

FATAWA MONEY, CURRENCIES, GOLD, SARF 2000-2021

From: محمود
Sent: 18 أيار, 2021
Subject: المواعدة على الصرف
Questions

السلام عليكم ورحمة الله وبركاته
حياك الله دكتور منذر
معك محمود من غوطة دمشق
طالب عند حضرتك

دكتور لو سمحت بسؤال: أنا أعمل مدير تنفيذي لشركة مقاولات في شمال سوريا ، ونعمل بمشاريع مع منظمات عالمية بعقود تقديم خدمات بالدولار لكن يتم تسليمنا المبلغ بالليرة التركية.
السؤال أنني اذا تم تحويل المبلغ لحسابي البنكي هل يمكنني أن أثبت سعر الصرف عن طريق الوعد الملزم ش على قول الفقهاء المالكية مع شركات الصرافة قبل استلام المبلغ وبعد تحويله لحسابي
أي المبلغ موجود بحسابي لكن يستغرق أيام من يومين لثلاث لاستلامه فأريد أن أحفظ مركزي المالي واحتاج من مخاطر تغير قيمة العملة فأثبتت سعر الصرف
والاستلام والتسليم للعمليات بمجلس العقد يد بيد
شكرا جزيل
محمود

My Answer:

الأخ محمود
بعض البنوك الإسلامية تمارس المواعدة مع البنك المركزي على الصرف بسعر مسبق ولكن البنك المركزي يسعده في العادة ان لا ينفذ البنك التجاري هذا الوعد وبالتالي فإن ما تفعله البنوك الإسلامية هو وعد غير ملزم بالتنفيذ.
فإذا كنت مضطرا لتثبيت السعر قبل يوم امكان الأعمال النقود فلا بأس. أما إذا لم تكن عندك ضرورة فلا تفعله لأن الخلاف فيه كبير والنص حديث من أقوى الأحاديث والمواعدة الملزمة تفقد الحديث مقصوده وهو صون النقود عن المضاربات والتربحات العشوائية ولا أرى ضرورة في حسابك الشخصي وقد توجد في حسابات المؤسسة اذا كانت سائر استعملاتها وعقودها بالدولار

From: Addy
Sent: Monday, May 3, 2021
Subject: Bitcoin in Islam
Question:

Hello, Dr Monzer Kahf, I read your article on whether bitcoin was halal or haram in Islam and you spoke about it some years ago. I wanted to ask you what your views were on it currently and if its permissible to purchase crypto currency. Please let me know, waiting for your reply

My Answer:

I still hold that it is not permissible to buy it. Own, sell and mine it. I also add stacking it to extract additional virtual coins.

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.kahf.net <<http://www.kahf.net/>> ; www.kahf.com/blog <<http://www.kahf.com/blog>>

From: Yassir
Sent: Sunday, April 25, 2021
Subject: Stacking crypto-halal or haram
Question:

salam dear doctor,

I'm coming to you for a question about crypto stacking (proof of stack).

I did some research on the subject but to be honest I am not satisfied with the accuracy and content of the answers.

I am writing to you to find and to know if the practice of stacking is an illicit practice in our religion and if it is a Riba.

Concretely, I am on the Kraken site, they propose to stack polkadots in order to secure the Blockchain and I wonder if I can really do it.

Thank you if you could help me.

salam aleykom and Ramadan moubarak

yassir

My Answer:

Please explain what is crypto stacking? And give an actual example if you can.

Monzer Kahf

Reply

Crypto-money staking is a practice that secures the blockchain by spending less energy than mining.

concretely, it is a question of blocking its cryptocurrencies without being able to sell them by making them available to the blockchain for the verification process.

in exchange for this provision, the owner of the cryptocurrency benefits from rewards in the form of cryptocurrencies.

An example of a kraken staking process:

<https://www.kraken.com/en-us/features/staking-coins/>

An example of analysis:

<https://www.google.fr/amp/s/practicalislamicfinance.com/2021/02/15/crypto-staking-halal-or-haram/amp/>

my question is to know if this practice is halal and if it is not a Riba

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. YASSIR

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I understand now the crypto stacking. But I have a problem with crypto currencies themselves.

I believe they are not yet acceptable currencies and they can't be currency unless they are protected by law in a country, then I consider its crypto currency as money in that country. Until then crypto currencies are not permissible to buy, own, sell and trade.

If a crypto currency is accepted as money by law in a country then I will treat it as such and apply to its sale the rule of hand to hand when exchanged with other moneies (full actual payment at time of contract). However, speculation on currencies remains non-Shari'ah compliant anyway.

Their mining (and stacking looks to me like a mini-mining) is another issue which requires its own ruling. In my opinion mining a currency may be permissible if it is either done by a government only or if it is equally distributed to all people on equal footing. It is Not permissible when only the rich (those who are able to have extra-powerful computers) can mine and others cannot. Until that is done mining and stacking are not permissible for the above reasons although both are not Riba practices.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

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Professor, Islamic Finance & Economics
www.kahf.net <<http://www.kahf.net/>> ; www.kahf.com/blog <<http://www.kahf.com/blog>>

From: Bhalla

Sent: Tuesday, February 9, 2021

Subject: Bitcoins

Question:

assalamo alykom

I just read your fatwa regarding bitcoin.

It was more than a year old, not sure if anything changed.

JAK

Bhalla

Also

Assalamo alykom Dr. Monzer

May ALLAH reward you for your services

I was wondering if it is permissible to buy and sell bitcoins.

Thank you

Bhalla

My Answer:

No change at all in my opinion since no central bank has formally decided to enforce any such currency.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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From: A questioner

Sent: Saturday, November 21, 2020

Subject: Why forex is haram and proper Islamic definition of gambling

Question:

Assalmualaikum Wa Rahamtullah. I'm a born Muslim belong from a Muslim family. I have a question about forex market. So I need the answer from a scholar who know about stock market and forex market well enough. Please read my words bellow carefully and forgive me if anything goes wrong. I'm just 18 years old.

My parents died 2 years ago. I need some halal work. I saw my friend's father working in forex though he has stopped working now. So I started researching how the forex market works and how to earn money. In the beginning I didn't notice if it is really halal or haram but I trained hard to be good at it. Now I'm ready to work but I notice it is a little similar with betting(Jua) when the forex trading comes to the scalping (buy a share for very short amount of time like opening a trade for 30-60 seconds or 1-5 hours or even for 2 days).

Now this is the problem. I watch a video on youtube of Zaikir Nayek where he said a trade or share from stock market which I bought should be like real world. He meant to say that it should not be for 1 or 2 months or even 6 months. So what should I do?

In betting it is all about luck. But as I trained myself I actually saw that if I match some certain rules/patterns in market, it can give me some profit. So please tell me is this really halal or haram. Also please tell me if there are any others cautions which I should notice before start working in stock market?

And Is there any way to work in short time in forex without making it like gambling.

I have been successful almost to 60-70% in every action within 30s work in forex by investing money and I've done it not in believing myself but by finding some specific market patterns which were favorable for me.

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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The Prophet, pbuh, in a very authentic Hadith made it difficult to trade currencies. In currency trading there is an additional requirement that there must be hand to hand deal and payment in full. Maybe he intended to protect currencies from forex of today! Because forex, no matter how much study you make is always affected by unseen events and incidence that are not all related to all the research you make. For instance, catching Bin ladden affected dollar price on the forex, and today conceding the election in America affected prices of currencies outside America. Currencies should not be subjected to such volatility. It is wrong and harmful! Be assured of that.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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From: Bello

Sent: Friday, October 30, 2020

Subject: Fatwa on Bitcoin

Question:

Dear Prof.

Assalamu Alaykum wa Rahmatullah wa Barakatuh

Hope this email meets you well.

I was browsing the internet to see what different scholars have said regarding the permissibility or otherwise of dealing in cryptocurrencies and bitcoins and their opinion regarding InksNation. I stumbled on a write up that is not properly referenced in which it is said you gave fatwa in 2014 that bitcoin should be considered a legitimate medium of exchange though vulnerable to manipulation. Please I like to confirm if truly you have given that fatwa and (if you indeed gave the fatwa) whether there are new findings or you still hold to it.

Jazaakumullahu khairan.

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

I do not remember I ever gave such Fatwa. Most likely it is a misunderstanding by the writer. The source of such misunderstanding may be what I repeatedly have said: if any government enforced it as a legal currency, we will then accept it.

My opinion is: it is neither a currency nor an asset and it is not permissible to buy it, sell, hold it, or trade it. It is worse than the options on which similar statement is given by OIC FA

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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From: Osamah

Sent: Thursday, September 24, 2020

Subject: Forex trading

Question:

Salam Brother Monzer,

My name is Osamah from Islamic Center of community. I received your email from a friend because I had a question that I would really appreciate if you helped me out with.

Question: is forex trading (foreign exchange trading) permissible?

I understand this might be a broad question but if you can simplify the answer for me to your knowledge, I would really appreciate it.

JAK,

Osamah

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. Osamah

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In one word: NO.

On the micro level if individual who jump on the internet and click keys and call this trading, this is in fact is not trading bu pure speculation which is not permissible whether with currencies, commodities or shares and stocks. Also all currency trading, including those who claims being Shari'ah compliant, do not make the steps of trade in reality in compliance with Shari'ah.

On the macro level, it create a lot of harms and crises and in fact it destroyed economies in the past (several countries in south east Asia are still suffer from the crises caused by currency speculation at the end of past centuries).

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

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FATAWA MONEY EXCHANGE, BITCOIN, GOLD, SARF 2019

From: Ali

Sent: Tuesday, October 15, 2019

Subject: Cryptocurrency

Question:

AssalamuAlaikum Brother Monzer

Hope hope you are in good health. I endeavor to do halal deeds and thus, you have guided me on many occasions with answers to financial issues. I would like to ask you whether cryptocurrency can be deemed halal as a currency or as shares in a stock. I've tried to research on the internet and found a wide range of views. I purchased crypto like Bitcoin, Ethereum, Ripple, Stellar, Litecoin, last year as an investment for the future. The idea is like that of stocks, to hold onto it and when the value rises, to sell it. But based on views from some clerics, I am having doubts as to whether this is halal. If it is haram, can I sell it at a time when I can get my principal investment back? Your expert advice would be much appreciated. May Allah show his infinite mercy on you.

Brother Ali

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. Ali

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

My opinion bitcoin and other virtual currencies, all, are not currencies and not assets simply because they are virtual. The money we deal with (dollars or rials) have no intrinsic value but the governments adopt them and assure all transactors of their rights.

They also are not assets because they do not produce any real added value. In Islam you can earn either from your work or from your property but when you deal with properties anything that does not produce added wealth by its own nature does suit to be an earning asset. For instance, the OIC Fiqh Academy determined that options are not fit to be bought, owned, sold or traded. Cryptocurrencies are more virtual than options.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.kahf.net; www.kahf.com/blog

From: Tahir

Sent: Tuesday, October 8, 2019

Subject: Bitcoin

Please sir, I really want to invest in bitcoin cryptocurrency but I really really want to have a very cristal clarification about the aforementioned transaction.

Please sir, can you be of any help. Looking forward to hearing from you sir. Thank you in anticipation of you kind help and guidance.

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. Tahir

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In my opinion bitcoin is not a currency and it is not an asset because it has no government adoption and it does not represent any real asset on the ground. It is not permissible to buy, own, sell or trade.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

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From: Dr. Mohsen

Sent: Tuesday, September 17, 2019

Subject: Is Forex Trading Halal?

Salam dear Prof. Monzer,

Please take the time to answer this question:

YAHYA

السلام عليكم ورحمة الله وبركاته

I recently saw on a certain platform that weather forecasting by meteorologists is Islamically allowed since they use instruments to determine weather changes. Is it true or not true?

If true, I would like to know if Forex trading using brokers platforms with Islamic accounts (also called swap-free accounts) is Islamically permissible provided I use reliable instruments and indicators that show when the market price of a certain currency pair e.g GBP/USD tends to go up or down. In short, no guessing of price trends is involved.

Looking forward to receiving a positive response from your side.

Thanks in advance.

Wassalaam.

Regards,

Yahya Mohamed Abdulle.

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. Yhya

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In forex trading, the conditions required in the Hadith of the Prophet, pbuh, are not fulfilled, even in what it wrongly called Islaamic forex (the replace interest by a monthly fee but they keep the pair-currency trade as it is). Therefor it is not permissible.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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From: Majd

Sent: Saturday, April 6, 2019

Subject: شراء الذهب بالذهب مع فرق بالريال

فتوى : يريد الرجل بيع حلية ذهبية وشراء غيرها فيقول له الصائغ: ثمن الحلية التي معك هو كذا وقد سجلته لك والآن اختر الحلية التي تريد شراءها وعندئذ نحسب ثمنها ويدفع أحدنا إلى الآخر الفرق الذي يستحقه . المشكلة هنا أن الصائغ لم يدفع ثمن ما اشتراه يدا بيد فهل لهذا وجه شرعي؟

My Answer:

الأخ المكرمجد

السلام عليكم ورحمة الله وبركاته

الزعم بأنه لم يتم التقابض بجا بيد هو فهم خاطئ للمعاملة. هو قدر له الثمن ولم يتم بيع بينهما .
البيع يتم بعد اختيار المشتري للحلية التي يرغب بها وهو بيع ذهب بذهب غير مساو له بالوزن ونقد للفرق بينهما.
فالمعاملة جائزة إلا إذا تساوى وزن الحليتين فعند ذلك لا يحل الفرق .

مع أسى التقدير وأعز التحية

أ. د. منذر قحف تمويل واقتصاد إسلامي

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@kahf.com; www.kahf.net; www.kahf.com/blog

From: Alwi

Sent: Saturday, January 19, 2019

Subject: Bitcoin

Bismillahi arahmani arahim

Assalamu alaykkum warahmatulllahy wabarakatuh

Sheikh Monzer,

I have read your fatwas MashaAllah on Bitcoin as legal tender why its haram I fully understand you and would like to ask if you take it as a property in China it is legally announced as a property, I am a tech geek and I believe that technology of block chain is very promising can we buy the coins as properties we store them as assets. I am going to China to study please pray for me. Shukran Waasalamu alaykkum warahmatullahy wabarakatuh.

<https://www.coindesk.com/chinese-arbitration-court-says-bitcoin-should-be-legally-protected-as-property>

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. Alwi

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I still believe that crypto currencies are not permissible in Shari'ah unless a formal country accepts one of them as its own currency and supports it legally and economically. Then only that crypto currency shall become money of that country and we will then apply to it same rules of Sarf as other monies.

As for recognizing a virtual thing as a property, this does not affect its Shari'ah acceptability, it may remain non-property from Shari'ah point of view. There are many examples to this such as liquor and tobacco. In the financial arena, options and indices are recognized as properties, yet we do not recognize them in Shari'ah. In other words bitcoin remains virtual not real even if it is recognized by any or many governments.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

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MONEY, CURRENCY, BITCOIN, SARF 2018

From: Ahmad

Sent: Sunday, December 23, 2018

Subject: Investing in cryptocurrency

Assalamu alaikum,

What is the ruling with regards to buying crypto-currency?

Jazak Allahu khairan

Ahmad

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. Ahmad

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In my opinion crypto currencies are not money because they lack legal enforceability and they are not assets that produce or generate utilities or increments. They are not permissible to own, buy, sell or trade as they are worse than options which are determined non-permissible by the OIC Fiqh Academy.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

www.Kahf.net; www.Kahf.com/blog

Monzer KAHF

From: Dr. Mohsen

Sent: Thursday, December 13, 2018

Subject: Bitcoins

Questioner: From India

Dear Prof. Monzer,

As-salamu alaykum

Hope you and your family are in the best state of health and Iman.

Is cryptocurrency allowed in Islam? Is it permissible to program software related to it?

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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Crypto money is not allowed. \money in our world requires adoption by a formal government to be accepted. A government would protect by law the rights of all persons.

This is required for any currency,
Further, considering bitcoin and other crypto currencies an asset is also not consistent with the rulings of our Shari'ah because they are not any assets in reality especially that they are not productive in a sense that virtual assets do not produce utilities or any added value.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

Professor, Islamic Finance & Economics

monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

From: Hassan

Sent: Friday, November 23, 2018

Subject: Bitcoin

Dear Dr. Kahf,

How are you doing and how is your work? The reason why I write this message is I want start investing in Bitcoin, that is why I want its halal in Islamic law or not, thank you so much.

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. Hassan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Bitcoin is not permissible to buy, sell, own and trade because it is a virtual asset that does not create any real value that benefit humanity. It is not also money because it does not have the character of a legal tender.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

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monzer@Kahf.com; www.Kahf.net; www.Kahf.com/blog

FATAWA MONEY, CURRENCIES, GOLD, SARF 2017

From: Ejaz

Sent: Monday, December 18, 2017

Subject: Inquiry.

Question:

1. Is trading of crypto / digital currency halal in terms of Islam? Kindly reply in detail. Secondly, Is cloud mining of different digital coins halal?

Waiting for the prompt and quick response.

Best Regards,

Ejaz

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. Ejaz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am not a specialist in IT. The blockchain tec. seems highly promising, it is opening a new horizon in digitization, the future is going in that direction.

A currency requires a great deal of regulations in order to protect all the economic units, this requires a government, I have a hunch that it will not be a long time from now that currencies may become all virtual. Then the virtual currency of each country shall be money in that country and treated as foreign currency outside it.

Please notice that bitcoin proved being a matter of speculation, a currency of a country cannot jump in value from a quarter Dollar to 18,000 dollar then do down to 13,000! This is not a currency, this is an uncontrolled speculative tool!

Money at the time of the Prophet Muhammad, pbuh, was gold and silver, both were used as money whether minted or not. Buying or selling gold and silver (and all other currencies) require actual physical handling on exactly same day of the buy or sell physically for gold or silver and physically or in bank accounts for currencies (because large part of the money of any country is normally kept in bank accounts). this is based on the very strong Hadith of the six Ribawi Items of which gold and silver are the currency of that time.

Money today gains its nature as money from declaring it so by a formal government and considering it a legal tender by law in a sense that obligates every person in the economy/country to accept it for payment for goods and services and for fulfillment of

other obligations such as payment of debts, payment of Mahr in marriage, etc. **This legality becomes necessary, from Shari'ah point of view for anything to become money** and to be able to provide the services of medium of exchange, store of value and measure of present and future values. Bitcoin and other crypto currencies do not fulfill this fundamental condition.

Once a formal government makes a virtual currency legal tender, I will then accept it as money. But until then it is simply another virtual thing that I cannot consider as currency even if a group of people, including big stores like Amazon, own and trade it.

On another ground, is bitcoin an asset from Shari'ah point of view? Here I like to mention the OIC Fiqh Academy view on indexes and options. The OIC Fiqh Academy studied options and indexes early in 1990s and rejected owning, buying, selling and trading options, although they are financial rights, because they are fabricated assets that do not represent any reality in the ground, any reality that is able to generate real value/wealth. Options are rights created for trading them in the financial markets and they do not represent ownership of any real assets (of course shares are not like that). Options are legal rights which make them less virtual than bitcoins that are not even legal rights. As for the indexes, the OIC Fiqh Academy determined that index units are nothing at all, just a thin air, although they give valuable info and although they are listed and traded in several markets in America, Europe, East Asia, etc.. **Bitcoin and other cryptocurrencies are much lesser of assets than options and indexes as they are purely virtual and represent ownership of nothing!**

Therefore my view is that: **bitcoin and other cryptocurrencies are not money because they are not recognized as legal tender** (obligated on a society by a formal government). This is on one hand, and on the other hand **they are not real assets** (this does not mean that a real asset must be tangible, rather it may be tangible or intangible; it means fabricated one with not real backing). **Accordingly, bitcoin and other cryptocurrencies are not permissible to own, buy, sell and trade; they are in this regard, farther from acceptance than indexes and options.**

Additionally I believe that speculation in general and speculation on currencies, gold and silver (although they are no more currencies but the text of the Hadith of the Prophet, pbuh, mentioned them in names) in specific are not permissible because speculation contradicts the fundamental intent of the conditions (immediate delivery of both currencies and same quantity if same currency) put by the Prophet, pbuh, for currency buying and selling (I did not use the word trading because these conditions make trading currencies not a return-earning business but a service function). If you are not gold jeweler, money exchanger or a central bank of a country who may need to buy or sell gold and currencies, and you simply sit behind your laptop to speculate on gold and currency prices, ups and downs, you are then a speculator not a trader; Please give it the right name and I consider this behavior **pure speculation which is in my opinion not permissible because it is harmful and on the micro argument it cannot fulfill the condition of physical handling or delivery.**

Best Regards

Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Ejaz

Sent: Tuesday, December 19, 2017

Subject: Re: Inquiry.

Question:

Assalam-o-alaikim Sir.

Thank you so much for the prompt response.

I would like to raise few questions which are as follows:

As you stated in your answer that if the government allows it as a legal tender, it is allowed in terms of Islam. But whatever Bitcoin is, whether it is currency or commodity, one can sell it on different exchanges from anywhere in the world and get the cash in hand in their local currency(Which is legal tender of the said country) and can use it for their desired payment & services. Is it still not allowed in terms of Islam as we are using our local tender for the payment & services? There are top tier online platforms like Amazon, Wall street and many others which accepts Bitcoin as a mode of payment & recently BTC is accepted in CME future market.

This is not the meaning of legal tender, it means it is obligatory on all and this all actually cannot be without legal authority. Rather, this means it has become an asset in such markets because you can only exchange it into currency by selling it in such markets, then see my second point below.

The reason of bitcoin popularity are many, but the top key points are:

1. It is a decentralized peer to peer electronic money having no borders and boundaries.
2. It has limited supply in market and more and more people are entering into it day by day causes demand and supply gap, which is the main reason of hype in price.

Japan has already accepted it as a legal tender and there are multiple countries which are in a phase of regularizing the Crypto currencies.

All these mean it has become accepted by many as an asset tradable in these regulated markets. Please here look at the similarity between it and indexes. Indexes are traded and listed in all these market. Also options and futures (all are derivatives that do not represent any reality). The Fiqh Academy of the OIC considers them all as NOTHING from Shari'ah point of view because they do not have characters of real assets that benefit humanity, i.e., produce either increment like baby cows or utilities like computer software.

I am in the industry from the last six months. Right now I have done few types of investment which are as follows:

1. Mining Bitcoin & Ethereum.
2. Holding BTC.
3. Investment in new Alt coins & ICO(Initial coin offering) to get decent amount of profit when price will be higher.

