is normally done by either merchants who have shops to help people exchange currencies (money exchangers) or by persons who need other currencies for their own use or to pay for their imports, etc. Exchanging money on the internet for the purpose of profiteering from price variations is not a business that creates value or benefit society. It is closer to gambling because it only transfers wealth from one person to another. Therefore, although some limited ways of doing it are not specifically prohibited in our religion, they are really not useful and they promote a gambling spirit of profiteering instead of creating a spirit of value-creating activities that benefit human beings.

2) The issue of pyramid-type of commission, whereby you gain commissions on the purchase of each person you convince to enter this trade and all persons he/she brings in too. This matter requires full disclosure that means: you personally must inform each person you bring in that it is not a friendly advice that you are giving but that you benefit from his purchases and the purchases of his customers and you must tell him the exact amount you benefit. If full discloser is assured, this kind of commission is not prohibited.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Raffick

Sent: Monday, April 27, 2009

Location: Mauritius

**Question: Murabahah on Gold**

Dear Br. Monzer

Assalamoualaikum wa Rahmatullah wa Barakatou

I need your advice on the following:

1. Question at the AGM- Do we have to pay Zakah on our Reserve Fund/Statutory Reserve (a minimum of 10% which has to be transferred from the surplus). Actually Our Reserve Fund is Rs170,000- about US\$ 4000.
2. A member of Al Barakah is a goldsmith/jeweler and he wants to have a Murabahah to purchase gold for his business. Is it permissible?

Jazak Allah & Doa for us.

Best Regards

Wasalaam

Br. Raffick

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Raffick

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

- 1.The cooperative is not subject to Zakah in my opinion. Individuals are subject on their balances including distributed profit, of course with the conditions of Hawl and Nisab.
- 2.You cannot finance buying gold on Murabahah because any buy of gold, silver and currencies must be on cash basis. If this member is very much and you can have sufficient collateral against moral hazards you may finance him on Musharakah basis. You become a partner in his business and then set a target date when you want to break this partnership and then he will buy you out at the value of your share in the business then. To do this Musharakah you have to evaluate his business now at a fair value say 100,000, you invest say \$50,000 in his business for six months after six month you evaluate again, take your profit and he may then buy you out for cash. Of course in profit distribution you will give a share for management and the remainder will be in proportion to capital contribution, in this example 2 to 1.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Amjad

Sent: Tuesday, December 29, 2009

**Question: Gold smuggling**

Asalam-o-Alaikum

Dear Scholar

I need to know "Is Gold smuggling Halal in Islam in a Non-Islamic State or in an Islamic state where Shari'ah is not implemented? I have heard from someone that if Zakah is paid at end of the year it becomes a normal trading which is halal. Kindly reply me.

Regards,  
Amjad

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Amjad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Smuggling of any thing: gold, other goods or prohibited goods is not permissible in Shari'ah because it hurts normal trade of people and because a Muslim is required to obey the law of the land in matters that do not violate Ordinances of Allah. Zakah is another issue not related to smuggling. Zakah is required to be paid annually by all Muslims virtually on all their wealth and assets with a few exemptions. Of course the payment of Zakah does not make smuggling permissible!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject: Buying Gold/Silver Online – Acceptable processing time**

From: Khaled

Sent: Monday, July 09, 2012

Location: United States

**Question: the time of processing in buying gold**

Assalamu Alaykum Br. Monzer,

I've read your prior fatwas about gold/silver being ok to purchase online or via distances if it is paid for immediately and is shipped ASAP. Is it acceptable to allow a company or seller a processing timeframe? For example, sometimes a company will receive payment and then ship the next day or two days later - the order is confirmed, locked, and the deal is done but a company may not go to a post office immediately to ship it. In our times 1 day or two days later shipping is often considered immediate even though literally it was not done the second the payment processed

Is that acceptable?

Jazaykum alalhu khayran,

Khaled

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Khaled

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I wouldn't say ASAP but rather the duration it normally takes to process shipping. If this period includes normal daily delivery to FedEx or USPO then it is but a day or two is substantial duration in our times. The process duration may actually be more or less depending on several variables that differ from one country to another and one company to another.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**From:** Khaled

**Sent:** Monday, July 09, 2012

**Location:** United States

Jazaykum Allahu khayran Br. Monzer,

To make sure I understand your answer, the shipment doesn't have to be ASAP but it has to be a normal duration to process shipping. I know that for businesses and individuals it would be very difficult to ship orders individually especially if they have many daily orders (imagine going to the post office 100 times a day for 100 different orders) so they usually do it in batches daily or every couple of days.

Would that be an acceptable "normal" delay?