Now, What should I need to do right now. I need sincere and honest in this regards.

In my view all these activities are not permissible including the huge income you may have acquired.

Thanks & Regards,

Ejaz Ahmed.

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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Please see above:

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Hossam

Sent: Tuesday, December 12, 2017

Subject: Bitcoins

Question:

Salamu aliukum dr Monzer

Had there been a body that looked into bitcoin investment permissibility? Thanks

My answer:

Not that I know but OIC Fiqh Academy considers options and indexes not permissible, is bitcoin more virtual than these?

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Hossam

Sent: Wednesday, December 13, 2017

Subject: Re: Bitcoins

Question:

Salamu aliukum

Any thoughts about below article?

<https://www.joebradford.net/a-note-on-bitcoin-and-the-epistemological-foundations-of-islamic-law/>

My answer:

This argument is totally out of line. Bitcoin is not an intellectual property it is a virtual property. And virtual properties are nothing from the point of view of Shari'ah. If a virtual thing becomes legal money we will accept it as such (please notice that money itself is an intangible thing, it is a debt on the society, it is not the piece of paper that is in your pocket, this paper is worth nothing except for being a legal tender of US\$ 100). The closest to bitcoin is options and index units, not a publication right or a trademark. A forefront evidence is its speculative nature. Money cannot be a speculation tool

although people may speculate on its prices the way they speculate on prices of real estate.

Taking bitcoin or any crypto currency as money is the worst and taking it as asset is as bad. What is it as an asset? Even if a group of people accept it, imagine how many groups can create similar as it actually happened. The only thing that legitimize a crypto currency is if a formal government regulates it and makes its money crypto. Then everybody can use it to pay obligations and to buy goods and services from that country. And I think this is going to come soon, but then you will not (and it cannot) have its prices becomes volatile the way it happens to bitcoin, then we will apply on it the Shari'ah regulation of money transactions of buy and sell.

BTW, the Bradford Article is not new, I received it more than six month ago.

Best Regards

Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Muhamed

Sent: Sunday, December 10, 2017

Subject: Bitcoin, XRP/Ripple, Cryptocurrency and Pressibility

Question:

Dear Dr Kahf,

I pray this email reaches you well.

I writing with regard to asking you about the permissibility of purchasing and trading cryptocurrencies such as Bitcoin and XRP/Ripple. I have come across a number of conflicting viewpoints online including a few contradictory ones purporting to come from yourself, examples of which are included below, and would like clarity on the matter.

1. <http://lightuponlight.com/blog/fatwa-on-bitcoin-by-monzer-kahf/>
2. <http://aboutislam.net/counseling/ask-the-scholar/financial-issues/islam-view-bitcoin-cryptocurrencies/>
3. <https://bravenewcoin.com/news/sharia-law-and-bitcoins-fatwa/>

With regard to my specific situation, five years ago, I purchase XRP/Ripple which is, in short, *"Ripple purports to enable "secure, instant and nearly free global financial transactions of any size with no chargebacks." It supports tokens representing fiat currency, cryptocurrency, commodity or any other unit of value such as frequent flier miles or mobile minutes. At its core, Ripple is based around a shared, public database or ledger, which uses a consensus process that allows for payments, exchanges and remittance in a distributed process.* [https://en.wikipedia.org/wiki/Ripple_\(payment_protocol\)](https://en.wikipedia.org/wiki/Ripple_(payment_protocol))

More information about the company can be found here: <https://ripple.com/company/>
Since 2012, my investment in ripple has increased considerably (to a total of \$50,000 - \$80,000), so in addition to asking you about the permissibility of purchasing such tokens, I would also like to ask about the state of affairs of the profit I have made and what I am obliged to do with the money if it is indeed impermissible to have purchased the XRP/Ripple.

If you would like more information, I would be happy to provide more details.

I would really appreciate your response and look forward to hearing from you.

Best,

Muhammed

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. Muhammed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

The first two links, although not authorized by me, they quote me in full and represent my view. You need to look at the historical sequence. At the beginning I looked at bitcoin as a unit of accounts and settlement. It is true, a group of people can and may use a unit of account. But when they go to the open market, money then requires legal legitimacy to make it money, acceptance of a group of people is not sufficient. The second Fatwa represent that in clear terms and this is my opinion now.

The third link quoted a part of my view and it is not full and not updated.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Muhammed

Sent: Sunday, December 10, 2017

Subject: Re: Bitcoin, XRP/Ripple, Cryptocurrency and Pressibility

Question:

Walaikum assalam Dear Dr Kahf. I sincerely appreciate your prompt response.

Thank you for the clarification concerning the links that quoted you.

In reference to your current opinion, in which you state:

"Once a formal government accepts virtual currency as a legal tender, I will then accept it as money. But until then, it is simply another virtual thing that I cannot consider as currency even if a group of people own and trade it"

I was wondering whether the fact that Bitcoin futures is set to begin trading on the Chicago Board Open exchange, (CBOE) today, and CME on Dec.18th changes that at all?

Link below for your reference <https://www.bloomberg.com/news/articles/2017-12-09/bitcoin-futures-trading-brings-crypto-into-mainstream-finance>

I would also appreciate if you could you provide some direction with regard to the XRP/Ripple that I inquired about in my first email, and the profit I made from this investment? If you require sometime to read up on XRP cryptocurrency, please feel free to respond at a later date.

Thank you immensely for your assistance.

Best regards,

Muhammed

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. Muhamed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

No it does not change that. They already trade options and indexes that we do recognize as NOTHING.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Bami Trading Company

Sent: Monday, December 04, 2017

Subject: From Islamabad, Pakistan about Cryptocurrencies

Question:

Dear Dr. Kahf

Assalamu 'alaikum warahmatullah

I pray this finds you in the best of health and iman. I've read some of your work and have found it extremely useful mashaAllah – jazakallahu khair

I wonder if you can help shed some light on the Islamic perspective on bitcoins and cryptocurrencies in general. Have you had a chance to investigate this phenomena at all? Do you have any thoughts on their shar'i permissibility or otherwise?

Jazakallahu khair

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.

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I am not a specialist in IT. The blockchain tec. seems highly promising, it is opening a new horizon in digitization, the future is going in that direction.

A currency requires a great deal of regulations in order to protect all the economic units, this requires a government, I have a hunch that it will not be a long time from now that currencies may become all virtual. Then the virtual currency of each country shall be money in that country and treated as foreign currency outside it.

Please notice that bitcoin proved being a matter of speculation, a currency of a country cannot jump in value from a quarter Dollar to 18,000 dollar then do down to 13,000! This is not a currency, this is an uncontrolled speculative tool!

Money at the time of the Prophet Muhammad, pbuh, was gold and silver, both were used as money whether minted or not. Buying or selling gold and silver (and all other currencies) require actual physical handling on exactly same day of the buy or sell physically for gold or silver and physically or in bank accounts for currencies (because large part of the money of any country is normally kept in bank accounts). this is based on the very strong Hadith of the six Ribawi Items of which gold and silver are the currency of that time.

Money today gains its nature as money from declaring it so by a formal government and considering it a legal tender by law in a sense that obligates every person in the economy/country to accept it for payment for goods and services and for fulfillment of other obligations such as payment of debts, payment of Mahr in marriage, etc. **This legality becomes necessary, from Shari'ah point of view for anything to become money** and to be able to provide the services of medium of exchange, store of value and measure of present and future values. Bitcoin and other crypto currencies do not fulfill this fundamental condition.

Once a formal government makes a virtual currency legal tender, I will then accept it as money. But until then it is simply another virtual thing that I cannot consider as currency even if a group of people, including big stores like Amazon, own and trade it.

On another ground, is bitcoin an asset from Shari'ah point of view? Here I like to mention the OIC Fiqh Academy view on indexes and options. The OIC Fiqh Academy studied options and indexes early in 1990s and rejected owning, buying, selling and trading options, although they are financial rights, because they are fabricated assets that do not represent any reality in the ground, any reality that is able to generate real value/wealth. Options are rights created for trading them in the financial markets and they do not represent ownership of any real assets (of course shares are not like that). Option are legal rights which make them less virtual than bitcoins that are not even legal rights. As for the indexes, the OIC Fiqh Academy determined that index units are nothing at all, just a thin air, although they give valuable info and although they are listed and traded in several markets in America, Europe, East Asia, etc.. **Bitcoin and other cryptocurrencies are much lesser of assets than options and indexes as they are purely virtual and represent ownership of nothing!**

Therefore my view is that: **bitcoin and other cryptocurrencies are not money because they are not recognized as legal tender** (obligated on a society by a formal government). This is on one hand, and on the other hand **they are not real assets** (this does not mean that a real asset must be tangible, rather it may be tangible or intangible; it means fabricated one with not real backing). **Accordingly, bitcoin and other cryptocurrencies are not permissible to own, buy, sell and trade; they are in this regard, farther from acceptance than indexes and options.**

Additionally I believe that speculation in general and speculation on currencies, gold and silver (although they are no more currencies but the text of the Hadith of the Prophet, pbuh, mentioned them in names) in specific are not permissible because speculation contradicts the fundamental intent of the conditions (immediate delivery of both currencies and same quantity if same currency) put by the Prophet, pbuh, for currency buying and selling (I did not use the word trading because these conditions make trading

currencies not a return-earning business but a service function). If you are not gold jeweler, money exchanger or a central bank of a country who may need to buy or sell gold and currencies, and you simply sit behind your laptop to speculate on gold and currency prices, ups and downs, you are then a speculator not a trader; Please give it the right name and I consider this behavior **pure speculation which is in my opinion not permissible because it is harmful and on the micro argument it cannot fulfill the condition of physical handling or delivery.**

Best Regards

Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Bami Trading Company

Sent: Wednesday, December 06, 2017

Subject: Re: From Islamabad, Pakistan about Cryptocurrencies

Question:

Dear Dr. Kahf

Assalamu 'alaikum warahmatullah,

Thank you for your reply sir. I am attaching a link which is a cnbc report regarding Japan recognising bitcoin. I wanted your take on it.

<https://www.cnbc.com/2017/09/29/bitcoin-exchanges-officially-recognized-by-japan.html>

Best Regards

Ikramullah Khan Durrani

My answer:

Recognition is different from making it legal tender.

Best Regards

Professor Dr. Monzer Kahf
Islamic Finance & Economics

From: Ahsan

Sent: Sunday, August 13, 2017

Subject: Salam o Alikum

Question:

Hi

I am Ahsan and my question is about Forex trading with leverage. See I know many scholars deny that Forex trading is halal. They quote hadees of hand to hand, gold to gold, silver to silver.... But Forex trading on leverage is that I can open \$100000 position instantly from \$1000 with help of leverage and my broker offer Islamic account i.e swap free account for Muslims. Please tell me in this! I am a pro trader and I know that I can't gamble! Like guessing market and making trades I analyze the markets and then make trades.

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. Ahsan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Forex with or without leverage is not acceptable in Shari'ah because it deals with currencies. Currencies affect the whole economy and the Prophet required special way of handling currency exchanges, the Hand to hand Hadith that you referred to. It is very important. It means dealing with currencies must be different than dealing with commodities and goods. It has two implications: 1) futures in currencies, under any name and with any form are not acceptable, and 2) leverage is also not acceptable. Besides it is too risky and too speculative to the extent that it is really a form of gambling.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Ahsan

Sent: Monday, August 14, 2017

Subject: RE: Salam o Alikum

Question:

See I asked my Qari he said it's okay because it's not fixed and no interest is charged. And this is not the TRADING we do it's just online money system like it has nothing to with real trading.

My answer:

This is because your Qari is not specialized in this area.

You asked me and I answered you!

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Abdul

Sent: Saturday, July 01, 2017

Subject: Gold trading

Question:

Assalamu Alaykum respected Professor / Shaykh,

I got your contact details from your website (see my previous email). I would really appreciate your help and advice!

I have a Question. I am thinking of going into this trade, however I need to know if it is permissible?

The organization is called SRDC. Main people are based in Malaysia and Brunei, and UK head people are some brothers in London.

Basically the idea is, these brothers will charge an amount of money to train you up for 4 weeks. Teaching you how to trade in gold. A bit similar to stocks and shares, forex, but not the same.

They teach you the formula's and technical graphs so that you can predict how and when to buy, or sell, so that you are successful. They continue to mentor you throughout your trading.

You are registered with *a Broker* and then you can trade on your own (via the broker). You basically start off with £300 in your account and then you will trade and gain and go further from there.

Note - *the Broker* is the one who will be executing the trading on your behalf. They will keep a small commission for the transactions. The decision of buy/sell, etc will be your decision and you are in control of this.

They have advised that the trading will be *spot* trading/transactions as known in the Shariah and *not* "future" trading.

The Broker does not physically handle the actual gold itself, they trade in what is called "pips" and "lots", which is valued against the gold itself on the market. For e.g. A certain amount of pip's worth a certain amount (or ounces) of gold. This is basically how the broker trades.

Is this Halal? If you need further info please let me know.

I look forward to hearing from you soon.

Jazakallah khayr..

Abdul Hafiz (UK)

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 Hafiz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

In my opinion, buying or selling gold and currencies require actual physical handling on exactly same day of the buy or sell physically for gold or silver and physically or in bank accounts for currencies (because currencies are normally kept in bank accounts). This is based on the very strong Hadith of the six Ribawi Items of which gold and silver are the currency of that time.

Additionally I consider speculation in general and speculation on currencies and gold and silver in very specific not permissible because it contradict the fundamental intent of the conditions put by the Prophet, pbuh, for currency buying and selling (this is why I did not use the word trading that you used in the question, you are not gold jeweler or a central bank of a country who may need to buy or sell gold, you simply want to speculate on gold prices, ups and downs, this is not trading, this is speculation).

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

From: Abdul

Sent: Wednesday, July 05, 2017

Subject: Re: Gold trading

Question:

Assalamu Alaykum respected Shaykh / Professor,

May Allah reward you for taking time out of your busy schedule and for giving me your valuable advice, JazaakAllah khayr - I really appreciate it.

I am really confused on the matter and really do hope you can clear it up and clarify it for me.

I put forward the issues you raised to one of the main brothers of this organisation, and **here is the response & explanation HE gave me:**

***QUOTE*:**

The issue raised questioning the halal aspect of gold trading relates to not actually owning the gold that one sells and buys. As such, we need to establish 'constructive possession' over the gold to satisfy this element.

Some people may question -

"yes but can I pull out what I own or possess?" .."What am i exactly in possession of?".."could I gift it to someone if I chose to?, just like I could if I actually owned and took possession of some gold?"

The question addressed here is of logic. You'll have to withdraw the funds from the trading account and purchase physical gold bullion from a vault.

Trading does not require physical possession, hence constructive possession suffices. Because there is constructive possession when a trade is entered (via the spot contract), you are in possession of the gold until you've exited the trade. The spot contract states that it's an immediate transaction that you promise to sell to/buy back from the broker, once the price reaches a certain level that your analysis dictated.

Then it's a matter for the trader to withdraw the funds and purchase gold bullion to be in physical possession of it.

When you look at the Sharia law in this regard, it is stated that constructive possession is 'deemed' to be there when there is a 'spot contract' in place with the broker. *Spot trading is what we do*. Meaning, when we enter a sell, the broker is obliged to buy and when we enter a buy, the broker is obliged to sell. When we enter a trade, we enter into a spot contract with the broker. Having a third party involved in this contract and also entering into futures contract is deemed impermissible under Sharia law. Therefore, with possession deemed to being there owing to the spot contract that we enter, there is a common opinion that gold trading in this regard is permissible.

In other words, possession is automatically deemed to be there because we enter into a spot contract i.e. An immediate transaction.

END QUOTE*

Respected Shaykh / Professor, I also questioned the issue of ambiguity / speculation which you have raised, and **here is his response & explanation:**

***QUOTE*:**

There are three features of Islamic finance that we must ensure is not present in trading:

1. MAYSIR (Speculation/Gambling)
2. GHARAR (Uncertainty)
3. RIBA (Interest)

The first two features are eradicated in the way we trade. SRDC provides technical analysis. Meaning, we teach tried and tested formulas that shows you the gold price direction. The technical analysis is so accurate, that there is no guess work or speculation involved. When your analysis says that the price will go from A to B, then the price goes from A to B. Therefore, when the formulas are used in the correct way, there is no uncertainty or speculation.

The actual technical mechanics of trading has never really been disputed. Hence why a lot of fatwas have been issued in the Middle East and Far East making it permissible. The main point some fail to see initially is that when a trader becomes negligent in the way they trade (for SRDC, ignoring the syllabus is negligent - and it's happened with our traders in the past), then it actually falls into the 'gambling' category. So the losses leading on from that is simply from the trader's ignorance, **not due to the actual mechanics of trading.**

When traders enter a trade without knowing the direction (i.e. take a wild guess), THAT puts their initial capital at risk completely. That style of trading takes a clear 50/50 gambling approach, like for e.g a horse race bet. SRDC is far from that. We would not have a worldwide community of 20,000 traders if our trading was based on a 50/50 gambling style, and there would be no need to have Sensai leading the global community.

When you follow a technique that has been tried and tested over the last 21 years, with the level of accuracy that we are benefitting from, then there is potential to profit hugely without losing any initial capital

Unlike the horse race bet, we are not entering trades seconds before 'crossing the line'. We analyse the charts using our various techniques, and once the direction is clear from our analysis, we can enter any time and set an automated 'Take Profit', where the broker will close the trade for us once the price reaches to the level we analysed. From the time we enter and to the time we reach the take profit, it could be a few minutes, several hours or even up to 2-3 days - completely depends on the market volatility.

To make trading even easier and simpler, we have modules on Risk Management and Money Management. Not just to protect the initial capital, but to protect the profit and enjoy exponential growth of your account consistently.

There is so much covered in the three syllabuses we offer. All is designed to minimise any losses and profit consistently. For that reason it is crucial for all SRDC traders to only follow the syllabus, and ignore any fundamental news or world events that supposedly affect the gold price. When the syllabus is followed religiously, there is **no uncertainty, no gambling or speculating** and no risk to the initial capital.

The third feature is RIBA. Simply put, there are brokers in the U.K. that we use, that offer Sharia compliant CFD-FX accounts that don't charge any interest at all.

END QUOTE

Respected Shaykh / Professor, please could you advise me further on whether it is permissible to proceed with this??

I look forward to hearing from you very soon inshallah

Your brother,

Abdul Hafiz (UK)

My answer:

This changes nothing in my answer: it is speculation not trading; and there is no possession. Constructive possession is not sufficient in Shari'ah for gold, silver and currencies. Leave the Riba-based logics aside.

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Abdul

Sent: Tuesday, July 11, 2017

Subject: Re: Gold trading

Question:

Assalamu Alaykum respected Shaykh / Professor,

Jazakallah khayr once again for your help and advice in this matter.

My only concern is that based on your ruling, would this also make trading online such as ebay, etc also haraam as there is no immediate physical possession / exchange of money/goods?

Also, how can we reconcile all this with the fact that almost all types of trading these days are done online, and the advance in modern business transactions i.e derivative trading systems, etc?

Your thoughts and advice on this would be much appreciated..

Look forward to hearing from you soon.

Jazakallah khayr

Your brother,

Abdul Hafiz

My Answer:

Trading on line of gold, silver and currency is equally non- permissible, trading of share that are permissible to own is permissible

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: Qasim

Sent: Thursday, May 25, 2017

Subject: Bitcoin and other crypto currency exchanging

Assalamu Alaykum

Sir I am Muhammad Qasim from Pakistan.

I started exchanging of different crypto currencies like Bitcoin, dash, eth and many others on

<https://poloniex.com> a month ago.

I am confused on it that eating from it is Halal or Haram.

I am not dealing in POT coin as the clearly mentioned that banking for marijuana industry.

can you please guide me on this. as I read many thing from your side on different websites.

You have clarity on Bitcoin.

Jazakum Allah Khair

Qasim

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Qasim

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I do not have a definite opinion on this matter, but I have strong reservation on bitcoin and its likes because it is not recognized as currency by any formal country.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Farooq

Sent: Wednesday, May 24, 2017

Subject: Bitcoin and crypto currency

Assalamu Alaykum wrwb Dr Kahf

May this message reach you in the best of health and Iman.

There is a fatwa on bitcoin attributed to you at lightuponlight.com/blog/fatwa-on-bitcoin-by-Monzer-Kahf/, but I wanted to confirm if:

a) this opinion is indeed yours, since the original questioner left Islam not too long after he asked you this question (assuming he went by the name Sameer), and

b) You mention one of your students was asked to write a thesis on bitcoin/ crypto currency...may we see that paper, if you approved of the methodology?

c) Do you have any other recommendations/ edits to add to your original reply?

Baraka Allah feeling; may Allah preserve you and us and keep us all on the path of obedience to Him

Wassalam Alaykum

My answer:

Please withdraw that Fatwa. Yes that was an opinion I gave then but I did not put only website and I withdrew that. Now my opinion is: I still wait to get more info and I am

skeptical about the point that it is not recognized by any formal government in any country. I need more info to be able to give an opinion on bitcoin.

Best Regards

Dr. Monzer Kahf

-From: Majd

Sent: Sunday, April 09, 2017

Subject: بيع الذهب والعملات بطريقة تثبيت السعر

السلام عليكم ورحمة الله وبركاته
أود الاستفتاء في صيغة من صيغ البيوع المحدثه في عصرنا وهي الآتية:

السلعة هي الذهب والثلثين الدولار أو غيره .. (الكمية بالكيلو)
حيث يتم تثبيت السعر بحسب سعر الذهب في لحظة على البورصة
حضوريا أو على الهاتف ولا يكون التقابض فورا بل ربما يكون بعد
ساعة وربما في اليوم التالي حيث يتم اللقاء والتقابض على
السعر المتفق عليه بين الطرفين فما رأيكم دام فضلكم.
مع العلم أن التقابض في الوقت نفسه غالبا ما يكون متعذرا لعدم
توفر الذهب لأنه يحتاج إلى وقت للوصول من مدينة أخرى أو مكان
آخر.

وقد يطلب في مثل هذه الحالات دفع عربون (قيمة أونصة) لتثبيت
السعر. وجزاكم الله خيرا
مع العلم أن هذا الأسلوب شائع في التداول.

My Answer:

الأخ المكرم أبا أحمد
السلام عليكم ورحمة الله وبركاته
هذه هي طريقة التعامل في جميع المبالغ الكبيرة من قبل جميع
الصرافين وبائعي الذهب فيما أعلم في كل أنحاء الدنيا، فقد عمت
بها البلوى وتواضع الناس عليها. وسببها الأساسي هو حفظ المال
في أماكن بعيدة عن الفروع ذات التحصين القليل.
وهي في الجوهر لا تعارض المقصد الشرعي من تحريم فارق الزمن عند
التعامل بين العملات والذهب والفضة، فقد صارت مما تقتضيه طبيعة
المعاملات من حماية وصون للمال.
وأنا أخرجها على أنها مواعدة ملزمة -مع وجود العملتين أو
العملة والمعدن عند المتبادلين وقت المواعدة، ولا أرى فيها
بأسا وبخاصة أن مجمع الفقه الدولي قد اعتبر القبض آنيا ولو
تخلله يوم أو يومان مما تقتضيهما المعاملة البنكية بين الدول.
مع أسامي التقدير وأعز التحية
أ. د. منذر قحف

From: Dr. Mohsen

Sent: Saturday, March 18, 2017

Subject: Bitcoin and Bitcoin mining

Please take the time to answer the following question:

Assalamu Alaykum, Shaikh

I want to ask is Bitcoin trading and Bitcoin mining halal?

Kind regards,

Dr. Mohsen

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Dr. Mohsen

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I used to say that it is not permissible because of lack of any government adoption/support. Now I stop waiting to study it more as there is a claim that it is simply just another business.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Ahmed

Sent: Tuesday, February 27, 2018

Subject: Trading Forex

Question:

Please what's the implication of online forex trading in Islam?

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. Ahmed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Trading currencies on the internet through forex platforms does not fulfill the Shari'ah requirement for currency sale and buy. The Prophet, pbuh, set more strict conditions for buying and selling currencies, one for another. That is delivery of both currencies must be done at the same time and exactly at the time of the contract. He did that apparently because of the special characteristics and effects of buying and selling currencies. Currencies at his time were gold and silver and he said that selling one for the other must be done with immediate delivery of both. Besides, speculation on currencies and on other goods is not permissible and forex platforms, all they offer is speculation by trying to gain money simply by clicking on computer keys.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Best Regards

Professor Dr. Monzer Kahf

Islamic Finance & Economics

From: asiya

Sent: Tuesday, February 14, 2017

Subject: Bitcoin investment

Assalamu Alaykum Dr, nice meeting you. Please I was searching for a halal way to invest my bitcoin, then I came across your website. But unfortunately I couldn't find what I was looking for. Please it is halal to invest in bitcoin stock? There are many websites that offers investments in bitcoin mining and bitcoin stock. So, please it is halal to invest on these kind of websites thank you. May Allah protect us all Ameen

My Answer:

Bismillah al Rahman al Rahim

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

Dear Sr. asiya

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe that any currency that is not regulated and considered a domestic currency of a country is not permissible in Shari'ah. this includes bitcoin.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

From: Maryam

Sent: Monday, February 13, 2017

Subject: Fatwa on BITCOIN

Assalamu Alaykum

Dear Prof Dr Monzer Kahf,

My name is Maryam and I am from Malaysia. I am looking for fatwa on Bitcoin. Would you please share your opinion with me.

Thank you so much.

Regards,

Maryam

My Answer:

Bismillah al Rahman al Rahim

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

Dear Sr. Maryam

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe that any currency that is not regulated and considered a domestic currency of a country is not permissible in Shari'ah. this includes bitcoin.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Best Regards

Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2016

From: Riaz

Sent: Tuesday, October 25, 2016

Subject: IS BITCOIN INVESTMENT HALAL?

Assalam Alaykum Wa Rahmatullah wa Barakatuh

Dear Brother in Islam

I have to doubt and want to confirm the same in the light of sharia from you.

These days we are getting advertisements of BIT COIN and how this is going to be a future of currency. I want to know whether Investing in BITCOIN is HALAL as per Sharia Law.

Jazaka Allah Khair

Your brother in Islam

Riaz

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Riaz

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe that any claimed currency cannot be recognized unless it is adopted by a formal government. Without being a currency of a country (not a phony government) any such currency cannot be recognized in Shari'ah. it you deal with bitcoin not as a currency it is then merely illusion and claim.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

-From: Nauman

Sent: Sunday, October 23, 2016

Subject: Onecoin and Islam

Assalamu Alaykum

Nauman here from Pakistan, I have heard about onecoin cryptocurrency and many peoples investing in it.

I want to confirm is this justifiable in Islam. As earning through onecoin is through bonuses, splitting (means doubling of tokens later on converting to coins).

Kindly guide me in this regard as I am not satisfied through this process of earning...

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Nauman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

I believe that any claimed currency cannot be recognized unless it is adopted by a formal government. Without being a currency of a country (not a phony government) any such currency cannot be recognized in Shari'ah. if you deal with bitcoin not as a currency it is then merely illusion and claim.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Khaled

Sent: Sunday, August 28, 2016

Subject: العملة الإلكترونية في الدين الإسلامي

م هلل الرحمة الرحيم
سيدي شي الخ فضل
هل الا متتد افي العمل الالكتروني نمثل onecoin الال ام حرام؟
شكرا جزال.

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb 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

My opinion is that any currency not supported a formal government is not an acceptable currency in Shari'ah.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: from Ghana

Sent: Sunday, August 21, 2016

Subject: Investing in crypto currency

My name is from Ghana, I want to know the ruling of a Muslim investing into crypto currency.

Like bitcoin, Gcrcoins , Litecoin, etc.

Wa Salam

My Answer:

Bismillah al Rahman al Rahim

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Majd **From:** Munawar
Sent: Sunday, July 17, 2016
Subject: Bitcoin/OneCoin or any Digital Currency

Dear Respected Sir,
I reading an article about the Bitcoin or OneCoin Validity in Islam and found there your reference!
I wonder if you can kindly update and advise about the "Validity of OneCoin or Bitcoin in Islam"? Best regards,
Munawar

My Answer:

Bismillah al Rahman al Rahim
Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu ala Sayyidina Muhammad, wa ala Aalihi wa Sahbihi Ajma'in
Dear Br. Munawar
Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh
Unless it is recognized or supported by a sovereign state I do not see it permissible.
Wa Allahu A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: nabeel
Sent: Wednesday, June 22, 2016
Subject: need information regarding online forex trading

Dear Sir,
I checked you on the website and wanted to ask you a question regarding online forex trading if it permissible in Islam. Then I wanted to ask you as I am day trader I execute currency position online within a day and only deal in spot currencies please tell me if that is also permissible as I am very confused as I have been this business for the past five years and am 35 years old and am doing this pretty well now and full time .It's a kind of the bread and butter for my kids and wife. I would like to ask you if you could also advise if this kind of trading is not permissible how could I change to what kind of market as trading is something I am good at and love but if it's not permissible I will try to find some other business but see what I can find as I don't know anything else.
Kind Regards
Nabeel

My Answer:

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

هلل الارح من لارحيم
 لس الم عليكم ورحمة الشوبلواته وبعد بيل للشيخ:
 رجل يعملفي لالحوالات الحية) اسمه أحمد (فع لاي رجل آخري عملفي الصرافة والحوالات) اسمه محمد (قيمة خمسين ألف دولار أمريكي فحقى أوسلمه إياه في أي مكان وأي عملة ، ولم يقبلي سئلم أحمد صاحب لخمسين ألف دولار حوالات لم حوسلم هاله، وكانك لم اسئلم أحمد حولة من لالحوالات جاء لاي صاحبه محمد، وقال لمن تلدت حول القيمة كاذ، فحقى له : خ ذلفعة من ذلك.
 بى ليتفى أحمد قه كمالاً ، وعفتره فليس محمد وخجر ليه فم كان من أحد لالشرطيخ إلا أن حكم فحقى أحمد بوجوب رد لالكمال لاي محمد؛ لى لاهل لاهل حوالات حث تلضح أن محمد ألحقك ندر لم كمال لالحوالات إلى لى حله ولالاهل م هم فطلفعات.
 وكلت حج للشرطي فحقى لى لاهل حى قى بى فحقى في حى حكم سبعة مشري خب أن القى بى قى بى، ول قى بى حى حى إن أحمد كى أى بى لال لاي محمد فحقى له: هذه لالحوالة م عى ول طلفه فنه أل عطا ه إياه. وأن أحمد لا عاقى فل ملص حبال لالحوالات لا من قى بى ولا من بى فوه لاي عى فوه لاهل.

أف يكون لك دلل فيكم وجزاكم الله خيرا
من ج هازل- iPhone لا خ اصريبي .

My Answer:

الأخال لمعشر شيخ محمد
ل سال معيكم ورحمة الله وبركاته
فالكلمات قد يتغير في ال عنى لا أجهه في نصال سؤال؛ **بهيمة** خمسين (وفي المقبل (في كلين
مشوشين في ليجتي ليعبره ماغير موجوشين. أقرض أحمد محمد 50000 ثم استوفاه من دفعات جاءت عن
طريقه لأحمد إنه ومعتفه فقد حصل قبض لأحمد هذه لحوالات لصال ح محمد فأمره الأخر بأخ ذهال وفاء. فإ
لايضا ل ليقبض ثان لأن ال مال عده كم من باعيت ال من أجرة. ولا القة لأحمد لمين محمد والمحلين ل في
طفي ل لحوالات في علاقتين محمد والمحلين معه.
مع أس مى لثقي وأعزالتجة
أ. د. في ذرق ح

From: Ammar

Sent: Sunday, May 08, 2016

Subject: Questions about forex, investing, referral, notarization

Assalamu Alaikum

Dear Dr. Kahf:

My sister is a friend of your daughter and I tried to get your number to ask you a couple of questions but was told that you prefer email so here I am. I would love to invite you out to dinner with my friend as we have some questions regarding Online FOREX trading. Are you still in Southern California?

1. Is online FOREX trading and using leverage like 100:1 and so on permissible in Islam?

Forex trading on the internet is not permissible. On the micro it does not fulfill the requirement of possession that is necessary for buying and selling currencies according to the highly authentic Hadith on the subject. On the macro-level it does not create any added value as it is purely speculative in the sense that what one gains in what another loses.

2. If I have cash and go in on a joint deal with an investor to purchase a home, he is the only name that goes on the contract and he will use a traditional loan. This is to purchase homes with equity. I give him a portion of the down payment and in return he gives me a percentage of the profit. Again, I'm not on the contract and what I give is cash. Is this a permissible transaction? Can I accept the profit? Does his source of the money affect me?

His source of funds does not matter, if you give him the cash with clear agreement that you are partner, bearing risk of loss in proportion to you capital contribution and having entitlement to profit in agreed on ratio, and assigning him to have his name alone on the title, being your partner, it is permissible and the profit is Halal. If there is any guarantee of principal the cash given is then a loan and any increment in it is a prohibited Riba. one name is permissible between partners and cash contribution to principal of partnership is also permissible.

3. If I refer buyers or sellers to real estate agents knowing that they will most likely use a traditional loan. I accept a percentage of the agent's commission as a finder's fee. Is that permissible?

A finder fee from the real estate agent is permissible provided it does not inflate the Agent's fee charged to the customer, i.e., as you said from the agent commission but not added to the customer charged commission. However when you refer a friend who is under the impression of trusting you on personal level you should not make a commission from behind his back. If the customer takes it from you on friendship relationship you should disclose to him/her that you make money out of referral. Otherwise it would involve a kind of misleading.

4. Finally, I am a notary public. Can I sign and witness loan documents? Is it permissible or Would I be considered the شاهد in this transaction and therefore should not do it? I am just certifying that the people are signing are really who they are.

What witness is stronger than that of a notary public? I think it is not permissible for a Muslim Notary public to notarize a signature on any interest-based contract unless he knows that the person is taking it out of necessity in accordance to the Fatwa of the Second International Fiqh Conference of North America held in the Fall of 1999 in Detroit. If you know that the real estate loan you are certifying the signature on it is permissible according to that Fatwa, it is permissible only then to notarize it.

I am sorry for the many questions but I really fear Allah swt and don't want to bring any source of haram income. I ask Allah swt to strengthen you and grant you paradise for the work you are doing for Islam and Muslims all over the world. My name is Ammar and my sister is Marwa if you like to confirm the friendship between my sister and your daughter.

Again, it would be an absolute pleasure to meet you for dinner. Let me know if that works for you. My cell is 6613788577

Sincerely yours

لَسَّالْمُ عَلَيْكُمْ وَرَحْمَةُ النَّوْبِ عَلَيْكُمْ
عمار

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Ammar

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Thank you for your kind email and the invitation. I will be in Westminster InShaAllah on the 15th for a week then go to Florida and come back in the middle of Ramadan. Please avoid the food issue but it is very useful to meet and discuss anything you want, within my area of specialty.

For the questions please see my answers below the questions:

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: مجد

Sent: Sunday, May 01, 2016

Subject: حكم السفينة أو الصرف

شخص بالأردن يرسل له أهله نقودا سورية، وآخر بالأردن يبعث لأهله بسوريا نقودا أردنية، اتفق الطرفان على المبادلة، الذي بالأردن يعطي من عنده أردني بحساب السوري، والذي بسوريا يعطي سوري، ما تقولون وشكراً؟

My Answer:

العملية جائزة في أي أن تكون سوري وع. عن ذلك أنزل سيقبل الف عقد تبين لبدمة صا هبل على غعملة الفدع، وعظمي سد صا هبلين س عر الصرف هو س عري وللسداد. والله أعلم

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: مجد

Sent: Thursday, April 28, 2016

Subject: مسألة في الصرف

أرجو بلداء لربي في لجواب:

جاءني هذا السؤال:

أود مساعدتكم في الإجابة على هذا السؤال نفعا الله وإياكم.

رجل أراد أن يصرف 100 دينار من صاحبه، فوافق الآخر على أن يعطيه 90 بدلاً من 100 (اختلال شرط التماثل)... فهل هناك من جواز هذه الحالة من العلماء أو اللجان الفقهية؟
فأجبت بما يأتي:

لا تجوز هذه المعاملة، وتعتبر من صور ربا الفضل الحرام.

الدينار يعتبر نقداً يقوم مقام الذهب والفضة، ويجري عليه أحكام الربا في التفاضل والنسيئة، أما من قاسه على الفلوس عند الشافعية وأنه يجوز فيها التفاضل: فهذا قياس باطل، وقول شاذ؛ لأن طبيعة الفلوس في ذلك الزمان تختلف عن العملات الورقية لعدة أسباب:

1- الفلوس لا تجب فيها الزكاة.

2- الفلوس تعتبر من العروض التجارية، وكانت من النحاس ولا يشتري بها إلا الخقرات.

3- لا تجوز المضاربة إذا كان رأس المال من الفلوس.

وهذه الأمور لو طبقناها على العملات الورقية لأدى إلى مصائب جلية.

My Answer:

جوبلك متازبالسب قبلق و دال ورقية ولا أرى صواب رأيا لشلفي قليفل وسف هينق و دليض، وأخشى أن يرى أحد تطليق ذلك على البنسات الأمريكية أو الدراهم القطرية وفيما لم يلقم قبل قبل كل شي خبرني ورجع عنه من زمن طيل. وقالبه جواد مغيبة ولغير مزال شي ع قليفل بحرين.

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: مجد

Sent: Thursday, April 28, 2016

Subject: مسألة في المعاملات وجوابها:

أرجو إبداء الرأي تكريماً.

مسألة في المعاملات وجوابها:

في بعض التجارات كبيع العلف للمداجن يجري عرف التجارة فيها أن يشتري مربّي الدجاج علفاً من التاجر بسعر مؤجل ويعطيه الثمن بعد 45 يوماً، ومع اضطراب سعر العملة السورية اضطربت الأسعار في السوق وخاصة في التجارات الكبيرة التي تستند للدولار بحكم التعامل التجاري في الاستيراد والتصدير، وقد يكون سعر الطن 500 ألف ليرة وكان تساوي 2000 دولار صارت بعد 45 يوماً تساوي 1000 دولار فيتسبب ذلك بخسائر كبيرة للتاجر، ولا يمكن التداول بالدولار بسبب منع التداول به وإلزام الناس بتداول الليرة السورية فقط تحت طائلة المسؤولية.

المسألة تتعلق الآن بما سيتم التعاقد عليه في الأيام القادمة كيف سيضعون السعر فما فات سابقاً يمكن التصالح عليه ولكن كيف يتم التعامل مع العقود القادمة؟ هل يجوز إجراء العقد دون ذكر الثمن، ثم يكون ثمن البضاعة هو عند حلول القبض أي بعد 45 يوماً، وهل قال بذلك أحد المذاهب أو العلماء؟

الجواب:

جمهور العلماء على أن الثمن من أركان العقود والجهالة به تضر بالعقد فيشترط في الثمن ما يشترط في المبيع من كونه معلوماً، ولكن لا يشترط في الثمن أن يكون موجوداً عند العقد.

وإذا لم يذكر الثمن في العقد فالعقد فاسد عند الحنفية ويجب ثمن المثل عند العقد وبهذه الحال التي نحن فيها فإن عدم ذكر الثمن لا يحل الإشكال بل يزيده تعقيداً ويفضي إلى نزاع، وأما عند الجمهور فباطل.

ونقل المرداوي في الإنصاف عن ابن تيمية صحة العقد مع وجوب ثمن المثل أو القيمة ولكن هذا في بيع المعاطاة والبيع التي يستجرها الناس في حياتهم اليومية من البقالات والخوانيت... وأما العقود ذات القيمة الكبيرة فلا بد من معرفة الثمن حسماً لمادة النزاع إذ كل عقد أفضى إلى نزاع فهو باطل.

والحل برأيي هو أن يقدر الثمن بقيمته في الليرة السورية بالدولار ويثبت في العقد كذلك بأن يكتب في العقد: (ثمن البضاعة 500 ألف ليرة سورية ما يعادل 1000 دولار يسدها المشتري في تاريخ كذا بما يساوي 1000 دولار بالليرة السورية).

سواء كان المبلغ بالليرة السورية كان 500 أو 700 ألف أو 400 ألف وأستأنس لذلك بما رواه أبو داود الطيالسي، قال: حدثنا حماد بن سلمة، عن سماك ابن حرب، عن سعيد بن جبير عن ابن عمر، قال: كنت أبيع الإبل بالبيع، فأبيع بالدنانير، وأخذ الدراهم، وأبيع بالدراهم، وأخذ الدنانير، فأتيت رسول الله - صلى الله عليه وسلم -، هو يريد أن يدخل بيت حفصة، فقلت: يا رسول الله إني أبيع الإبل بالبيع، فأبيع بالدنانير، وأخذ الدراهم، وأبيع بالدراهم، وأخذ الدنانير، فقال رسول الله - صلى الله عليه وسلم -: لا بأس أن تأخذها بسعر يومها ما لم تتفرقا، وبينكما شيء [مسند أبي داود الطيالسي برقم: (١٨٦٨)، ومن طريقه البيهقي (٥/ ٣١٥)]. واختلف في رفعه ووقفه.

واختار الدولار؛ لأنه العملة الدولية التي تقوم عليها التجارات عموماً وهي من أكثر العملات ثباتاً، فما كان قيمته الشرائية قبل شهر 1000 دولار تبقى قيمته هكذا غالباً وإن ارتفع بالليرة السورية أو انخفض... والله أعلم.

My Answer:

لا أرى لم يترحه إلا الخفض والحيث لا يدل علي مبدأ لأن ملتصقي للذمة موالث من ومبلغ دلهو ال أثرت ه وهو أيضا م خل فلن ع الصلي ع غي رل الير ل سوري .
ق ديل ح القر ض بد الف هذه الأ الف من ليل لاي اتقيق رض ه ال يفل مدة 45 يوم او عن دامت ح ق اق ل لني ن ي طلب ل ل لني
العني أو ث ف نه عن د الامت ح ق اق ف ليك وهو فاء ل لني ن بس عر ال يفل ل لني د و لني ل ق د ي م . ي ش ت ر ط ل هذا الت ق ف بين ه م . وأخذ
الض ط ل ات ع ل ط و فاء العني ي توف ر الق د رة ع ل ي ي ل لني ل ع ق ط ل س ل و ق ل لني ل م ه ال يفل ع ن ا .

Wa Allahu A'lam

Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

From: Sharafe
Sent: Friday, February 12, 2016
Location: Canada

Question: Exchange Rate and Loans

As-salamu Alaikum Dr. Kahf,
Barak Allah feekum.

Sending money from Canada, it is very difficult (or impossible) to send Canadian dollars to a US bank account, what happens is that they automatically convert the Canadian funds into USD, so the borrower never receives Canadian funds because the bank converted them, but what we sent was Canadian funds. Is this OK?

Also, I think the borrower agrees to bear the risk of exchange rate fluctuations, is this fair? Since they are the beneficiary and the organization can always extend the loan or seek donors to help compensate for a loss on the borrower's side, but if the organization bears the risk, it may not be able to recover as well.

InShaAllah khayr.

Sharafe

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. Sharafe

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Most US banks do what you said because most of them do not deal with foreign transactions. Some banks in NY and may be in Chicago which deal with foreign transactions have accounts in foreign currencies and may credit your foreign currency account for such transactions.

Anyway, this is the recipient problem not yours. You should make your contract clear in Canadian dollars (this is better because of the accounts of the organizations and it means that the beneficiary rightly bears the F E risk) and clearly inform the borrower that you are sending him Canadian Dollars and that he is required to return Canadian Dollars. It is fair that the beneficiary should bear this risk.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam
Prof. Dr. Monzer Kahf

From: Sharafe
Sent: Wednesday, February 10, 2016
Location: Canada

Question: Exchange Rate and Loans

As-salamu Alaikum wa Rahmatullah wa Barakatuh Dr. Kahf,
I pray you and yours are excellent.

In giving international loans we face the issue of exchange rates.

In an extreme example, let us say that we (in Canada) lend someone (in America) \$10,000 CDN (and the contract is in Canadian Dollars) and due to exchange rate it is exactly \$10,000 USD, then upon payback, the exchange rate changes, such that the lender must earn \$20,000 USD to pay back the \$10,000 CDN; or the opposite, they earn \$5,000 USD to pay back \$10,000 CDN - in this scenario, the borrower takes all the risk or reward of the exchange rate.

If the funds were loaned in USD, the lender (Iana - or the donors of Iana) would take all the risk or reward of the exchange rate.

The question is: what is the best? Do we place all the risk/reward on the borrower, on Iana, or do we try to find a median (that we somehow try to meet half-way)?