Khaled

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Khaled

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I cannot define delivery in terms of efficiency of handing by a company. It is a standard definition that is known in all industries. Like for instance it takes half an hour to package a normal package and the UPS man comes only twice a day and air transport takes ten hours and sorting and delivering take 3 hour. It cannot be left to the way of each company at a time when we have postal couriers who guarantee 24 hours delivery and swift/lban systems that guarantee transfers is 12 hours or so. What matters in such standards is maximum time for delivery.

Let us remember that these conditions (for gold, silver and currencies) are made by revelation from God and they have objectives. I understand it as: making it difficult to use these things for quick or speculative operations (I wouldn't call them trading or investments).

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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From: Amr

Sent: Wednesday, October 24, 2012

**Question: Is it permissible to buy gold?**

Assalamu alaykum wa rahmatolah wa barakatoh

Dear brother Monzer,

Is it permissible to purchase gold (for example official gold coins) as a form of savings?

What are the permissible forms of savings in an environment where Islamic banks are not available?

Jazzak Allah khair,

Regards,

Amr

Wassalamu alaykum

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Amr

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

It is permissible to buy gold, hold it, pay its Zakah regularly every lunar year and do whatever you like after that.

If your intention is looking at opportunity to sell at a higher price this is not called saving. It is rather investment. You may invest in permissible shares, in real estate or in with Allah in helping people who are in need or struggling to gain their freedom.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**Subject: Gold/Silver Backed Securities**

From: Khaled

Sent: Monday, July 09, 2012

Location: United States

**Question: Gold and silver ETFs**

Assalamu Alaykum Br. Monzer,

I'm involved with trying to create Islamic alternatives for Muslims to invest their money in. Currently, every stock in the US exchange has some issues with it in terms of Riba - whether financed through debt or with a bank account that accrues interest in some way shape or form. There are some relatively new securities named ETFs (Exchange Traded Funds) which are shares that represent a percentage ownership in an underlying basket of stocks, funds, or commodities. Of these ETFs there are some that own Gold and silver (example of one of the funds here:

[http://www.etfsecurities.com/msl/etfs\\_physical\\_silver\\_us.asp](http://www.etfsecurities.com/msl/etfs_physical_silver_us.asp)) with each share representing ownership of a small percentage of the underlying gold. I've contacted the fund and they say

that all the ounces of gold are allocated and they publish a list of the physical bars on their website. Additionally, they have a small amount of cash that is used from time to time to pay off expenses (vault, administrative, and security expenses) and this is NOT kept in interest bearing accounts and is interest free.

Everything about the ETF seems halal except for one thing - the way they purchase gold/silver may not be exactly correct in terms of the delivery being immediate. It is not delayed purposefully (I.e., trying to profit from ups/downs in the price) but it is delayed simply because the size of large gold/silver transactions really make it extremely difficult to do "hand-to-hand" transactions. For example, if the trust is buying new silver they need to buy \$10-20 million dollars of silver, so the money is wired but the silver will take time to process and deliver which may be multiple days (it needs to be counted, transferred, and then shipped in armored vehicles - and for such large amounts of money and silver this takes some time even before it gets shipped. These transactions are rarely done since the trust is passive, but whenever they are done they may not be perfect or "hand-to-hand" unless it is allowed for this time until shipping.

As Muslims in America we have limited options and are stuck either leaving our money in the bank in interest-free checking accounts (where the bank is probably using our money for loans) or investing in companies that are involved in interest in one way or another (even if it is limited). Options like this would be a tremendous help to Muslims because at least they would be able to invest and protect themselves against inflation.

Would something like this trust be acceptable for Muslims to invest in?

Jazaykum Allahu khayran and may Allah reward you!

Khaled

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Khaled

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Let us ask ourselves: what are the benefits of trading gold and silver and currencies by the ETF? Does that add value or create wealth or put food on the table? Or is it not only transfers wealth from a loser to a gainer? I believe we must consider this matter and argue about the objectives of Shari'ah from trade. It trade is for creating additional benefit then let us cross out all speculation and stop calling them investments even if we see that people get enriched by them; there are also people who get impoverished!

Is it not true that Islamic finance in our world of today is only voluntary created by people of conscience who refuse to accept dealing on interest although it is available under their noses? Then let us have the courage to complete the journey and say it loudly that there is a big difference between speculation and trade and stick to what benefit the human beings at large.

We Muslims in America still have lots of opportunity in direct investment and in real (non-speculative) investment in a large number of companies that deal little with the Haram. Please do not make it difficult by stating that the choice is only under the mattress!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

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### **Subject: Gold Transactions done via Agent**

From: Khaled  
Sent: Tuesday, July 10, 2012  
Location: United States

**Question: Agency in gold sale/buy**

Assalamu Alaykum Dear Respected Br. Monzer,  
Is the following an acceptable Islamic transaction or does it fall under Riba Al-Fadl:  
Party A agrees to buy 10 ounces of gold from Party B for \$10,000 dollars and they make their communication and agreement via email. It is difficult for them to meet in person, so Party A agrees to drop the \$10,000 dollars at a company (Company C) that specializes in holding high-value purchases and 2 days later Party B goes to Company C with 10 ounces of gold. Company C inspects the gold to make sure it is of the correct type and weight and then gives Party B the \$10,000 dollars. Party A later goes to Company C to pick up the 10 ounces of gold. Company C charges a fee to one / both parties to facilitate the transaction.