Bismillah. Barak Allah feekum,
Sharafe

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. Sharafe,

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is an old ever new issue that has no solution in the final analysis.

Someone has to take the risk! the rule that is approved by a decision of the OIC Fiqh Academy after discussion in two workshops over a period of two or three years is: payment must be in the currency of the contract and the latter must be in the currency actually given. You cannot give USD and say in the contract this is the value of so much gram of gold or C\$. if you give USD you should mention in the contract the same and payment will be the same. Disastrous situations (a currency lost most of its value like Iraqi dinar or Syrian lira) are solved by arbitrations and courts.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2015

From: Amelia

Sent: Tuesday, December 01, 2015

Question: Currency Trading

Assalamualaikum

My name is Amelia and I am so sorry that I've to ask you this question through email. I have question about exchange money. Actually I still don't understand the concept and changing money with others that have different currency. For example, I have JOD currency and I would like to change with RM currency. So is there any kind of restrictions that I have to follow besides taqabud.

And also a lot of people have been telling me to do 'Aqd Wadi'ah in exchanging money. Is it sahih?

I've been meaning to ask somebody for a long time and I am kind of confused since every person has different opinion

Apologies in advance for taking your time sir.

My Answer:

Bismillah al Rahman al Rahim

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

Dear

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Your questions are very important and need to be known before one makes any transactions/trade in these matters because it is inappropriate that one may undertake certain transaction before knowing their permissibility in Shari'ah. I really appreciate your asking.

1. Making a transaction (sale on credit or loan) in one currency and paying it in another: The Prophet, pbuh, was asked this question by Abdullah bin Umar and his answer was (I am giving the meaning not the exact text): you may pay in another currency (gold for silver or silver for gold at his time) provided you use the exchange rate of the day of payment and you do not leave any part changed but left unpaid. This means it is permissible to borrow JD 100 and pay in MR. provided you apply the exchange rate of the day of payment and make full settlement or at least make partial payment at the date of day of payment and leave remainder in JD to be paid later. You must not change the whole and leave a debt in MR.

2. Locking a currency price violates the condition of hand to hand in all currency exchanges. It is not permissible in currencies. It is permissible in sale of other commodities for cash.

3. Exchanging currency must be hand to hand at the price of the time of contract. you cannot leave it to the evening. You may borrow the JD 100 and pay in the evening its equivalent in MR at the rate of the minute of payment not at a pre-determined (licked) rate.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Nur

Sent: Monday, November 30, 2015

Question: Money Exchange

Assalamualaikum. I'm really sorry because I've to email and asking these.

My first question is, if a person was lending me his money in Jordanian Dinar let say, and I was insisted to pay him using Malaysian Ringgit, what's the exchange rate I supposedly using, rate on the day I borrowed his money or on the day the money was returned?

Secondly, if my friend and I were exchanging two different currencies (MYR - JOD) and hence I locked the price, JOD 1 = MYR 6 for example to be transferred on the next day assuming tomorrow's price would appreciate, and we both were agreed. Is this method (price locked) complied with Shari'ah?

Last question I want to ask is, If I took JOD 100 from Shaman and I said to her "Okay Shaman I'll pay you MYR 600 in exchange but only in the evening I can deposit the money into your account", is this kind of transaction out of the meaning of Yadan bi Yad in Sarf as mentioned by Prophet Muhammad in the hadith?

Thanks in advance for your concern and reply.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br./Sr. Nur

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Your questions are very important and need to be known before one makes any transactions/trade in these matters because it is inappropriate that one may undertake certain transaction before knowing their permissibility in Shari'ah. I really appreciate your asking.

1. Making a transaction (sale on credit or loan) in one currency and paying it in another: The Prophet, pbuh, was asked this question by Abdullah bin Umar and his answer was (I am giving the meaning not the exact text): you may pay in another currency (gold for silver or silver for gold at his time) provided you use the exchange rate of the day of payment and you do not leave any part changed but left unpaid. This means it is permissible to borrow JD 100 and pay in MR provided you apply the exchange rate of the day of payment and make full settlement or at least make partial payment at the date of day of payment and leave remainder in JD to be paid later. You must not change the whole and leave a debt in MR.

2. Locking a currency price violates the condition of hand to hand in all currency exchanges. It is not permissible in currencies. It is permissible in sale of other commodities for cash.

3. Exchanging currency must be hand to hand at the price of the time of contract. you cannot leave it to the evening. You may borrow the JD 100 and pay in the evening its equivalent in MR at the rate of the minute of payment not at a pre-determined (licked) rate.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Awais

Sent: Friday, August 28, 2015

Question: Forex Trading

Assalam o Alaykum!

Ya Sheikh I want to know according to Islamic Shari'ah that Forex trading is halal or haram? There are Riba free accounts so what is Islam's point of view on Forex trading?

But online trading or banking takes time to transfer the money so what's about that?

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Awais

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

They are not permissible. For currency there is a condition of delivery at time of purchase of the purchased currency and of the paid price. Forex cannot fulfill this condition.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Majd

Sent: Thursday, July 23, 2015

Question: شراء الذهب بيعه دون قبض

لَسَّالْمَعْلُومَاتُ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ
مَا لَمْ يَشْرَأْ لَذَهَبٍ عَنْ طَرِيقِ الْيَدَيْنِ دُونَ أَنْ يَقْبِضَ الْمَشْتَرِي
يُحَقِّقُ أَهْلُ فَيْدِ الْيَدَيْنِ هِيَ عَالِمَاتُ تَرْبِيَةِ عَرَالِ سَوْقٍ عَنْ مَا يَبْهِي عَهُ دُونَ أَنْ يَقْبِضَ لَذَهَبٍ
فَهَلْ هَذَا جَائِزٌ

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br.

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

الأخ الأخ المرحوم الشيخ محمد
كل عام ولتتم خير لي سأل مع عليكم ورحمة الله وبركاته
لا بأس بذلك إذا وكل اليك لشراء ولا يخطئ والبيع والمشتري لا بد من قبضه على اليد. أقول شرط
العلم هذا ضروري لأننا عرفنا في هذه المعاملة أنه يبيع واسألهم رقيقاً حراً، فهذه هي حقيقة هؤلاء على الورق مجرداً ومع
فكثير من هذه الأمور فكثير من الأسئلة.
مع أسس من التقيير وأعز التحيّة
أ. د. فخر حنف

From: Abdulkabir

Sent: Monday, July 20, 2015

Question: Enquiry about BITCOIN TRADING

Assalam Alaykum wa Rahmatullah wa Barakatuh,

I read your feedback on your website with regards to the Islamic permissibility of trading BITCOIN.

Please could give me a specific answer if Islam allows trading and making money through BITCOIN TRADING?

Thank you in anticipation of your response.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Abdulkabir

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

My answer is: I don't know, I tend toward the prohibition because of the high uncertainty of using it as a currency as it is not supported or adopted by a government.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Abdul Nasser

Sent: Sunday, July 19, 2015

Question: Investing in Gold

AssalamuAleikum Dr. Kahf,

Eid greeting and may Allah accept our Ibadah during the holy month of Ramadan and forgive our sins. Ameen.

I would like to invest in gold as long as it's halal.

Owning physical gold is impractical for me. Therefore, I was wondering if investing in Gold ETFs is permissible in Shari'ah. If not, could I invest in Gold mining company stocks? Here I worry about interest as these mining companies may be leveraged.

Please shed some light on this topic.

Jazaka Allah Kheir,

Your brother in Islam,

Abdul Nasser

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Abdul Nasser

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Sorry for the delay.

Buy and sell on gold requires immediate delivery at the moment of contract, gold certificates do not fulfill this requirement which came in a most authentic Hadith.

Transactions on shares of gold mine companies are permissible with no limits as the company that is been sold and purchased not the gold even if the gold component may be high in the assets of the company.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Sabir, UAE

Sent: Wednesday, May 27, 2015

Question: FOREX Trading

Salam,

I am an Indian Software Engineer working in Abu Dhabi. I got a call from ICM Capital suggesting Forex trading. It is claiming swap-free trading and Islamic accounts. Can I go for this?

Thanks

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Sabir

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I believe internet Forex is in violation of Shari'ah.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Adil

Sent: Thursday, February 26, 2015

Question: Is the currency exchange in Morocco, on spot basis, involving RIBA?

Assalam Alaykum,

I am writing to you dear scholar because I really don't know how to deal with a problem that I could not find in any fatwa on internet, even if some of your Fatawa are treating this topic.

I am used to work in several countries and have earnings in many currencies. I did not worry about transferring them to my country before I discover rulings on currency trading/exchange.

The problem is that in Morocco, Dirham is not free currency and currency exchange is very strict but not always following the religion rules - let's say maybe. A simple act of transferring money from one currency to the local one becomes questionable, in addition to the fact that it is mandatory in normal case : few people are allowed to keep foreign currency when resident there. The problem is that transfer from a foreign currency to local currency takes 3 days, and this is by rule. I am trying some tricks to

avoid that, but I am not sure to be able to do that all the time, if not transferring my activities outside my country. Technically, it should be more complicated to explain, and maybe I could suggest you as a scholar to get interest of the Moroccan monetary system.

I have struggled all my life to avoid to give RIBA by taking loans, and Alhamdulillah Allah have made it as easy as my willing to go to that direction. I don't want to end taking RIBA, which is in all means A WORSE SIN.

So please advise me how I can deal with currency exchange (in Morocco), so that I avoid any Riba, and if there is no way, how I could get rid of this RIBA that Allah knows I want it very very far from me.

I trust very much your scientific approach and your knowledge, so I will appreciate advice as accurate as possible from you.

Jazaakallahou Khairan

Adil

My Answer:

Please explain your exact question. I could not understand it from between all the essay you wrote me.

Monzer Kahf

Dear Dr. Kahf

My exact question is :

Is the currency exchange in Morocco, on spot basis, involving RIBA? If yes, How a person should do, especially when changing foreign currency to local one is Mandatory by law? And how we can get rid of the Riba and keep the capital if such mistake has happened or if it is unavoidable?

I will present hereunder the main examples of currency exchange transactions in Morocco :

1- Normal transfer transaction, directed by local monetary authorities :

A transfers to B from his USD account 1000 USD on 1st of February. Transfer will reach the bank of B on 1st of February, and B will receive 9000 Moroccan dirhams on his account on 4th of February. This delay is given by local monetary authorities. I understand also that if B spend up to 9000 dirhams above his current account balance (based on exchange rate fixed by central bank) on 2nd, he will not be charged any interest because of the amount under transfer.

2- Transfer from one account to another of the same person at the same bank. Same procedure but A & B are the same person.

3- Selling currency to monetary market : with conditions, and if your currency exchange exceeds 50 000 dirhams, you can negotiate exchange rate and delay. Example : for 100 000 USD transferred by A on 1st of February, the transfer reaches the bank on 1st of February. A call will settle the exchange rate at 9 Moroccan dirhams for 1 USD, and transaction day of 1st of February. On the 3rd of February, B will find on his account 900 000 dirhams registered on 1st of February. He can start taking this money from his account on 1st (or 2nd) of February, without interest.

I tried to be as clear as possible, based on the information I have.

Jazakallahou Khairan

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Adil

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The OIC Fiqh Academy discussed the issue of transfer and sale across borders of currencies and gold and silver. There are several international procedures such transactions need to pass through and different countries have a variety of steps their laws and systems require. The decision of the OIC Fiqh Academy is: it is considered immediate any delivery that needs to pass through these steps knowing they may take several days.

So please leave the monetary processes of different countries alone and the time it takes for a transfer is permissible. As long as it is within these processes, it does not have Riba.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2014

From: Shiraz

Sent: Friday, August 29, 2014

question: Forex question

I currently trade currencies online, spot Forex with no leverage, also no interest charged on positions held overnight.

Could you tell me if this is acceptable with regards to Islamic requirements.

Many Thanks

Wassalam

Shiraz

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Shiraz

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I believe that the conditions required by the Prophet, pbuh, for trading currencies are not fulfilled. Trading Forex on the internet does not fulfill these conditions.

Besides, these conditions aim at making currencies outside the daily trades of people and only used for and by those persons who need other currencies for payment of purchases of goods and services. In other words the objective of these conditions is to make currencies outside the speculation arena. I believe that trading currencies on the internet is not permissible in our Shari'ah

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Shiraz

I don't understand your example, once I buy for example 1000 dollars against the British pound in Forex, the exchange rate is applied instantly and as soon as I sell the change in the exchange rate that occurred is also applied to my account instantly. Looking forward to your reply. Wassalam.

Shiraz

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Shiraz

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The conditions mentioned in the Hadith is full payment of the two currencies at the time of transaction.

Forex transactions are in pairs this means that no payment is made from your account.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Salaam Dr Monzer

Thank you for your reply, you

mentioned that you believe the conditions required by the Prophet PBUH are not fulfilled, could you tell me what those particular conditions are?

Many Thanks.

Wassalam

Shiraz

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Shiraz

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The conditions mentioned in the Hadith is full payment of the two currencies at the

time of transaction.

Forex transactions are in pairs this means that no payment is made from your account.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Dear Dr Monzer

Yes technically you don't take delivery, it's all electronic, but a lot of financial transactions these days are electronic with no physical delivery ever taking place?. So you would say doing Forex on the Internet is Haram? Wassalam

Shiraz

My answer:

Yes I say that, but again you missed the point that dual transaction does not include delivery. This does not apply to any electronic transaction.

From: Shiraz

My point was I know that I don't own the currencies in the trade, but is it not the case that I take delivery when I decide to close and sell or buy the currency/pair and then the profit/loss is instantly shown in my account.

My answer:

You keep repeating the same misconception. When it is a pair what did you pay for what you bought. No payment is done because your deposit account is still as it was. It is a pair record that is done. This is only record not payment. If I ask my bank to buy me a foreign currency it create a credit account for me in this currency and charge my account for its price. Forex on internet is not like that. Add to it when it is not like that it can be done for any amount that the platform accept to allow, it is not limited to what I own.

From: Wahaj

Sent: Thursday, June 12, 2014

Question: Leverage Question!

Assalam O Alaykum

Dr. Monzer Kahf

Recently, I found your fatwa about Forex trading, it's good to have your view on it, but I want your confirmation again on your words and want you to prove me what you said is correct.

"Your broker did not give the right info! Here it is: Trading in the currency market is a margin trade by definition. It does not require a loan. It a lie by the broker to claim that he gives you a loan! Currency and commodity markets deal an margin that is for \$1000 deposit you can make trades in the amount of 100,000 because the margin is only 1%"

Indicated with red. How can you prove that Its a lie by the broker and what proofs you have for your statement? I am not challenging you, sir. I am doing a research and this thing confuses me.

I am waiting for your reply.

Best Regards,

Wahaj

My Answer

Dear Br. Wahaj

Please read the regulations of New York, Philadelphia, Chicago, London and Frankfurt exchange markets especially the definitions of these transactions.

Prof. Dr. Monzer Kahf

From: Suhaib

Sent: Saturday, March 08, 2014

Question: Clarification on FX trading

Salam and good day Dr

I am Suhaib, a FX trader with one of the commercial banks in KL, Malaysia. I am in the midst of forming my own hedge fund company and I would love to ask question/your opinion pertaining investment and trading, tandem with Shari'ah.

The future company will get involve with financial market instruments; mainly bonds, equities, commodities and FX transactions among others. On FX trading, it's a clear indication that swap points involved (for interest rate differentials are Haram/non-Shari'ah compliant).

I just want to have a clarification on leverage part from any of the FX broker, for example 1:400 or 1:500 times from the initial principal. It's understandable that there is no element of Riba involved with the FX transaction; on the leverage (compare to the leverage/margin offered with interest in equities/stocks trading). What's your thought on the leverage in FX, particularly to link with the ownership of the said good (for my future clients). Need your clarification in this as I am planning for Islamic instruments under my future hedge fund.

Thanks and regards,

Suhaib

My Answer:

Please explain your question in details with an example

Wassalam

Prof. Dr. Monzer Kahf

Salam Dr.

I'll try to explain in layman's term.

I am a currency trader, working with one of the commercial bank in Malaysia. My job is to manage the flow of the USD/MYR position and to trade the G7 currencies for profit (for the bank) based on the limits given. Since I am with the commercial bank, there is no restriction on the activities under FX (spot or forward). But most of my transactions are in spot basis. I know for a fact that any transaction in forward or future is forbidden in Shari'ah (i.e. to buy USD/MYR for value 3 months later, but dealing now - 3 months forward USDMYR or any duration in the future).

Most of the Islamic banks will avoid in dealing with forward which involved the

calculation of swap points (the interest rate differential between 2 countries. If USD/MYR, means the calculation of interest rate of US and Malaysia). However, there is a view which can relates to the concept of Salam, Arbun and part of Istisna' for forward/future deals. That's the reason why in Islamic banking, we have products like Islamic Profit Rate Swap (to compare to the Interest Rate Swap in conventional banking) and Islamic FX Forward (to compare with FX Forward in conventional banking). And I believe there will more views in Islamic banking to create as an alternative compare to conventional products.

Back to my main issue, I am not asking on dealing in forward or future. It's still under spot basis as that will be the simplest without any arguments among Scholars.

Looking at the spot transactions (for both managing flows/covering and trading), it's understandably alright (I believe it's makruh) looking at the operations by all the Islamic banks, be it from Malaysia or Middle East banks. Al-Rajhi, KFH, Asian Finance Bank among others are alright with the spot transaction. They have their own traders who trade in any currencies (G7 or exotic currencies). But they can't accept forward deals which involved the swap point calculations.

The standard amount in FX transaction (interbank market) is USD 5.0 million (1 lot). Beside FX transaction with banks, there are loads of FX brokers who market it online. FX broker is a intermediaries between the provider/market maker (normally banks) and the user/retailer/individual. Their products ranging from spot to forward. Again, I am only interest in Spot. Through these FX online brokers/service providers, any person who interested to trade, need to open an account with them while deciding on how much to trade. I am only looking for reputable providers in the market (like FXCM and FXPro).

The operator normally offer a service of leverage (facility) without any interest rate charge for any of its customers to trade for bigger amount (as standard lot/market practice is USD 5.0 million per lot). They sometimes offer leverage of up to 500 times of your initial principal. If you put in \$1,000, means you can use the facility and trade up to \$500,000 worth of value/contract. In terms of ownership, you are entitled for any position that you agreed upon (as it will be based on settlement contract). The gain/additional proceeds will deposited to your trading account on any trades which favors you while for losing trades, they will minus/deduct from you money in the trading account. They will make sure that your trading account balance wont less than 0 (or negative in value).

On top of that, there are few brokers who try to make it tandem and in line with Shari'ah, creating a trading account with no swap points (Swap point free) for Muslims. Swap point calculations will taking place if we hold the currency after 1 day.

I'll give you an example of it; Say I want to buy USD/MYR (means I buy USD and sell MYR), the basic fundamental in calculating the swaps are as follows:

United States interest policy rate: 0.25%

Malaysia interest policy rate: 3.00%

So if I buy USD/MYR (long USD and short MYR), theoretically I'm carrying a negative swap in my position (interest rate: 0.25-3.00). Thus I need to minus from my current position (or pay more) after a day. But if I sell USD and buy MYR (short USD and long MYR), it will be an additional income as MYR gives higher interest rate compare to

USD).

Back to my explanation earlier, nowadays there quite numbers of FX provider who takes out the swap point calculation to serve the Muslim users and change it with fixed fee, like \$5 per lot.

My real questions (after this) reflect to the fatwa issued by the Malaysian authority which I believe its more political rather than honest opinion (to protect the banking sector locally) or perhaps it's too general in protecting the normal people rather than people who have knowledge in it.

<http://www.nst.com.my/top-news/bank-negara-clarifies-fatwa-ruling-on-forex-trading-1.47541>

Q1 - Whats the Shari'ah view on Leverage?

Please bear in mind that the leverage in this transaction is Riba free (no interest charged), and not as the same as leverage/facility given by most of the banks for stock market transactions where they give loan up to 100% of your principal in trading account with 6-8% interest rate charged per annum.

Q 2 - What's the status of the ownership of the currency?

Say for example a person put in \$1,000 in the trading account, and with 500 times leverage (1:500), he can buy or sell of up to \$500,000 worth of currency. Many will say the ownership is only for \$1,000 (as per what you have) but the dealing contract is \$500,000. Means you are entitle for \$500,000 and not \$1,000 even though you know at that time, \$499,000 is based on facility given to you. I say this because any profit or loss will be based on \$500,000 and not \$1,000. Secondly you are bind with the contract of \$500,000 and not \$1,000. The operator will close the position should the current market (mark to market) of the position brings your initial principal to 0. To avoid from the force sell/margin call, trader can go an topup the principal to bring back the ratio to 1:1 of the total investment (in this case add the \$499,000 to make it even, ratio of 1:1)

Q 3- What's the status or condition on the element of Gharar and Maysir involved in FX trading/transaction?

For me, back to basics whereby Islamic banks worldwide found it alright in FX trading. In fact I have experience and knowledge in dealing with FX, which demolish the concept of gambling. We have technical and fundamental analysis before we buy or sell. I believe the gambling element is more fit to person who trade without knowledge (i.e. simply enter a trade without any basis).

Hope to get your explanation on this. And I am sorry for a super long email for this time. I shall explain more on the condition/situation should you find it confusing.

Thanks and Wassalam

Suhaib

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Suhaib

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

1. I believe that trading currency is prohibited except for those who buy it as a need such as travelers and importers or those who provide service to them, whether banks or currency exchange shops. For the latter the objective is to provide service not to speculate.
2. Buying currency options strictly for hedging and existing position (asset or liability) is permissible provided such an option is either exercised or let expired. In other word selling is not permissible and of course trading it too.
3. Trading currency on the internet is also not permissible on two grounds, it is speculation and it is fake. Fakeness comes from the idea of pair trading as you explain it below (you buy one currency for another not for paying it from your account). This pair transaction is in direct violation of the very strong and authentic Hadith about hand to hand.
4. Buying or selling on the internet actual existing position, without trading, i.e., you have a payment to make in a foreign currency and you buy it on the internet for actual payment for your account in local currency, or having foreign currency and you sell and deliver it on the internet is permissible provided exchange of the two currencies is actually done by actual debit and credit records with the other party.
5. Currencies are defined in Shari'ah not as objects of speculation but as facilitators of real trade and store of value.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Hidayath

Sent: Wednesday, January 15, 2014

Question: Shari'ah view on bitcoin

Dear Dr. Kahf

Assalam 'Alaykum wa Rahmatullah

I pray this finds you in the best of health and Iman. I've read some of your work and have found is extremely useful MaShaAllah - jazakAllah Khair.

I wonder if you can help shed some light on the Islamic perspective on bitcoin. Have you had a chance to investigate this phenomena at all? Do you have any thoughts on their Shari'ah permissibility or otherwise? They have been catching on in a very big way over the past few months. A very short summary of bitcoin is below my email. If not, can you recommend someone who is qualified to issue a ruling on this?

JazakAllah Khair

Wassalam

M. Hidayath

"Bitcoin is a decentralized digital currency that is backed by cryptographic proof (i.e. as opposed to banks or governments). I can explain this in more detail if you like, but just to summarize: the currency is created at a constant rate, and its transfer is cryptographically verified by computing one-way hashes of the transaction log up until that point. This hash is virtually impossible to forge.

It was created to circumvent government controls over the transfer of currency. Essentially it is fiat currency (not backed by hard gold or silver or anything) and its "value" is largely based on speculation at the moment (from \$6 a year ago to around \$1000 today). It is a multi-billion dollar economy right now and growing really fast. A lot of people have questions about its permissibility."

More reading:

<http://en.wikipedia.org/wiki/Bitcoin>

<http://www.economist.com/blogs/babbage/2011/06/virtual-currency> (technical)

<http://www.economist.com/blogs/economist-explains/2013/04/economist-explains-how-does-bitcoin-work>

<http://www.washingtonpost.com/blogs/the-switch/wp/2013/11/19/12-questions-you-were-too-embarrassed-to-ask-about-bitcoin/>

<http://www.aljazeera.com/indepth/opinion/2013/03/2013391325331795.html>

<http://www.aljazeera.com/indepth/opinion/2012/05/20125309437931677.html>

My answer:

Dear Br. Hidayath

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Can you please give me more info on this bitcoin. Especially how it is generated or created each time, and how it is exchanged for goods and services, can you buy apple and banana and airlines ticket with it? who gets the seigniorage whenever new bitcoin are created, how prices are determined in bitcoin? Etc.

The point is anything can be money if people accept it with no one getting to reap its benefit.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

Dr. Kahf,

Wa'alaikum Assalam warahmatullahi wa Barakatuh

I appreciate your response, and please accept my apologies for the late reply. I had been travelling and lost track of this thread.

With regard to your questions:

1) How they are generated: A log of bitcoin transactions are divided into blocks. Bitcoin are awarded when someone is able to find an input to a predefined hash function that causes the hash to have a certain feature (e.g. end with a number of zeros, for example). This is a random process, statistically it will happen every x minutes. Right now x is 10. So millions of CPUs are crunching numbers every second trying to find that input, and the first to find it and get it verified by everyone else receives a bitcoin. This is also how transactions are preserved.

2) An increasing number of online merchants are accepting payment for goods and services in bitcoin (e.g. Overstock.com)

3) There is no cost to creating bitcoin - therefore there is no seigniorage as far as I can tell.

4) The value of bitcoin is determined by the free market, like any other currency.

Currently 1 bitcoin is worth \$827.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Hidayath

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I made some thinking on bitcoin and even asked one of my student to write a term paper on it...

Bitcoin is a unit of account for those who accept it.

Let me put it this way: if you and I agree that I buy a laptop from you for 20 units of X. I get the laptop and become under debt to you for 20 Xs. If several other persons come into this agreement and accept to make similar exchanges, let us say we become 100 and we exchanged goods of the value of 2000Xs. Don't you think that this 2000 for this universe of 100 people is a money that they can exchange any within the accounting/settlement system they have among themselves? Is this any different than bitcoin? If we have more people accepting to price goods/services for Xs and give them in exchange of Xs this X becomes more common and more accepted.

A problem may come from two angles: 1) if people lost confidence in the accounting/settlement system the X money will then crumble. 2) if you want to value this X in terms of Dollars or Rials/ here you will need to go back to the market and find a relation between goods and Rials or Dollars and take then in proportion to relationships between these goods and services and the X money. If this these proportional relationship (pricing) are done in the open market and among a large number of transactors the price of X in terms of Dollar and Rial may be accepted as a product of market forces (they may not be rally ideal or immune to any manipulation but this is the nature of any market). but if these relationships are done in closed circles I have as great suspicion of manipulation and my confidence collapses in the X money. This is exactly what I have in bitcoin. Until it becomes traded in the open market chances of manipulation are high and my confidence in it is low.

Let us now look at the Shari'ah aspect. Like any other currency it is money within its community and exchanging it with other currencies is definitely subject, in my opinion, to same conditions of exchanging currencies which are: 1) had delivery of both at time of exchange, no leverages and no futures, and 2) no speculations on currencies which means people who exchange it must have a cause to buy or to sell other than the idea of currency for currency (buy to use it or sell because you got it but in need for other currency)

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Hidayath

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A problem may come from two angles: 1) if people lost confidence in the accounting/settlement system the X money will then crumble. 2) if you want to value this X in terms of Dollars or Rials/ here you will need to go back to the market and find a relation between goods and Rials or Dollars and take then in proportion to relationships between these goods and services and the X money. If these these proportional relationship (pricing) are done in the open market and among a large number of transactors the price of X in terms of Dollar and Rial may be accepted as a product of market forces (they may not be rally ideal or immune to any manipulation but this is the nature of any market). but if these relationships are done in closed circles I have as great suspicion of manipulation and my confidence collapses in the X money. This is exactly what I have in bitcoin. Until it becomes traded in the open market chances of manipulation are high and my confidence in it is low.

Let us now look at the Shari'ah aspect. Like any other currency it is money within its community and exchanging it with other currencies is definitely subject, in my opinion, to same conditions of exchanging currencies which are: 1) had delivery of both at time of exchange, no leverages and no futures, and 2) no speculations on currencies which means people who exchange it must have a cause to buy or to sell other than the idea of currency for currency (buy to use it or sell because you got it but in need for other currency)

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Sameer

Assalam Alaykum wa Rahmatullah dear Monzer Kahf.

Brother Hidayath shared your response with me.

I wanted to let you know that bitcoin is actually traded at a large scale right now globally.

On the US market (<https://www.bitstamp.net/>) they are doing around 15,000 BTC a day (\$9 million USD)

On the Chinese market Huobi they trade up to 150,000 BTC a day

The popular Bulgarian site <http://btc-e.com> trades up to 40,000 BTC a day

<http://bitcoincharts.com/markets/>

Total market cap is around \$7 billion USD at the moment

<https://blockchain.info/charts/market-cap>

Does this help assure your fears of it being manipulated?

Sameer

My Answer

Dear Br. Sameer

I understand the computer engineering strength of bitcoin and its growing acceptance. But notice was there a bitcoin crisis recently when one of the settlement house had trouble? What will happen if more than one of these houses have serious troubles? Is it not simply a matter of confidence which makes people accept it? Currencies issued by government may also lose people's confidence and they go down in exchange prices. At least there are countries which support their currencies and are able to do so. Who supports the bitcoin and is it able to fulfill?

FATAWA MONEY, CURRENCIES, GOLD, SARF 2013

From: Yasir

Sent: Friday, February 15, 2013

Location: Canada

Question: Metals investment

Assalam Alaykum,

I would kindly request your advice. I am considering to invest in silver

There is an exchange traded fund, in Canada where I live -- SBT.UN

<http://www.google.ca/finance?cid=4988995>

It is "Silver Bullion Trust", <http://www.silverbulliontrust.com/>

My understanding is it would essentially be like a silver certificate, which is actually backed by physical silver.

The site claims their assets are 98.6% silver, with some cash assets in 1.4%

I wanted to request your opinion if 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,

Jazaka-Allah

Yasir

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Yasir

Assalam Alaykum wa Rahmatu Allah 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 is 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 Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Wa Alaykum Assalam wa Rahmatu Allah 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. Jazaka-Allah

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Yasir

Assalam Alaykum wa Rahmatu Allah 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 Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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

From: Chantal

Sent: Wednesday, January 30, 2013

Question: Bitcoin??

Assalam 'Alaykum wa Rahmatullah,

InShaAllah you are well. Have you ever heard of bitcoin? Someone asked about its permissibility, its Zakatability, and so forth. It's some sort of digital money, it's an independent sort of currency. can you explain this to me? Is it halal?

Jazaka Allah Khair.

Chantal

My Answer:

Dear Sr. Chantal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Don't give much attention to such matters. Any property that makes a part of wealth (provided it is not harmful to human beings individually or in groups) is subject to Zakah if it reaches certain amount and becomes an established component of wealth through the passage of some time, the lunar year condition.

So what there are several kinds of money (or things used as money) in our lives today

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

From: Nizar

Sent: Saturday, January 12, 2013

Question: Forex Trading

Bismi Allah al Rahmani al Rahim,

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Sir I came to know about you and your website while I was searching for Islamic Shari'ah Law on Forex trading,

as mention on your earlier PDF for questions and answers for all the questions it's mentioning that Forex is not permitted because of margin.

my request is:

Can you please elaborate with one numerical example for a Forex trading and how it occurs, what is meant by margin here and which will be the margin and how it is getting involved on this transactions and why margin is getting involved on this trade is the transaction is getting done on at same time.

Sir, I know that people getting involved on Forex trading without proper knowledge of Forex and Islamic Shari'ah on Forex. I think this will help all of us to come for a grate solution.

please gibe one numerical example.

I think once is Haram on Islam means its Haram there is no alternative to make Haram as Halal.

Nizar

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Nizar

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Forex is not permitted in my opinion for three reasons each one alone is sufficient to make it non-permissible.

1. The margin: Shari'ah requires payment in full of both currencies. This cannot be done when there is margin trade. In margin trade you only pay part. It is incorrect to claim that the broker gives you a loan. the broker does not give a loan because the transaction is defined as only margin, that is a small payment paid by each party, seller and buyer.
2. The Speculation: the Forex transaction itself is speculative purely because those who need foreign currency for their business and travel, etc. they take the currency from banks and money exchangers. Those who go Forex are only those who make transaction for speculation. Not real trade. Besides, according to Shari'ah money is not for trade, money has functions to perform and it is treaded different than goods and commodities. This is why in Shari'ah sale and buy of currency is made different and more reserved than goods and commodities.
3. Forex practices are not even real buy and sell. The transaction is as follows: you put

a deposit of \$1,000, you trade 100,000 worth of currencies. But how? You buy Euro say 20,000 for Yen say 4000,000 Yen. You own 20,000 Euros and you are under debt of 4 M Yen. Your Dollar account is not touched. You do not buy for your money, as two new accounts are opened for you one in Yen debit and one in Euro Credit. This is not real sale or real delivery. This is in fact fake.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2012

From: Chantal

Sent: Thursday, December 20, 2012

Question: are paper money and bank accounts subject to Zakah

Assalam 'Alaykum wa Rahmatullah,

I hope you are well. Sheikh, I contact you b/c I know of no one with as much knowledge of economic matters as you, at least from the Muslim body of scholarship. I really feel I need your help in understanding the issue of gold and silver and those who demand a return to gold and silver and say that fiat money is usurious in its very nature. Can you please help me?

Lately it seems Muslims all over the internet, and Facebook in particular are alive with talk of how we need to return to gold as currency and revive the gold dirham. They say paper money is haram, etc. etc. What most interests me though is their claim that the value of gold is stable, almost fixed as it were (as although gold has been relatively stable, I always thought nothing is worth anything more than what people will pay for it. I thought gold only has value because we say it does). What's the truth about all of this? Is gold completely stable? Could it be afflicted with the same challenges as paper money? Is a return to gold as currency possible, and if it is, how easy would such a thing be?

Jazaka Allah Khair.

Chantal

My Answer:

Bismillah al Rahman al Rahim

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

Dear Sr. Chantal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I did not answer you earlier because I believe the issue is not worth any discussion.

First there is nothing Islamic about gold and silver. Even Umar the Second Khalifah tried to make currency out of camel hides. There is nothing in the Qur'an and the Sunnah that

requires money to be metal or out of gold and silver.

Second, it is unwise economically to dig for gold in order to bury it again as stored reserve in the basements of central banks. Looks very stupid economically when you can make money out of cheap paper or even electronically at almost zero cost.

If someone wants to go to gold and silver they should also go to camels and donkeys for transportation. Why reversing progress of humanity?

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Chantal

wa 'Alaykum Assalam wa Rahmatullah,

If I sent you an article on this, would you look at it and help me find the mistakes in it?

The problem ya sheikh is that the Murabitun push this idea so heavily, they are dominating forums online, on FB, and confusing so many people, and converts can be especially vulnerable. They tell people they don't have to pay Zakah on paper cash, b/c it's Riba based, etc. etc.

I agree, the idea is ridiculous. I know that, but I don't have the knowledge to fully respond, and I fear this idea is like a virus that will spread.

If not, in the least, I appreciate you responding like you did. Jazaka Allah Khair.

Chantal

p.s. I'm sorry to keep pestering you. Just b/c it's being talked about even in "regular" American society, when the Murabitun come and confirm that sort of thing, converts get confused.

Just a book or 2 to get me started, and I'll try to just go read up on this. I know you have more important things to do. Just someone has to answer them. I'll do my best if you can just get me started.

My Answer:

No, I have more important things to undertake.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

From: Chantal

Ok, can you recommend any resources or references? The problem is they are growing in number, and in a forum of 1500, their voices are the loudest and I know so many people who are starting to get confused, and even for me, while I know intrinsically something is wrong, I can't always articulate what it is.

And it's a growing movement in America as well, thanks to the Libertarians and Tea Party crowd, so for us in the States, this is becoming a problem.

Just point me in the right direction, and I'll try to make my way from there.

My Answer:

Dear Sr. Chantal

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Don't be emotional. These ideas have no influence on nobody. And we don't go around answering every wrong idea or thing people do, that is too much and none of our business. Besides what is this Murabitun? Whoever they are they have no influence beyond their own noses. It is well known to any Muslim, convert or not, that paper money and bank accounts are subject to the rules of Zakah and Riba. people don't write on it anymore because it is completely settled issues.

Best Regards,

Wassalam

Prof. Dr. Monzer Kahf

From: Abdul Wahab

Sent: Thursday, November 22, 2012

Question: on Islamic trading

Dear Sir,

I am very confused on the current trading platforms, I had a few questions on currency trading. I would be very happy if u helped me on this.

May Allah give you the rewards for doing such great help in the current Islamic finance system

Abdul Wahab

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Abdul Wahab

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Trading currency on the internet is not permissible in my opinion. In all its Forex, including the claimed Islamic, it does not fulfill Shari'ah requirement for currency exchange. It is also speculative and speculation underlines many rulings in prohibiting certain practices like future commodities and short contracts.

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

From: Ahsan

Sent: Friday, October 19, 2012

Question: Queries about Gold and Islamic banks

Assalam o Alaykum

Dr. Kahf

I have a total of three questions for you.

1. Sometime back, I had a disagreement with a jeweler. The incident happened like this. My wife had a pair of gold earrings as part of her wedding gift from her parents. However, one of the earrings was misplaced and we wanted to make a second pair so that she could wear the gold set in full, i.e. necklace, earrings, ring etc. On enquiring with the jeweler, he agreed to make a copy. He told us that after he made the copy, we would have to purchase it from him based on the market price of gold on the day of the sale plus making charges to which we agreed. However, he asked us to keep the remaining earring with him so that he could send it to his goldsmith. We asked him to ensure the safety of the remaining earring and I stipulated that he pay us back the value of the gold in the earring based on the market price of gold in case it was lost. The jeweler did not agree to this condition saying that he would give back the value of the gold based on not the market price but the buying back price of the sold gold. We were not amenable to this and the transaction between us did not happen; and it was good that it did not happen for shortly after, we had located the missing earring and the set was whole.

My question here is - what is the legal and Shari'ah ruling on the buying back of gold at a value which is less than the market price of gold?

2. What is the difference in the financing option provided by Islamic banks against conventional banks. As a consumer, I see no difference. For e.g. if I want to purchase a car for AED 60,000; then I would pay to the conventional bank 60,000 plus some amount - which would be interest. To an Islamic bank also, I would not pay only 60,000 but an amount which is greater than this amount. From my viewpoint, this would also be an interest transaction. Can you please explain if there is a difference here and how

Islamic finance is truly 'Islamic'.

3. When I keep my money in an Islamic bank, we get some amount as PROFIT every quarter. If I do not know where the bank invests the money which we keep in the savings account or the investment account, how can I guarantee that the bank is not giving out the money as a loan on interest to others, or investing in companies which are not in Islamically accepted business. For e.g., we know that the Dubai World has taken a loan on interest; how do I know that the Dubai Islamic Bank has not invested in Dubai World.

I thank you in advance for your time and answers. Allah hafiz

Ahsan

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Ahsan

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

1. Of course buying and selling is subject to negotiation between partners, if there is substantial discrepancy a court may change the negotiated price. But you must realize that in jewelry business jewelers always buy gold minus manufacturing on the assumption that they will melt it down and re-manufacture it again. In other word, yes it is permissible to negotiate a price other than the prevailing market price, especially international price. Any change after the contract can be imposed by a court provided one proves substantial discrepancy.

2. In plain English the difference is in the nature of contract: loan with interest or buy at deferred but higher price. This difference is a big one from legal point of view. 1) you must realize that no one gives you his money free, whether Islamic or Kufranic; 2) sale contract is based of freedom of contracting and it is fair that price is higher when you delay payment; 3) a loan is a debt and the debt does not create additional value, this is why interest is unjust; 4) goods, a car, has intrinsic utility while a debt does not have it, when you buy a car on deferred payment you are actually buying a car plus its utility until you pay for it. a debt does not have such utility. 5) look at it for the macro view; tying finance to buy and sell goods creates a strong link between finance and real economy, giving debts does not, and there are more that you really need a full course.

3. An Islamic bank commits itself to investing in accordance with Shari'ah. If you do not trust it do not deposit with it. You really are required to make your own Ijtihad on this matter. I know there are finance institutions which claim they are Shari'ah compliant but they are not definitely, most people know that about them not only me. But All Islamic banks, including DIB, have usually respected Shari'ah advisors who guide them in this regards. I trust that although I may differ in Fatwa with some of them. but that is a difference of opinion which does not drive them outside Shari'ah.

One more thing: an Islamic bank may finance anybody regardless of what this body does with other transactions but an Islamic bank may not finance two things: it does not go in partnership (like Mudarabah which is the basis of your saving and investment accounts with DIB) unless this anybody is committed fully to Islamic Shari'ah in the project

financed on partnership by the IB. it does not finance on Murabahah or Ijarah anything that is not Shari'ah compliant. Examples in application: IB may sell a Jew a car but it does not sell him liquor, an IB may go in partnership with a conventional bank in building an airport but may not buy shares in a conventional bank, an IB may finance on Murabahah or Ijarah ten trucks for a company that uses interest loans for other ten trucks or for goods which are shipped on these trucks.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Idriss

Sent: Thursday, September 20, 2012

Question: Paper wealth

Salamu Alaykum wa Rahmatullah wa Barakatuh dr. Kahf,

I would like to ask you about the position of contemporary Muslim economists and scholars with regards to paper wealth? Maybe you could link me to a good article written on this subject.

Barak Allah feekoum,

Idriss

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Idriss

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

There is no paper wealth. There is paper money and even now electronic money.

There is also virtual wealth such as owning options in Western finance markets or owning futures.

Money is what people accept in their transactions and in savings, and measuring values of other things. It does not matter whether it is paper, pieces of animal hides small bags of salt, or sea shells.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Esam

Sent: Thursday, September 17, 2012

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

From: Ziyaad

Sent: Thursday, September 16, 2012

Question: FOREX Trading

Assalam Alaykum I was interested in exploring investments in the trading of foreign currencies by buying and selling them e.g. US dollars, Canadian dollars etc. (FOREX). I want to find out if it is permissible in Islam or not. Thank you for any assistance.

Ziyaad

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Ziyaad

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Forex is not investment. It is speculation on prices of currencies that does not add any value to the economy because what you gain is what someone else loses. It is a kind of what is called in economics "zero-sum transactions." Zero sum transactions are of the kind of gambling and I believe they are not permissible in Shari'ah.

Investment and trade must be in ways that create value by providing a service or adding to the ability/capacity to produce goods and services.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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 Hibah h (<http://www.tadawulfx.com/public/tradingaccounts/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 'Hibah 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

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

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

From: Khaled

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/Iban 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

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) 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

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

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

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

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

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

From: rizwana

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

From: rizwana

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

FATAWA MONEY, CURRENCIES, GOLD, SARF 2011

From: ABDEL

Sent: Friday, October 21, 2011

Question: what do you thing about Islamic Forex broker

From: ABDEL

Salamoulikom

1- what do you thing about Islamic Forex broker? is halal or haram?

this is 1 broker offer Forex halal: <http://www.etoro.com/why-etoro/islamic-account.aspx>

2- I want to know if I trade example the company apple (aapl) CFD shares it's halal

or haram

Baraka Allah fik

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. ABDEL

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Trading currency on the internet by means of any and all Forex forum is not permissible because it does not fulfill the conditions of immediate delivery of what you buy and what you sell. It is only paper (or soft) creation of two accounts debit and credit. And also because it is purely speculative. Speculation is not permissible in Shari'ah. Calling it "trading" is misnomer purely.

Owning a share of Apple is permissible, speculation on anything, equity or currencies or commodity is not permissible. We must realize that trading provide services while speculation does not.

But CFD is not even buying shares. CFD is an imaging of buying and selling. It is definitely Haram for two very big reasons: 1) in CFD you do not buy or sell any share or any asset which may be owned, it is just a fake trade. And 2) it is only a speculative tool, it is not even of the nature of buying actually a share even if the intention is speculative.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: ABDEL

salamoulikom Dr Monzer

barakalafik for your information

I have a another question ..

it is haram or halal to do day trading

ex : I buy and sell apple in the same day many time

barakala fik

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. ABDEL

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Day trading is by definition speculation activity. I believe it is Haram. There are people who think it is not.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Salamoialkom Dr Monzer

seriously I don't know what to do .. Forex haram.. CFD haram.. day trading Haram
is there any alternative way to make money halal ?? for me my priority is the halal way
I was hoping to invest 10 000\$ us in day trading
please give me some advice
barakala fik

My Answer:

All the businesses in the world are Halal, did you forget all that? If the market speculate does this mean speculation is a way of earning. Speculation has never been a way for investment. You want to invest, there are hundreds of thousands ways to invest.
Is CFD an investment? Is Forex and investment, is day trading an investment? Investment means a commitment to a project which you think is profitable, buying real assets, real equities. Investment does not mean gambling. In fact CFD is pure gambling nothing else and you want it to be investment! And speculation is also gambling not investment at all.