Is this transaction Riba Al-Fadl or is this an agent acting on behalf of both parties? I'd like to know because I am interested in starting this business to help facilitate safe and halal trade

Jazaykum Allahu khayran,  
Khaled

**My Answer:**

Bismillah al Rahman al Rahim  
Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Khaled

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This transaction, on it is described contains Riba al Fadl but it can be made Halal easily on the basis of agency. It contains Riba al Fadl because it is a sale without immediate delivery. It can be formulated as a promise to make sale through the agent. Notice wording of the email must vary and wording of the role of the company C also must be explicit. We agree on making the sale at C, I appoint it as my agent, go to it, make the sale and deliver and take momentarily your \$10,000.

Wa Allahu A'alam  
Wa Alhamdu Lillahi Rab al Alamin

Wassalam  
Prof. Dr. Monzer Kahf

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### **Subject: Investing in Metals**

From: Yasir

Sent: Thursday, February 14, 2013

Location: Canada

**Question: Silver bullion trust**

Assalamu Alaikum,

I would kindly request your advice. I am considering investing in silver

There is an exchange traded fund, in Canada where I live SBT. It is "Silver Bullion Trust". My understanding is would essentially be like a silver certificate, which is actually backed by physical silver.

There site claims their assets are 98.6% silver, with some cash assets of 1.4%. I wanted to request your opinion of buying and selling electronically SBT.UN shares is permissible. If it is permissible, aside from Zakah would I need to do anything else to purify and profits I make? I have some physical investment in metals as well which I plan to hold longer term Insha'Allah. However, for the SBT.UN shares, I am considering buying and trading more frequently as the price fluctuates.

Best Regards,

Jazak-Allah

Yasir

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Yasir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I consider buying and selling frequently a speculative behavior and I believe that speculation in anything is not permissible. It may be a quick way to acquire wealth lost by others or vice versa. I do not believe that any certificate issued by any financial institution does actually represent silver or gold. Only receipts issued by warehouses represent silver or gold. Financial institutions issue certificates backed (which means collateralized reserve) by a percentage reserve of the metal. Further, trading warehouse receipts of silver and gold requires either physical delivery of the metal or an agency contract with the warehouse by the each of seller and buyer to allow internal delivery by the warehouse management and change names on their records (not only handing over the receipt) each time a sale is done. This is a matter that is not done in the existing markets and metal warehouses. Shari'ah made transactions on gold and silver (which were money of that time) and other currencies more specific and restricted than other commodities in order to deter people from abusing them as speculation objects. There are no other obligations on holding gold, silver and money besides Zakah except financial obligations that arise from other circumstances such as family and kin expenses.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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**From:** Yasir

Sent: Friday, February 15, 2013

Location: Canada

**Question: investing RRSP in metals**

Wa Alaykum asalaam wa Rahmatu Allahi wa Barakatuh

Thank you for your detailed response. I will, Insha'Allah, avoid all speculative trading. I would again kindly ask your advice. I have some RRSP funds accumulating for many years. I had them in mutual funds, and as I learned more about Islam, I got out of it as it appeared all of these funds have a lot of investment in other banks, Riba, etc. At the moment, it is a self-directed RRSP account and I converted the mutual fund to cash, but the cash is still sitting in the self-directed RRSP account. If I take it out, I would have to pay quite a bit of tax. I was considering a long-term investment using the SBT.UN silver ETF, but from your analysis below it doesn't sound like this is Shari'ah compliant. I can purchase shares, but if I sell, I would never know the actual buyer. I am considering cashing out this RRSP, and perhaps put it towards a property investment, although that would result in a higher tax for me. But, I thought I could ask your advice if there is some way to keep the RRSP and invest in something halal. Or, perhaps another option is I simply leave it as cash.

Jazak-Allah

**My Answer:**

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rab al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in

Dear Br. Yasir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I think you have more than one option:

Invest with the Islamic Housing cooperative, it is approve by RRSP to the best of my knowledge. It is in Toronto area and is been there for more than 30 years. Investing in permissible shares with purification is also Ok. What is Haram in shares in not ignorance of the buyer, but shares of banks and other companies whose main business is Haram. If you invest for long term in utilities and their likes and apply the principle of purification it should be OK. You can borrow from your RRSP instead of withdrawing. This gives you opportunity to invest in real estate without paying the penalty and tax on the RRPS. Interest which you pay to your own account is not Haram because in fact it is not interest being from you to you.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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