Monzer Kahf

From: Ali

Sent: Sunday, October 09, 2011

Question: Is trading E-Gold online permit in Islam?

Dear Dr. Monzer Kahf,

Assalam o Alaykum,

These days e-gold or paper gold online trading is very popular. We can sell or buy gold online at actual gold rates without having physical delivery. There are some brokers in market who do not charge commission and do not charge interest on keeping gold positions overnight. They also offer funds leverage of 1:100 but still do not charge interest if we open Islamic account with them.

My questions are as follow:

- 1- Is it permissible in Islam to trade gold online without having physical delivery?
- 2- Is the profit taking from intraday gold trading halal in Islam?

Please reply as soon as you can since I cannot find answers for these queries anywhere.

JAZAKA ALLAH Kheir.

Ali My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Ali

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Trading gold, silver and currencies without physical delivery in full of both what you sell and what you buy at the moment of the contract is not permissible in Shari'ah because the Prophet, pbuh, said about gold and silver that it must be "hand to hand". Gold and silver were the currency of the time, all currencies today play same role therefore same applies to all currencies by analogy. This is known as a form of Riba because in another

Saying the Prophet, pbuh, described a similar transaction as Riba.

Such a forbidden action should not be undertaken by Muslims. If it happened for any reason that a Muslim did that, any income from such a forbidden action should be distributed to Muslim charity with instruction to give it to poor and needy (not to use in a mosque for instance).

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Esam , OnIslam.net

Sent: Tuesday, September 20, 2011

Could you kindly reply to the following question?

Question: Is It Halal to Purchase Foreign Currency?

As-salaam `Alaykum. Is it allowable to purchase a foreign currency and keep it until the value increases, then when the value has strengthened, sell the currency to make a profit? Jazakum Allah Khayran.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Esam

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

As described in the question, this is permissible. You should know that buying and selling currencies requires that the full quantity of what you give and what you receive must be handed to the other party at the time of contract.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Imran

Sent: Wednesday, September 07, 2011

Question: Trading currencies, indices and commodities on line

Dear Dr. Monzer Kahf

I am a student entering college in Canada in a weeks' time. As a young person, I have many hobbies, and one of the hobbies I have is trading currencies, commodities, and indices.

Currently, I have no job, and I expect to have a part time job soon InShaAllah. I have so far lost \$ 400 in trading. However, I am recovering that money by what I trade now, and so far, it has been good. I do high risk trading mostly in case of currency, and seldom medium risk.

This is what I believe. As long as the trading I do does not have usurious dealings, I think it is halal. I would like your advice on this matter as people come across telling me it is

haram, and haram I believe is a very strong term to use regarding something.
I look forward to your reply. Thanking you in anticipation.

Sincerely

Imran

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Imran

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

The three things, internet currencies, future commodities and indices, you do are not permissible in Shari'ah. This is a quick answer go on www.onislam.net and www.kahf.net to find more details. In addition to Riba there is the issue of realism real things can be trade and for real purposes not for gambling like hits on internet and its likes.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mohamed

Sent: Thursday, August 11, 2011

Question: Online trading physical gold

From: Mohamed

Salam Alaykum,

My question seems to have been dealt with but the URL is not accessible anymore (http://www.islamonline.net/servlet/Satellite?pagename=IslamOnline-English-Ask_Scholar/FatwaE/FatwaE&cid=1119503546706)

I have a question concerning the online trading of precious metals. This site allows you to buy physical metal on the spot and it will be held on your name. They charge a commission for selling/buying/storing the metals. When you want to sell metals you can offer your metal against a price and other can then bid on your offer.

I have copied and pasted some information from their FAQ:

Ownership

Ownership of your gold in Bullion Vault is outright. Bullion Vault gold is not subject to a trust deed, and it is not anyone's liability. It is - quite simply - your outright property from the instant you buy it to the instant you sell it.

In accepting the Bullion Vault Terms of Business you have engaged Bullion Vault as a custodian of your gold. Bullion Vault has subcontracted the physical custody of your bullion to Via Mat. Bullion Vault has retained responsibility for administration and record keeping, which is performed through the BullionVault.com website.

You can see the Via Mat bar lists on the Bullion Vault website, and reconcile them to the Bullion Vault customer-by-customer records. You should also know that in its agreement with Bullion Vault Via Mat fully acknowledges that the gold shall remain the

property of Bullion Vault clients at all times.

These are unusually strong property rights for you because there is no intermediation via trusts or company balance sheets. The gold is your personal property and is treated under English law as a bailment.

Physical delivery

Bullion Vault is based on professional market, vaulted gold and silver, held in big bar form through an internet account. You can sell on-line and be paid direct to your bank account, which is efficient and low risk and helps you own gold at very low cost.

But of course investors always need emergency access to the physical gold, even though there are some extra costs.

The standard cost is 2.5% for withdrawing whole gold bars, and there is a 5% surcharge for withdrawals below 400 oz. The fee for silver (whole bars only) is 10%.

Bullion Vault gold and silver are both VAT (sales tax) free - for as long as they are held in accredited vaults. Upon withdrawal gold remains exempt, but 20% VAT then applies on silver.

Is this trade permissible according to Shari'ah as I have understood from searching on the net, spot trading is permissible provided it has a maximum delivery delay of three days?

Taking delivery of the metals would exceed this three days (at least I expect it to be >3 days) besides the fact that I would prefer not to take delivery at all and leave them in the vault (security).

Jazaka Allah Khairan,
Mohamed

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mohamed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

As described below it seems to me that buying and selling of gold and silver in the way described is permissible. Taking delivery is performed through agency given in the transaction to the storage company, the Vault. Of course this is provided that no certificates but real gold and silver are been traded. I like to add however that I stand against speculation on metals, equities and other assets and consider its application in the contemporary financial markets definitely Haram. I wouldn't make an exception in this case. In other words, if this kind of trade is taken for speculation it becomes prohibited even if it fulfills the formalities of contracts. It is speculative when the purpose is continuous watching of prices and jumping on them to grab gains.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mohamed

Salam Alaykum,

Shukran jazilan, for your quick answer and your patience.

I still have my doubts about this trade because while you can technically collect the metals it is somewhat discouraged by the service. For instance, they only have 1000 oz. silver bars if I would buy 30 oz of silver I would physically own 30 oz of that 1000 oz bar and here lies the problem in my view. You cannot collect that designated 30 oz (on papers it is your physical property and you can trade it) you can only take delivery of whole bars (1000oz).

Is it not a requirement that you should be able to collect any amount (even 1 oz) even though you do not plan to collect it?

Jazaka Allah Khairan,

Mohamed

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mohamed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I don't see this a problem as long as the agent is common to all owners, what is wrong in combining the properties of different principals. And as you said earlier, it can be divided at extra cost.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Bismillah al Rahman al Rahim,

Once again thank you for your patience and guidance. I am not sure if I understand this correctly but, you can only sell your part of a physical bar but you cannot collect part of a bar collecting physical gold/silver is only possible if you own a whole bar which would be too expensive in my case.

In my situation I would not be able to claim the gold/silver physically (because of small quantities), it would be stored as my property and I could sell it to others but I could not collect it.

Sorry, if I am being too persistent but I just want to be sure about matters like this.

Wa Salamo Alaykum,

Mohamed

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mohamed

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

It is not a matter of persistence but rather knowing the meaning of the language!. If

your agent receives it, it is on your behalf and instead of you he receives it. there no way of talking about collection or not collection, it is already possessed by you and you can sell it through your agent too. That is it.

If the business of the company does not accommodate small trades then you either make large trades or accept the additional condition of the agent that he will not divide a large bar, so that you own it in common with other owners who like you gave agency to the storage company. It is not really a matter of collection but of appointing an agent to undertake certain functions on your behalf.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Asim

Sent: Monday, July 18, 2011

Question: currency trading and options

From: Asim

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 it's status of haram. InShaAllah I will not be >doing anymore, but I just want to ensure these words below belong to you and is your view?

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.

My Answer:

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 Allah A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Asim

Ws wr wb

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:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina

Muhammad, wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Br. Asim

Assalam Alaykum wa Rahmatu Allah 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 Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Asim

Salaamualaykum.. indeed akhee.. differences in our Ummah are rahma..

My Answer:

Dear Br. ,

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

From: Asim

AA Dr. Monzer,

Is every zero-sum game a form of Maysir/Gharar/gambling in Shari'ah?

For example, if I currency traded with 1:1 (no leverage), and the exchange was hand to hand, but it was still zero-sum, would this still be impermissible?

Why is it zero-sum when part of the players in the Forex market make up corporations who's regular line of business is large currency transactions in which they don't intend to make any profit (i.e they are just required to change out billions of euros for dollars or vice versa).. while the retail trader may benefit from that.. ?

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Asim

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Forex trading is a form of gambling whether by big corporation or small traders. Currency exchange and transfer is a useful transaction when it is related to real trade and payments/settlements at the international level. But that is different than trading currency on the internet or what is called investment in currency trading. Speculation is very close to gambling and that what makes zero sum trades only harmful not real trade.

If you have any question related or not related be very clear and read your question twice before you email it.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Asim

ws Dr. Monzer,

My only concern with labeling Forex as a zero-sum game is that it can produce a win-win situation, which contradicts its potential status as a zero-sum only game. The structure is indeed zero-sum, but each contract may not end as zero-sum at the end of the game. I'm afraid a game isn't truly zero-sum unless the contract must and always end in a zero-sum result. I.e. win-lose or no other option.

There are win-win capabilities in Forex, as well as win-lose, as well as lose-lose. I don't see how that's any different than equity trading.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Asim

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

What you need to look at is the contractual relation.

Every Forex has twin contracts buy and sell. For instance you buy rial and sell Dollar. Each of these two contracts has another party that matches it. There a seller of rial and a buyer of dollar. Take each contract alone because it is in fact independent and separate from the other. If the price goes up one win and the other loses. If the price goes down the other way around. Each contract is only a zero sum contract between its two parties. It cannot be otherwise. This is regardless of whether it is compensated by results of the other contract because each contract is an independent entity and has its own parties (mostly are not same but by a rare random chance they may be the same). Besides what is the benefit of this game, does it produce any value to the society? Where is the outcome? The argument that speculation itself is beneficial is outdated by the integration of markets at international level.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Asim

Thank you for your reply.

Let us forget about Forex for a moment.

My last question for you is... For a contract to be considered gambling doesn't it has to have 2 elements? - 1 is high-level Gharar and the other is zero-sum gains (Maysir).

Is this correct?

Because not all Gharar is forbidden, and not all zero-sum is forbidden.

My Answer:

No, one of them is sufficient to make not permissible

Dear Dr. Kahf

I've done significant research before emailing you by the way Dr. Monzer. The internet is an extremely poor resource for Islamic knowledge. I couldn't find anything on options except for "OPTION HARAM" with no explanations.

salaamualaykum Dr. Monzer

can you tell me a little bit about options from your perspective? options on equity specifically, not any other type of options. Calls/Puts.

Btw, I'm now convinced about the impermissible nature of Forex, it took a while, but at the end of the day I realized nothing real was ever taking place.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Asim

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Options on equity are like this: say company A has a million shares in the market and the share price is 100. Increases or declines in the market evaluation of this company (for any reason) make owners of this company richer or poorer because the property they own has now more or less value.

But there is another 10 million 90 days call options and 5 million put options on this company issued for 2 dollars each their prices will also increase (decrease). Tell me please why do these people gain or lose? They don't own the company! Aren't then purely parasitic? Do they have any moral justification to gain or lose? Is that a real business?

Options lack owning any real property, they hang on the price changes of the property of others. They are not real, purely fake and purely speculative tool exactly just like any gambling tool. This is why they are Haram.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Mohammad

Sent: Tuesday, April 19, 2011

Question: Gold Investing

Assalam Alaykum Sh. Monzer;

From my knowledge of Muamalat, I know that money is a Medium of Exchange and has no value in and itself. Hence "Sarf trading" or money trading in itself should not be used as a method of producing income or producing more money.

This is an inaccurate description of the matter. Money is a medium exchange but we may use materials that have intrinsic value as money. This was the case at the time of the Prophet, pbuh and he allowed the Sarf contract which is the exchange of currencies. But because of the characteristics of money, the Prophet, pbuh, made certain additional conditions on exchanging money.

Of course exchanging currencies, one for the other is a provision of a trading service that deserves to be compensated. Speculating on all goods is not a behavior that Shari'ah accepts. Because of the extra conditions of exchanging currencies speculation of them is much more unacceptable.

Now, Islamically, Gold and Silver are considered currencies. And so exchanging paper currency for gold or silver with an intent to profit, or invest ... would fall under the above paradigm?

The way I am looking at is that:

1. Gold/Silver are currencies
2. Gold/Silver are also assets including money, such as platinum and other precious metals

In the context of #2, how would we apply the principle of "not to make money from exchanging currencies" ...

The issue is not in making profit from exchanging currencies because this is perfectly allowed provided it is attached to the service provision. The matter is in speculation. All purely speculative transactions on money as well as other things including platinum and real estate are prohibited because they do not create value (provide service) but merely transfer wealth. The speculative nature of transactions may appear in the structure, as in day trading or in purely speculative instruments like indexes, but it may be also hidden in the heart of the trader.

Jazaka ALLAH Khair for your input. Was-salaam

Mohammad

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Rauf

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please see my answer below your questions:

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: waqqas

Sent: Friday, January 14, 2011

Question: Islamic Forex Account

Salam,

please let me know if Islamic Forex account on tadawulfx.com Shari'ah compliant?

<http://www.tadawulfx.com/public/trading-accounts/islamic-forex-account.html>

JazakAllah Khair.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Waqqas

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

All trading of currencies on the internet platforms are speculative and not permissible in my view. Even if one takes a liberal view on speculation (which I consider it extremely incorrect) internet currency trading remains a zero sum game in which your profit is the loss of someone else and vice versa. Further on a micro level internet currency trading does not fulfill the required condition of immediate delivery of both currencies sold and purchased. All Fatawa published on the websites of internet currency trading forums Are either changed that they do not represent the names on them or given with twisted interpretation without giving all the info to the Scholar.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2010

From: Muzammil

Sent: Thursday, October 07, 2010

Question: Forex trading. Please help.

Assalam Alaykum,

I am really interested in Forex trading because of the quick money it offers. However somewhere in my heart my conscience says it seems a bit dodgy. Can you please give me your point of view with examples form the hadith and Shari'ah.

I got your mail address from a forum that I searched for...

On the plus side, it does seem that we invest our hard-earned money and also our time and effort learning about the practices and procedures. But is this enough investment from our side for such mighty returns?

Please advise me. May Allah reward you for your efforts

Thank you

Muzammil

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Muzammil

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

You said the answer "a quick money". But it is also a quick loss. The point is what value do you create by Forex? If there is no value creation what you may earn is simply the loss of some other person. This is the nature of what is prohibited in Shari'ah. It is a form of gambling on the internet or in a big casino.

Besides, in Forex, there is no real possession and no real ownership of the trades. It always is done on two sides together: you buy Yen for Euros, or Rial for Dollars, and you have your account in Swiss Franc. It is not a real trade.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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 authenticate 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

From: Saqib

Sent: Wednesday, March 17, 2010

Question: Internet fx trading

Assaalaamu Alaykum

Dr Monzer

May Allah reward you for your insightful answers. I've read many of your answers in regard to the question of fx trading via the internet. My question is: what would constitute an instant exchange via the Internet when trading? Is it, instant accreditation into the traders account at the moment of pressing the buy or sell button?

Thank you for your time and effort.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Saqib

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Please notice that currency internet trading has several problems:

It is done in pairs not in a way of sale and purchase. You put a deposit in Dollar, then trade Yen for Euro with debit and credit, all in reality fake because you do not have yen or euro. Your balance in Dollar is for security as excrow.

Currencies are not subject of trading but subject of exchange for real payment. Should not be traded because they do not produce utility themselves. The money exchange function is a function to make foreign currencies available for those who need them it is not a way of creating wealth. It is a false wealth

Whatever currencies are traded are simply fake because contracts are always in pairs created for trading and the debit and credit offset each other anyway, no reality to it. Forex trading on the internet is mere speculation and zero sum transaction that create no benefit to anybody

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Oseni

Sent: Monday, February 01, 2010

Question: inquiry: on Forex trading

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 is blessing on you and your household. Regards

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Oseni

Assalam Alaykum wa Rahmatu Allah 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 Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2009

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

-----From: Mehmet

Sent: Thursday,

September 03, 2009

Question: About Fx trading

Assalam Alaykum ve Rahmatullah

Dr Monzer

I have question about fx trading. Can you please give me an answer about the question below ..

Thanks .. CezakAllah hayran.

Is online Forex trading allowed ? The procedure of a normal interest based trade is: you buy one currency against dollar (electronically through a broker)for instance buy pound and sell dollar. Your account is in dollars. you deposit \$500 and get to trade on a margin. Each trade is for 100000 currency units- in our case we buy 100000 pounds for \$500 margin. You don't get a physical delivery but you are liable for the payment and will enjoy all the risks and benefits. you realize your profit or loss by selling back the pounds you bought. If the buy and sell takes place the same day, you don't get charged any interest. if you don't close your position, every day you are charged \$5 per 100,000 currency units. To normal customers these trades have no commission or charges. Now for Muslim investors, what the companies do, instead of charging daily interest, they charge a \$20 per trade(buy and sell) as a commission. This commission allows the investor to have a grace period of 3 days for closing the trade instead of 1 day in the normal scenario. BUT after the 3rd day, every day the commission is charged for all open positions. 1) Please tell, whether or not the procedure for Muslim investor devised

by these companies is halal ? 2) Can we only day trade (buying and selling the same day) so no interest is involved. 3) what does Islam say about trading Forex on margin ? in what circumstance would a Muslim be allowed to perform margin-based trade ? Please reply ASAP as this industry is attracting people more than the stock markets- Jazakallah For information you can visit the website:

and they also have a live help feature available 24/7.

Also is hedging in currencies permissible in Islam?, if the broker provides facility to go long and short in the same currency?

I would like to add something about margin in Forex, The margin deposit is not a down payment on a purchase of equity, as many perceive margins to be in the stock markets. Rather, the margin is a performance bond, or good faith deposit, to ensure against trading losses. This prevents clients' accounts from falling into a negative balance, even in a highly volatile, fast moving market.

Mehmet

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Mehmet

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Trading currency on the internet is not permissible under all platforms. The essential reason is the lack of reality in the trades. As you said you place a deposit as a form of security then you trade in pairs, buy a currency and sell another, your deposit is not affected! Besides, currencies are not a subject of pure speculation and their trading on internet is purely speculative. Additionally all margin and futures in currencies are in violation of the principle of immediate full delivery that is required for currency exchange.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Aibek

Sent: Monday, July 20, 2009

Question: about Islamic monetary operations instruments.

Dear Mr. Monzer Kahf,

Hope you are doing well, and your flight from Bishkek was enjoyable. I also hope that you liked our country. As you remember, we had a conversation about Islamic monetary operations instruments and you suggested that liquidity absorbing instruments based on Qard-Hasan and Al-Wadi'ah agreements are not advisable to use. I would be very grateful to you if you could provide me with more detailed information on why it is not advisable to use these instruments. And also I would be very grateful to you if you could provide me with some information about Islamic monetary operations instruments that are in standard practice. Thank you in advance. Looking forward to hearing from you

soon.

Faithfully yours,

Aibek

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Aibek

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

1) Qard Hassan

Please notice the concept of Qard Hassan in the Islamic law. It is an act of charity to help a person with no financial or material benefit to the lender. It is a loan that is only rewarded by Allah. This is because a loan creates a debt. What is a debt? it is an interpersonal relation that is an abstract asset to one party and a liability to the other party. A debt Cannot grow or create an increase because, unlike physical assets, it does not produce any utility. A debt is not like a bicycle that produces the service of riding, or a house that produces the service of living in. This is why a debt earns no income or return or interest. In other words, there is economic justification for interest because it is paid by one party for no utility given to him in exchange.

The loan in Shari'ah is defined as an act to help others with no element of material or financial benefit to the giver. Any benefit is thus interest, even when it is hidden under any other name. For example, the Prophet, Peace and Prayers be upon Him, prohibited making a sale and a loan together because the price of the sale may hide an interest of a loan, he also prohibited selling at an option of two prices (one cash and one deferred) because once a sale is done it creates a debt of the cash amount then the difference between the two prices is interest on this debt.

Qard Hassan therefore cannot be issued with any condition, explicit or implicit, of giving an addition to the provider of the Qard, any such giving is prohibited as being plain interest regardless of names one may give to it. There is a well-known rule in Shari'ah that is acknowledged unanimously as derived from the verses of the Qur'an and the Sayings of the Prophet. this rules proclaims: "a loan that brings any benefit (material or financial) it is then a Riba". Therefore any promise to give any increase on the Qard Hassan transforms it into a Riba. Please notice that Riba may be fixed or variable, paid in advance or after, all these do not matter in Riba, what matter is: it is an increment or increase over a debt.

Because of this clear and strong prohibition of interest under any name or form, the Sukuk principles were developed. The basic foundation of Sukuk is that they represent a real asset that is used productively. Sukuk can give fixed return when they represent properties (like buildings, an airport, ten aircrafts, a dam, a power plant, etc.) that is rented to to the user of the property. the Sukuk holder earns a fixed periodical rent. Sukuk may also be issued on variable return when they represent a part of an profit generated project (like a partial ownership of a company or an airlines or farm or any other project).

2) Wadi'ah is a concept that fits safety deposits in banks. the bank cannot use it and has

to leave it as it is in the box that can only be open by two keys together.

3) Tools of monetary policy in Islamic system.

Of course you need to notice that these tools are developed as needed and as the circumstances may be. For addressing and controlling the amount of credit banks may extend we have: changes in the rate of mark up in Murabahah, rent in leasing, maximum profit in Mudarabah and Sharikah. we also have changes in reserve and liquidity requirements and changes in the margin of seriousness (percentage of the price contributed by the customer in any finance transaction) that banks are required to obtain from customers. We also have the sectorial or general credit ceilings.

For changing liquidity we have open market operation that must use Sukuk. Of course this requires the issuance of Sukuk of different kinds, so that the central bank can use them in buying and selling for managing liquidity. You should realize that you still can manage liquidity through other means of monetary policy.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Dear Mr. Monzer Kahf,

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

Thank you indeed for your answer. It is very valuable for us. So Qard Hassan cannot be used as monetary operations instrument, but still I have a question concerning Wadi'ah Yad Dhamanah. I studied Malaysian Islamic Monetary Instruments and I found out that in Malaysia they widely use Wadi'ah agreement as a liquidity absorbing instrument. I would be very grateful to you if you could give your point of view on this.

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Faithfully yours,

Aibek

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Aibek

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

1) Although I know the answer very well, I wanted you to be comfortable with the references. Please look at the definition of Wadi'ah in the first box. Its reference is from Bank Islam Malaysia. A Wadi'ah suits safety box concept. But whence the trustee betrays the contract it becomes a guarantor of the principal. It is of course inappropriate to establish a system on contract violations! Besides, if we look in Fiqh literature we'll find the meaning of "it becomes guaranteed", it is it becomes a loan on the trustee and therefore guaranteed. This is in contract of when the trustee does not betray the contract (by using the Wadi'ah) and keep it in a safe place only, then the trustee is not responsible because it is Amanah with it. THE RULE IS: IN A LOAN (QARD HASSAN) ANY CONTRACTUAL GIVING IS INTEREST AND ANY GIVING THAT HAS THE MEANING OF

CONTRACTUAL (BECAUSE IT BECOMES USUAL OR CUSTOMARY OR IMPLICITLY REQUIRED) IS CONSIDERED CONTRACTUAL.

Wadi'ah وديعة

Safe custody. Originally, safe custody is referred to as Wadi'ah yad Amanah, i.e. trustee custody, which according to Shari'ah, the trustee custodian has the duty to safeguard the property held in trust.

Wadi'ah yad Amanah changes to Wadi'ah yad dhamanah (guaranteed custody) when the trustee custodian violates the conditions to safeguard the property. He (the custodian) then has to guarantee the property.

http://www.bankislam.com.my/Your_Guideline_to_Islamic_Financial_Terminologies.aspx#67

2) The quotation below is from ISRA the Shari'ah organ of the central bank of Malaysia. This is the concept we applied on saving accounts in our discussion with the your colleagues in the NBKR because these savings are normally guaranteed. We combined the concept of guarantee and Mudarabah so that we give them a share of profit on a smaller balance and we keep a high liquidity proportion of the account that is guaranteed. But please notice in the definition below that once you consider this account eligible for profit distribution it ceases of being guaranteed. This is because you cannot combine giving a return with the guarantee since any such giving is tagged INTEREST.

Wadi'ah And Mudarabah Current Account

The Islamic banking institutions have proposed to offer current account based on Wadi'ah yad dhamanah, together with Mudarabah. Under these principles, the bank acts as a trustee and entrepreneur while the customer acts as a depositor and capital provider respectively. Both parties would agree on a ratio of profit-sharing, which must be disclosed and agreed upon by both parties at the time of opening the account. The guarantee on the deposit will only be given if the account balance does not satisfy the conditions of profit sharing. However, if the account balance complies with the conditions of profit sharing, the customers will have to bear all the risks of financial losses (no guarantees on deposit), since the contract has now changed to Mudarabah. The issue is whether the current account mechanism of combining two types of contracts, i.e. Wadi'ah and Mudarabah is permissible in the Shari'ah.

Resolution:

The Council, in its 5th meeting, held on 30th April 1998 / 3rd Muharram 1419, resolved that current account products based on the combination of two contracts, i.e. Wadi'ah and Mudarabah is permissible in the Shari'ah.

Issuer: Shari'ah Advisory Council, Central Bank of Malaysia.

Source:

http://www.isra.my/index.php?option=com_content&view=category&layout=blog&id=4&Itemid=18&limitstart=24

3) Lastly notice below that this Wadi'ah that is used by the central bank of Malaysia violates the above rules of Shari'ah because it is issued with an implicit promise and continuous practice of giving return on them. You cannot give dividends on a guaranteed Wadi'ah and once you give it becomes usual and customary, besides when

issued there is an implicit contract that a gift is going to be given for it. ONCE OF THESE IDEAS ALONE MAKES IT INTEREST!

Wadi'ah Acceptance, Wadi'ah Acceptance, is a transaction between BNM and the Islamic banking institutions. It refers to a mechanism whereby the Islamic banking institutions placed their surplus fund with BNM based on the concept of Al- Wadi'ah. Under this concept, the acceptor of funds is viewed as the custodian for the funds and there is no obligation on the part of the custodian to pay any return on the account. However, if there is any dividend paid by the custodian, is perceived as 'Hiba' (gift). The Wadi'ah Acceptance facilitates BNM's liquidity management operation as it gives flexibility for BNM to declare dividend without having to invest the funds received.

Under the liquidity management operation, BNM uses the Wadi'ah Acceptance to absorb excess liquidity from the IIMM by accepting overnight money or fixed tenure Wadi'ah.

Source: <http://iimm.bnm.gov.my/index.php?ch=4&pg=4#2>

4) For the use of NBKR, all you have is a part of a bank that gives Islamic finance, there is no problem that requires use of liquidity absorbance mechanisms, you can only use credit limitation methodologies. Once you have many Islamic finance entities and a functional Islamic Inter-institutional Money Market (the IIMM in the above quotation) there are tools that can be used better than Wadi'ah such as Inter-Islamic banks deposit certificates that can be used for overnight and for longer periods and Sukuk and others.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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

From: Faisal

Sent: Sunday, April 26, 2009

Location: United Arab Emirates **Question: currency trading based on Forex market**

Dear Dr. Monzer,

Assalam Alaykum wa Rahmatullah wa Barakatuh,

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 Allah Khairan for your constant help. Yours,

Faisal

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Faisal

Assalam Alaykum wa Rahmatu Allah 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 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 platform 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 Allah A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

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 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

From: Minhaj

Sent: Thursday, April 23, 2009

Question: currency trading according to Islamic principles

Dear Br. Dr. Monzer Kahf Assalam Alaykum: 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 does 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 "Bay'" 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 Duetche 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 is 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. Wassalam Alaykum.

Sincerely,

Minhaj

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Minhaj

Assalam Alaykum wa Rahmatu Allah 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 is irrelevant and should be contained to minimum.

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Dear Br. Dr. Monzer Kahf Assalam Alaykum: 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 is face 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 fluctuate currencies 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 practicing is not having affect as it used to in the past. The volume of currency

transactions in trillions have 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.

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 Duetche 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, import/exports is 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 who are dependent on their revenues from imports/exports. Kuwait depegged 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. Wassalam Alaykum.

Sincerely,

My Answer:

Bismillah al Rahman al Rahim

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

Dear Br. Minhaj

Assalam Alaykum wa Rahmatu Allah 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 is 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 Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Minhaj

Dear Br. Dr. Monzer Kahf Assalam Alaykum: Thank you for your reply. I appreciate it very much.

I am still not sure. Is selling/buying of currencies for financial gains completely haram? Is it haram or discouraged? Is it discouraged or permissible as some scholars have said.

I hear conflicting opinions. On one hand, it is permissible if done within the frame work like I mentioned and the way I am doing. On the other hand, may be currencies are being traded like commodities and may be they are not commodities, so they should not be traded.

We have two conflicting opinions. Even though I am trading currencies but I like to be on the side of the caution. If it is purely speculative then I would refrain from it. But I am still not fully convinced that trading of currencies is purely speculative. If it is so they buying/selling of gold should also be prohibited. Since people don't carry physical inventory of gold these days, they buy gold ETFs. and they use bills. Bills are now more and more replaced by digital numbers. Fed has \$3.2 trillion in circulation out of which only \$1 trillion is in actual paper bills while the rest is all digital money.

Trading of currencies associated with import and export of goods only addresses only one segment of the trading and economics. It does not address issues of parity of values. Companies selling and buying goods on international basis loss or gain money based on such non-parities. This is a major issue. Currency trading provides that opportunity to balance the parity imbalances. All transactions are done digitally with no physical transfer of bills.

I am not in favor of blatant currency trades based on purely financial gains through speculations. That's why I am following a method that I thought so far is halal. And, I also do believe that this business should be done only by a few and not by general population. Even those few should be very professionals and people of good morals and conducts.

To leave Muslim economies on the whims of people at wall street or in the hands of pure speculators will be a disaster. We are witnessing that right now. We also witnessed what currency speculators did to the economies of countries like Malaysia and

Indonesia back in 1998. We must have another system whereby we can trade currencies and also safeguard them against pure speculators.

As for me, after reading you, I may have to go back to Duetche Bank or create another mechanism whereby this service is associated with some actual goods like gold. Would that meet the requirements?

What other ways I should modify/change to make currency trader more permissible? I need your help in figuring out a solution. Again, if we can figure out a system that is halal and make this trade more halal then it can be used to serve our Ummah, InShaAllah.

I look forward to your assistance in this important matter. Wassalam Alaykum

Sincerely,

Minhaj

My Answer:

Sorry, matter is settled

Monzer

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

From: Raffick

Sent: Saturday, March 28, 2009

Location: Africa

Question: Buying Gold on Murabahah

Dear Br. Prof. Dr. Monzer

wa alaikoumoussalam 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

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

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

From: Nur

Sent: Sunday, February 15, 2009

Question: Forex Trading

Can you please check the Forex web and give me your view whether it is permissible or not.

My Answer:

Bismillah al Rahman al Rahim

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

Dear Sr. Nur

Assalam Alaykum wa Rahmatu Allah wa Barakatuh

I do not give a Shari'ah opinion based on info on a website. Producers change on websites 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 other loosing. Un-necessary speculation that produces no value.

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

Wa Allah A'lam

Wa Alhamdu Lillahi Rabb al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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

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 future, 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:

Please see my answers in red below your questions

Monzer

From: Abdur Raqeeb

Sent: Wednesday, February 04, 2009

Question: Forward Booking of US Dollars etc.

respected Dr Monzer Kahf

Assalam Alaykum

It is long since I heard from you. Hope this will find you hale, healthy and high in spirits.

I was told that you have moved to Qatar. If so on what special purpose?

I am forwarding a question from a business friend who forward book Dollars/foreign currency for his future export contracts.

Kindly reply the same with a detailed explanation.

From: nayyar

Dear Br.

Assalam Alaykum 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,

Nayyar

My Answer:

Bismillah al Rahman al Rahim

Alhamdu Lillahi Rabb al Alamin, wa al Salatu wa al Salamu 'ala Sayyidina Muhammad,

wa 'ala Aalihi wa Sahbihi Ajma'in

Dear Brothers Abdur Raqeeb and Nayar

Assalam Alaykum wa Rahmatu Allah 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 Allah A'lam
Wa Alhamdu Lillahi Rabb al Alamin
Wassalam
Prof. Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2008

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

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

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

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 was 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

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

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

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

From: Omar

Sent: Thursday, March 06, 2008

Question: : Forex.

بسم الله الرحمن الرحيم
فضيلة أستاذنا الفقيه حفظه الله ورعته، نشرف بقلوبكم ولحيث منكم من في إيلاني رموك، الأخفي عنكم حرصي على قراءة كتابكم ونظركم المتعلق في مصطفى من الات القصد الإسلامى، ألتى كان له الدور الفخري في الاتفاق بملل عل في مصطفى الات.
أجل عد:

لبدسيدي أهدا سيق رليكم طاح كمل شري لأسواق التجار قبل ع التال غلية (البرصات)، وخلص قبعد ظهور فتاوى متعددة في هذا المي زبنيدي، ولي عاض الأخرى حربا الق، وعسؤال عدد مؤسسات دغش عة، أدركت أن الأمر يحتاج إلى غلم خيرون فبصير رب هذه العمليات، في طرق تبيلكم لم هذا الموضوع من أهى قبل عة، حيث أشر المتعلمون بهذه الجارة، وأصبح الأمر يحتاج إلى رأي بدين.

م على شكر والاحترام
وأسأل الله على أن تحظى مدلى رسالة فيكم عاض العنية.

لليكم: عمر

طالب افتورافي القصد ول حراف اسالية الى رموك

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

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

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 disclosure is assured, this kind of commission is not prohibited.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

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

FATAWA MONEY, CURRENCIES, GOLD, SARF 2007

Subject: About Forex

From: Khan through Islam on line

Sent: Wednesday, November 14, 2007

Question

AOA,

My name is Khan and I am living in Canada. One of my friends is doing business in Forex currency with Muslim account (Interest free).

He is good Muslim guy and said that he researched on Forex before starting that it is Halal or not and found it is halal. But I am not sure so I want to be confirmed about it.

I want to start it but only in case if Islam allows me.

So my question is that with Muslim account which is interest free, is Forex halal.

As far as my understanding that .. We open an account with FXCM broker - A Muslim account in which they will charge fees per transaction. There are pairs of Eur/Gbp currency. I opened account in US\$, I buy 10k pairs, they debit money from my account and put their money too. Like they say that they will put 10000 for my 10\$. Also I think they will put conversion rate of Euro and US\$ too. Because if I earn 34\$ but I will get 30\$ because 3\$ was fees and 1\$ was conversion rate between US\$ and EUR. If that is the case it is ok? May be I did not understand the situation properly.

My question is that is Forex with any broker who provides Muslim account, is Halal or Haram? If you know any broker who is 100% haram only in case if Forex can be Halal please let me know.

You have more knowledge then me so if I did not understand the Online Forex currency way, please correct me. Allah Hafiz

Khan.

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. Khan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Forex is speculation with currencies. It has no productive objective and it does not produce any benefit to society or humanity, So... Where do you get your profit from? It comes from a loss of somebody else only! The account may itself be with no interest But that is not sufficient for it to be Halal because we are talking here about speculative non-productive transactions or trades that are done purely for no objective of creating value.

When it comes to the specific conditions, we'll find that the Prophet, pbuh, put two very important conditions in trading currencies: 1) payment must be in full of both currencies and 2) payment must be at the time pf the contract. In Forex you buy on margin that is you buy a 100,000 worth of a currency but put only 5000. It is incorrect to think that the broker lends you 95,000 without interest, the contract itself requires only a small amount to commit that large sum. The second condition is also not satisfied because most transactions are futures.

This means that: while I do say that if payment is done in full and at the time of contract (i.e., no margin transaction and no futures) the transaction becomes not Haram, it remains a matter pf profiteering from speculative dealings without making any real trade or real production.

I wouldn't advise any one to go for Forex because its transactions that are claimed interest free are in fact in violation of the rules of currency trading (this violation is called Riba too as known in Shari'ah under the name of Riba al Fadl) and even when one trade with full payment and spot with no futures it is extremely speculative and non-productive.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

From: Khan

Question

Respected Prof. Dr. Monzer Kahf,

I am very happy to see your reply.

Actually I am not greedy person. I don't care about the money or to be wealthy. I am a programmer have good income. But I want to support my parents' family, and my brothers and sister. They are not very well set.

For them I am trying to set some good extra income so that they can live. The second thing is that I am 34 years old and now tired to run after earning money by improving job skills, update according to the new modern world technology etc. Now I want to spend some of my time on regularly basis to learn Islam and beg forgiveness Form ALLAH.

So I thought that this work can be done from home in limited time and rest of time I can spend on Islam but if it is not good in Islam then all effort is in vain and for nothing.

So what should I do? I invested in property and rented out but then fig. out that that property has Mortgage which has interest and I am selling this property in big loss but want to get rid of interest. Any work I start needs big money which comes from bank on interest, If I buy any store it will come on interest, what should I do. Should I forget to do business and spend my life as it is in Jobs? Please guide me. With many many thanks and Allah may bless you long life and Ajar-Kaseer in Heaven. Wassalam, Khan.

My Amswer

Dear Br. Khan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

You must think that you are much better off more that Six billion people on our planet. You have a good job, good income, good health and good and safe country to live in... And you still complain.... Go on in your life and when you find good opportunity with no interest grab it and go on. There will be many opportunities that you will come across believe me.

Best Regards,

Wassalam

Monzer Kahf

Subecjt: Trading Forex on the Internet

From: Mohaned

Sent: Wednesday, November 14, 2007

Question

هل الارح من للرحيم

للسال مع ليكلم ورحمة الثوب ركنه

ان اشاب مفلس طين ومن قطاع غزق حيدا لبيت دساتي لاجامعة ولاي فقي فقي حضرتكم مان مربيه الان من ظروف صعبة عن دما لبيت دساتي لصدمة تبلى ع مزعج ومقل فرص العمل فلك ان امامي خي اران احالهم مر الاول ان يتظر بوقى عا طل عن العمل الى لتأت فرصة عمل اول سفر ولعمل خارج الد والان مرتسنة ونا لم اجد ع اليبعدوساء الظروف لي بال د ولصحتى بل فر م فوعا فقي لاجي ع لاغلاق الاعبار القات جارة شبه توقبت ل عدم دخول المضرة الى القطاع سوى المضرة الى غنظي وفتح اي مشروع خاص صغري لصحبتك لمقامة كبرى ولتحرار وعديت ل تشيرة والوظائف لا فوي قس مكلى قس من تتب عك لفوق بي اس في قيدي عوال موطين الى الدوام ولي ملك ال مال اللغدي ل روثب هم !!!! ولنا اجول في الترتن تعرفت لوبصة الع الت (فوركس) ولقت لا اعرف حكمه الشرعي فدرست ها وتديت علي ها اولكن لم فتح حساب فقي في ها ل حد الان بعد التدرب علي هاجل ست بلحت عنال حكم ل شرعي في ه فوجدت اخ ال فلل علم اعفي ها هادي حرم ها ملحت وشخص ال وهادي حرم هذه لاجنبة وهادي لملش روط وهادي لملش روط . وكلفتوى لار اهتز فيني جيره

سؤالي ما موال حكم لشرعي النهاء لي لنداول في بورصة الع الت من خال لشركة قوسا طقتدعي ان لي ها "حسابات سالية"؟؟؟ لان ها لا تختاج الى رأس مال كبير ولا تأثر بي اس قبل دي لك قلبه ولا تختاج من ي سفر وتركي لولتي ولا ان احسب فقي فقي اس في لي بال د؟؟؟؟

وجزاكم الله كل خير واسف على الاطلة

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. Mohaned

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

This is not a trade from which a Muslim earns living. It is mere speculation and gambling-like. Please do not do it ... Especially being in the Jihad land. Go and defend your country against occupation and do not be with any political side, just be with the side of your freedom only and don't give attention to who rules or will rule. It is not time to have differences of government's agenda now.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: IS FOREX Online Business HARAM or Halal?

From: Hasan through Islam on line

Sent: Tuesday, November 06, 2007

Question

I live in Canada. i have been trading forex more than a year but I never think about it is haram or halal? Because Forex business risk and profit involve not like put money bank and getting interest. i study more than 2 years in this business and after that i invest my

money in to forex business. I want to know if forex business is against Islamic law or its halal/haram. regards

hasan

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. Hasan

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

What do you produce for the Ummah or for humanity by trading forex? Is it any thing other than some one gains and some other one loses? It is any business that produces any good to any human?

The prophet did not prohibit selling and buying currency when that is needed or has any benefit to any creature. But trading currencies has conditions that are not fulfilled in Forex! The prophet put these conditions as: full payment of both currencies at the time of contract.

Margin and futures are not permissible in currency trading and these two things are the essence of this trade! Forex as it is practiced on the internet is Haram in application of one of the most Authentic Saying of the Prophet, pbuh.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Currency Trading

From: Motie

Sent: Tuesday, September 04, 2007

Question

Dear Dr. Monzer: wa alaikum asalam wa rahmatullahe wa barakatuh

I've been browsing through your outstanding website ma sha'Allah, an encyclopedia on Islamic finance, jazaka Allahu khairan for all the knowledge; insha'Allah it will be a sadaqa jariyah for you until yawm adeen.

Insha'Allah, also, I may have future questions in regards to finance, however, I will have to read more of your fatawa and publications, because I'm sure you've already answered many of the questions.

I have been with a foreign currency trading company, an introducing broker for a company listed with the National Futures Association. I have another friend who is involved in that. Until now I've mainly focused on learning; it's an independent contract position, and did not open any account in order to avoid the non-shariah compliant practices.

I have another elder Muslim friend, originally from Syria, who is a scientist and he trades only with a demo account, and he explained that Forex can only be legitimate if we avoid the swap fees and perhaps have an account that is margin free in order to avoid

the risks of margin, as well as perhaps forming our own forex fund to be shariah compliant.

Insha'Allah, I would be honored if you could advise me to any recommendations; especially in the financial services field, something especially that could be of benefit to the ummah, and most of all what specialization in the masters field Muslims should consider specializing in and what halal career positions will be available, other than the traditional banks.

Would an economics firm or financial engineering firm have an entrepreneurial potential to be on demand from the coming generations? Again, jazaka Allahu khairan in advance for all of your consideration, time, and patience.

Baraka Allahu feek Dr. Monzer. fe aman Allah.

Motie

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. Motie

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

1. Currency trading is permissible if it is spot and payment is effected in full at the time of contract i.e., no margin trading. This is in application of the correct Saying (Yadan bi Yad).

2. All interest-based transactions are Haram whether they are in conventional banks or in Mutual funds. There is no difference. Hence there is no preference between forbidden transactions in any of them.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Making a living out of selling and buying international currencies

From: Mohamed through Islam on line

Sent: Tuesday, July 17, 2007

Question

Assalamu Alaikum, My question has to do with Trading in FOREX. What is the view of the Shariah on this?

Especially, now that the trade is done on line via the internet? I will be grateful if this question can be answered in light of the prevailing circumstances, where Muslims make little distinction between Halal and Haram.

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. Mohamed

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Trading currencies require two conditions in Shari'ah: 1) the two currencies in the transaction must be delivered at the time of the contract and 2) delivery must be in full of both exchanged quantities. These two conditions are installed in Shari'ah by the Prophet, pbuh for any and all currency exchanges. The Hadith is excellently authentic and correct as it is reported by Bukhari and Muslim and others. These two conditions can be applied in transactions on the internet by trading spot and with no margin.

Besides, trading future and trading on margin are only very speculative and Shari'ah does not look favorably at profiteering from mere speculation.

BTW, I did not receive the first sending of this and the previous letter, I don't know why they did not reach me!

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Forex trading

From: AbuAbdRahman

Sent: Saturday, June 23, 2007

Question

Asalam alakum, I want to find out if it right or a Muslim to take advantage of leverage in forex trading

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. Abu Abdelrahman

Assalamu Alaykum wa Rahmatu Allahi wa Barakatuh

Leverage in currencies violates the Hadith of the Prophet, pbuh which states that currency exchange must be in full payment and at the time of the contract. It is well known in Fiqh and undisputed by all scholars that there are two conditions for trading currencies: 1) payment in full for both exchanged amounts, and 2) payment at the time of the contract leaving no part for any future time. This means that both leverage and futures are not permissible in currency exchange.

Wa Allahu A'alam

Wa Alhamdu Lillahi Rab al Alamin

Wassalam

Prof. Dr. Monzer Kahf

Subject: Spot Gold, Silver, and FOREX Trading

From: Murtada

Sent: Thursday, May 17, 2007

Question

Assalamu Alaikum,

We have a startup investment company interested in venturing into gold, silver & FOREX spot trading. From our research, everything seems to be within Islamic principles, though your opinion about margin confused us. Essentially, we understand why for the non-expert in economics, margin can be dangerous & introduce gharar. Would it be the same for a professional?

The issue became further complicated with as well as speaking with other smaller scholars

<http://www.islamonline.net/livefatwa/arabic/Browse.asp?hGuestID=l1AcnT>

Has there been a consensus reached or is it still in the works due to the relative immaturity of internet trading? Also, could you let us know something for our situation?

Jazak Allah Khair. We would not mind compensating you for your professional expertise or consultation, though we are not aware of the process, fees, and so forth. Assalamu Alaikum,

Murtada

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Murtada,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The prohibition of margin trading in currency is non-controversial at all because it came from an authentic and clear cut Hadith. Gold and silver (and currencies) trading requires two conditions con-currently: full payment of the two exchanged this and at the time of contract. Day trading with credit and debit to the account by the end of the day is ok as an expression of payment at the time of contract, the ""full"" means no margin is permissible.

On the other matter, If you want me to review your contracts, transactions and modality, I will do that for fees that we need to agree on.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Murtada

Question

Jazak Allah Khair for the clarification. We shall inshAllah contact you for review of contracts and such in the future.

Back to the currency trading issue: is the relationship between the trader and the broker non-Islamic then, since from my understanding the trader is essentially purchasing something of more value for less value. (The full transaction is not done) This part was ambiguous to us as well, and to make it clear we were in discussion with our broker to change the contracts to a lender/debtor or an investor one. To give a simple analogy: I am good with real estate, yet can't take advantage of Alberta's boom since the homes

cost \$500,000 and I don't have the capital. I could borrow that money from an individual on no interest, utilize it, and give it back. Or the lender could be an investor in that he takes a large part of the profits, while I do the work.

Would changing the contractual terms between the trader & the broker deem the transaction Shari'ah compliant?

Jazak Allah Khair. Pardon my real estate analogy- just trying to fully understand the matter here, as I am sure the concepts will help us understand other transactions in the future. AA,

Murtada

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Murtada

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

The example of real estate is correct. If you can make the relation with the broker exactly like that it is ok. But there is no broker in the world who would accept it, is there?

Of course any change in the contractual relation would affect the Shari'ah ruling. So you need to be specific and make a consultation on a specific form of contract that you like. That is why it is not sufficient to take the idea of a Fatwa and apply it on your own. One has to study the exact text of an agreement to determine whether it is compliant with the Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Spot Forex transactions accounting treatment

From: Aadila

Sent: Saturday, April 28, 2007

Question

Dear Br. Monzer,

In a Spot FX transaction on inter-bank currency exchange.. Do you take the spot exchange rate on trade date or value date?

For example, Money committed to exchange on 16/4/07 for USD100 @ rate of euro, 2 days later, i.e. 18/4/07, on value date, we receive the money.

Qn: So to book the transaction, do i take the currency exchange date base on trade date on 16/4/07 or do I use the exchange rate base on 18/4/07?

If the answer is on trade date, that means, my entry would be to book USD100 @ rate of Euro using 16/4/07's spot rate on 18/4/07 (value date).

I was asked to comment whether AAOIFI FAS16 on foreign currency exchange in compliance with FRS21 of FX. on its treatment and recognition.

I have reviewed a few different Islamic bank's foreign currency policies. So far not many follow IDB's way of keeping the exchange difference on balance sheet date to a foreign exchange reserve fund in equity or balance sheet account. Most of them would charge the gain or loss in exchange to income statement. That is referring to monetary assets and liability at balance sheet date. As for transaction, most practise recognition of spot fx on date of transaction.

International Financial Reporting Standards recommend that the exchange gain or loss to be charged to Profit and Loss account. There should not be any foreign exchange reserve fund in balance sheet. (That's what my colleague told me when I told her that some banks use forex reserve fund to maintain exchange difference in equity account)

Can you please enlighten me on the treatment?

Best regards and thanks. Wassalam,

Aadila

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Aadila

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

It is ok to kill any differences in foreign exchange in the profit and losses instead of creating a reserve for them. The IDB practice is caused by it peculiarity of holding too much assets in foreign currencies keeping in mind that its official (and of course balance sheet's) currency is the Islamic Dinar (not any actual currency) that is equal to one SDR of the IMF.

For pricing: It seems to me that the principle must be the pricing of the moment of the foreign currency contract. It looks that this is also the price that is carried actually between contractors, otherwise you are contracting a price (of two days later) that you don't know at the time of the contract. what is the actual practice in banks on this when the currency contract is for the bank itself and also when it is done for a customer? can you please tell me and give me more details?

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Aadila

Question

Dear Bro Monzer, Wa'alaykummusalam Wa Rahmatullaahi Wa Barakatuh.

Thanks for your answer.

According to common practice of the bank, the transaction is booked on trade date. Thereafter, on value date, this foreign currency will be reversed on value date and settlement of fx contract at the same time. As for reporting to MAS regulators, the transaction is reported base on trade date.

Base on your answer, when we say spot prevailing rate, does it mean that we have to take the exchange rate base on trade date? 2 days later (T+2), when settlement of foreign currency, we still use the same rate as trade date but there will be an exchange difference as 2 days later rate may fluctuate and change. Therefore, derive an exchange gain or loss.

Or if the currency is in Euro, do we book it as Euro but exchange rate kick in only on value date? However, if the recording currency is in USD, then we still need to translate the Euro to USD during reporting? End result would be an exchange difference again.

Can you explain ""one SDR of the IMF""? Has it to do with Saudi money and international monetary fund? then how imf define sdr? Thanks and best regards,
wa salamu alaykum wa rahmatullahi wa barakatuh.

Aadila

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Aadila,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Do you mean to say that if a customer receives or sends an amount in a foreign currency she/he does not know the price on the day of the order, the trade date? and you are going to charge her/his the unknown price of trade date+2? Is this the way foreign currency are bought and purchased? Please explain whether this is the way forex trade is carried out or this is a local requirement of Bank Negara or certain markets? I know currency trades in the US market are carried at the price of the trade day!

The SDR is a basket of major international currencies that include the Euro, GBP, Yes, Dollar and I think Swiss Franc. It is used as an accounting currency in the IMF and also in IDB under the name of Islamic dinar.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Aadila

Question

Dear Bro. Monzer, Wa'alaykummussalam wa rahmatullaahi wa barakatuh.

Honestly, I am not too sure how the bank trade foreign currency. but from the journal entries for accounting base on foreign exchange contracts given to me, are as follows:

On trade date, eg. 23/4/07

1) Dr FX Bought, Cr Forward Exchange Position and 2) Dr Forward Exchange Position, Cr FX Sold.

On Value date, eg 25/4/07

A) Reverse entries passed on trade date:

1) Dr Forward Exchange Position, Cr FX Bought and 2) Dr FX Sold, Cr Forward Exchange Position;

B) Record settlement of FX contract

1) Dr Bank A/c, Cr Exchange Position and 2) Dr Exchange Position, Cr Bank A/c

Daily MTM on outstanding deals and/or outstanding position:

- accounting system will value outstanding deals and positions and recognize the fx gain/loss in USD.

FX Gain:

Dr Accrued Exchange P/L

Cr Exchange P/L

FX Loss:

Dr Exchange P/L

Cr Accrued Exchange P/L.

I've neither work experience in bank nor how forex is done. It is very different from trading company's account. As this is dealing with money itself.

Whereas in trading company, we purchase goods at a foreign currency and we convert base on invoice date's rate. Then when we settle payment we use the settlement date's exchange rate. This banking forex is very complicated for me. Therefore, I need your help to explain.

If we say only spot fx is permissible, then my reasoning would be the forex should base on the trade date's exchange rate. I cannot rationalise the extra 2 days' entries as to why they have to record that way to reverse out the entry. Best regards wa salam aadila

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Aadila,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

From your accounting explanation it seems that when the bank buys for itself, in juggling its liquidity, the settlements takes place 2 days later. If this is the way the transaction is constructed (may be because there are across border accounting procedures) then it is permissible to use the settlement date price. I am definite, it is not the way always and in all countries because I know when you buy on the internet, you just buy at that price and no difference will come to you 2 days later, so is it when you buy from a bank or a money exchanger.

In other words, we consider the actual procedure of the transaction, if it takes place all on the trading date, it is then the trading date price, but if it takes place on the settlement date, then it is the price of the settlement date.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2006

Subject: Forex

From: Marwan

Sent: Tuesday, December 26, 2006

Question

As-Salamu `alaykum wa rahmato ALLAH, Dear Dr.Monzer

I have been introduced to the forex market (the foreign currency exchange market) which is mainly based on a system like the stock market , but instead of buying stocks in companies i buy currencies , it works like this , i open an account with a broker and transfer money to my account in US dollars and based on some calculations and economic indicators i choose for example to sell a part of this money and buy euro and wait a few days then the euro value goes up then i sell and make profit , all the selling and buying are made spontaneously at the same moment which is called spot trading .

What i want to ask is whether is this halal or haram?

and the forex market is mainly based on leverage which means that if i put 1000 \$ in my account i can buy currencies up to 100,000 \$ which is having a ratio of 1:100 , meaning that the broker lend me money to trade with and i pay this money after selling my positions (my currencies) with no interest . And the ratio is kept 1:100 for the broker to secure himself cause if he lend me 100,000\$ for me to make (on an extreme scale) a loss , i will be selling the currencies for 99,000\$, so if i made a loss he will securing himself by the 1000\$ in my account .

So is leverage considered haram ? As-Salamu `alaykum wa rahmato ALLAH

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Marwan

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The Prophet, pbuh, defines what is permissible and what is not in currency exchange. We have a correct Saying reported by both Bukhari and Muslim to the effect that exchanging gold and silver (the currencies of His time) must be "Yadan bi Yad" or "Ha' bi Ha'." This means both spot and full payment. No leverage. The fact is that the broker does not lend you, (would you believe that the brokerage firm has all this money to lend every one 100 times his/her deposit?), the agent of the broker lies to you if he tells you that the broker lend you! it is the condition of the market transaction that it is based on leverage that is you need only one percent deposit to be able to trade a contract of 100, Whether spot or future. That is why it is called leveraged or margin. you are only required to deposit a margin of the contract you do, notice you have to have the margin whether you buy or sell, so that this margin is not like a Urbun as a part of the price, it is

a deposit in an escrow account with the management of the market, via the broker, so that from which, it is deducted (or added) the amount of losses (or profit) that is caused by changes in the price at the end of each day. Besides, this transaction (or if you want to call it trade) is futile as it is a pure speculation and does not affect the economy except in making it less stable and more volatile. IT DOES NOT FULFILL THE CONDITION PUT BY THE PROFIT MUHAMMAD, PBUH, AND IT IS THEREFORE HARAM. Please look also at my previous Fatawa on the subject on Islam on line and on my website.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Marwan

Question

As-Salamu `alaykum wa rahmato ALLAH, Dear Dr.Monzer

Thank you for your quick answer , and i hope i am not bothering you . I don't work in Forex but i have a friend who is has a brokerage company in forex here in Egypt and wants me to do some editing in his website, and accordingly I had to learn all about forex.

There is one last thing i want to ask, there is a large bank in Europe that works in forex mainly, it is not a broker for another firm, and allows individuals to open accounts (but with larger amount of money) and all the spot trading that made on this bank is made at the moment and with money inside the bank there are no contract this banks takes to another bigger bank after 2 or 3 days. Is this also considered the same case or does it differ?

As-Salamu `alaykum wa rahmato ALLAH

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Marwan

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The point is not a matter of big or small bank or taking a contract to another bank or institution. The point is the definition of contract in the market and the rules of the market. The market's rules are such that you trade on margin or in full payment and you trade spot or future. When you go to the money exchanger in your neighborhood, you give him the Egyptian Pounds and he gives you the Dollars that is of course permissible and has been practiced for centuries in the Muslim land. Can the transaction in the organized market, on internet or in physical markets, be done the same way? YES, they can if you buy spot with full payment and get the credit and debit into your account immediately when you make the buy or sell. This can be done on the internet and in a bank or money exchanger. The conditions that must be fulfilled are: spot and full

payment. This currency trade becomes permissible in Shari'ah with these two conditions.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Leverage Option on My Foreign currency Exchange Account

From: Mahmoud through Islam online

Sent: Monday, September 04, 2006

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I am intend to open an account with a foreign currency exchange broker (FOREX broker) to trade with foreign currency. Most of the brokers offer 100 leverage. 100 leverage means that every \$1000 dollar I trade with the broker could loan me interest free short-term \$100,000 to make my trade. The broker makes their profit from the commission and from the spread (the difference between Buy and Sell prices). The broker offer interest free loan to encourage trader trading more. The more trades happen, the more commission and profit the broker gets. Internally, the broker may hedge all leveraged trade (the broker make a short-term loan from other financial institute as well as buy insurance to secure the trades), but I do not exposed to that loan process at all while trading. It is like a car dealer buy a car lot from a car manufacturer to trade with (sell them), but of coarse the car manufacturer loaned the money to build the factory and insured it. So, it is permissible for the car dealer to carry on with his business, knowing that the car manufacturer loaned money with interest. My question is. Is it permissible to have leverage option on my foreigner exchange account as it is interest free loan? Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mahmoud,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Your broker did not give the right info! Here it is: Trading in the currency market is a margin trade by definition. It does not require a loan. It a lie by the broker to claim that he gives you a loan! Currency and commodity markets deal an margin that is for \$1000 deposit you can make trades in the amount of 100,000 because the margin in only 1%! But notice that there is a daily adjustment that is: if the price goes up (down) by 0.5% you gain (loose) \$500 and you can withdraw it if you want or you have to replenish it in case of loss to maintain your position. otherwise your position is liquidated immediately to cove the loss! This is done on daily basis.

The problem in Forex is: trading requires to be cash this means spot because forward trading of currencies is clearly forbidden by the Prophet Muhammad pbuh, this is a kind

of Riba called Riba al Fadl. There is no way that forward currency trading is acceptable by all means and in all forms. The second condition in currency trading is that it must be with full payment at the time of the contract. the trades are done on margin of 1% that is not full payment. FOREX, AS IT IS PRESENTLY ON THE INTERNET BY ALL COMPANIES IS NOT PERMISSIBLE. Besides it is too risky.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Forex Trading with Leverage

From: Huseyn through Islam om line

Sent: Thursday, July 06, 2006

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
I would like to find out if forex trading with leverage with companies like www.gftforex.com is halal. please check gftforex.com for details on how they run their forex trading online etc. jazaak allahu khayr

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Huseyn

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please you check the website and give me the details. But I can tell you 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

Subject: Trading Gold Certificates

From: Mazen

Sent: Wednesday, April 19, 2006

Question

Salamu Alykum, Jazak allah khair again.

A quick question: I promise to try to stop asking more questions. I imagin how busy you are.

Is it halal to trade Exchange-traded funds (e.g. GLD). They trade Gold but I am not sure if they deal with ribba. jazak allah khair,

mazen

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mazen,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I don't know what is exchange-traded fund, please explain but gold transactions must be spot only with immediate delivery of the full quantity of gold and its full price. It can't be future or on margin.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Mazen

Question

It's actually a trust. It holds about 355 tonnes of gold. My understanding that when somebody buy their share/stock, he/she buys a portion of the gold they have (stock/share = 1/10th of an ounce).

Here is a link if you have time and interested in getting more information.

<http://www.streettracksgoldshares.com/> Jazak allah khair.

mazen

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mazen

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I think the Shari'ah intended to make trading currencies (including gold and silver) more difficult than other goods, probably to reduce speculation. These shares represent "beneficiary interest" in the trust that owns the gold. It seems to me that trading such shares is not permissible in Shari'ah as they do not require actual and immediate delivery. Beneficiary interest is very different from ownership. It is closer to having a lien on a property or owning it on behalf of another. It seems to me that creating these shares "to reduce the cost of holding gold" adds to speculation and makes gold more amenable to price speculation, is that the intent of the Shari'ah? I beg to stand on the other side.

I didn't answer your other question about shares in a gold holding company because you need to re-read my previous answer.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Mazen

Question

salamu Alykum,

Gold can carry concerns about authenticity and purity, as well as storage and insurance costs.

Exchange-traded funds is away to shed these worries and still own a chunk of gold by investing in exchange-traded funds that make buying and selling gold bullion as easy as buying and selling stocks.

The share price of streetTRACKS Gold Shares (GLD, as an example) roughly tracks the price of gold and represents an investment in gold bullion. In effect you get to own gold without the hassle of storing and insuring.

With GLD, each share is priced at about one-tenth the price of gold bullion. If gold goes to \$650 an ounce, then the price of a share should be about \$65. hope this helps. jazak allah khair,

mazen

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br. Mazen

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If what you say is correct, this is then worse than trading gold because it looks as a speculative instrument that tracks the gold price but represent nothing real!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2005

SUBJECT: Zakah and Sarf

From: Ahmed

Sent: Tuesday, October 04, 2005

Question

Bismil Allah al Rahman al Rahim

Dear Scholar AoA and Ramadaz Mubarak.

I would like to have your opinion regarding following:

1- Zakat on branded Gold. The price of branded women gold sets is far more than simple per gram gold rate. In this case how one would calculate zakat? Per gram of gold or the original price of that branded set? Often those set do contain precious stones mixed in the design.

2- Investing money in buying foreign currency say \$ and selling it when its price goes higher as compared to local currency due to forex exchange rates in local market; is it ok or Halal to do this kind of transaction?. Income is not fixed and it could be both profit and loss.

Thanks for your time

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ahmed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1) For women personal use, the precious stones and craftsmanship are exempt from Zakah, what is subject to Zakah is only the gold part of jewelry if it exceeds the Nisab according to the Hanafi school. Weigh the gold only and pay the equivalent in local currency of the amount of Zakah as due in gold.

2) It is permissible to invest money in such a trade provided that when you buy and sell you must get the full amount of both currencies at the time of the contract. This rules out margin and future transactions of Forex. This condition is mentioned in an authentic Hadith of the Prophet, pbuh, that is reported by both Bukhari and Muslim.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Ribawi transactions or not?

From: Waheed

Sent: Monday, September 12, 2005

Question

Assalam O Alaikum Dr Kahf,

I had earlier mailed you a few questions that I was trying to clarify. I think that for some reason that email might not have reached you. Therefore, I am sending those questions again. Jazak Allah for your time and help.

I had a couple of questions regarding the validity of a few transactions as to whether they involve Riba or Gharar or not? Please reply to them at your convenience.

1 - (a) Although living in US, I am originally from Pakistan. Recently I made a purchase from Pakistan in PKR using my US credit card. When my statement for the credit card came, there were two items in it for that purchase. One was that they converted the PKR using a certain exchange rate and charged me about \$20 and the second that they charged me a one time International Transaction Fee @ 0.1% of transaction i.e. \$0.20. My idea is that since that international transaction fee is proportional to the amount of transaction and not a fixed amount, this would make it a Ribawi transaction (as I recall reading something like that). Please explain.

1 - (b) Also, even if there was no international transaction fee, would the fact that I did not know the exchange rate that the company would charge me make the transaction forbidden because of Gharar?

2 - Sometimes I send money to Pakistan using a branch of national bank. The bank gives me an exchange rate that would be charged to me and although that rate is less than the market rate, I know the rate before I complete the transaction. The bank in return, charges me \$5 if my transaction is less than \$300 or nothing if it is more than \$300. Please comment on the validity of the transaction.

3 - In Pakistan, it is quite a common practice for agricultural land owners to ask someone else to do the farming and in return the owner gets to ask for some money which is decided before hand based on the amount of land and the time for which the owner gives that land to the other person. Other than this money, the owner gets no share in what the other person gets out of the land (whether the other person is in loss or profit). I am not sure if this is the kind of transaction that is allowed in Islam or not. Some people say that it is just leasing of the land and so nothing is wrong in it. While others maintain that among other factors there is a hadith of Prophet (SAW) that forbids this kind of thing. Please explain.

Jazak Allah for your help in helping a lot of people understand their deen. Wassalam,
Waheed

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Waheed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I am definite that I did not receive your previous mailer. It happened with me in the past that I lost some mail due to stoppage at the server, sorry for that.

1) The fees of exchanging currencies is permissible, it is not Riba. The same also applies to the percentage additional fee for the transfer. Proportionality or not is not a factor in defining what is Riba. Riba, in regard to finance, is simply and only, an increment in the amount of a loan or debt because of the time factor, regardless of whether it is fix proportional or variable.

2) In credit card transfers, you are in fact informed that you will be charged the highest rate of the day of transaction, and perhaps now the minute of it. Hence, when

you make a foreign use of a credit card, you are giving agency to the credit card to select the rate according to the terms of the agreement that you are informed about. This agency takes the issue of Gharar away, the rate has become known to your agent because remember, a credit card contract is not an exchange contract especially when you get the card (the service) free. There is no Gharar. Besides there is no Gharar in small things, the issue of Gharar arises only when it is big or substantial!

3) An international transfer usually consists of exchanging currency and then paying fees for its transfer abroad, or sending it as it is in foreign currency abroad for a fee and then exchanging it in the recipient country. Both are permissible In Shari'ah.

4) I am aware of the Hadith that is reported by Rafi' Bin Khadij, one of the youngest companions of the Prophet, pbuh. But I am also aware that all schools of Fiqh approves of renting a land for agriculture, exactly in contradiction of the Hadith. I studied the issue some thirty five years ago, and took it completely out of my mind. I knew the argument against this Hadith as, although it is correct from the point of view of narration, all schools of Fiqh do not accept it as it contradicts many other sayings and principles of Shari'ah that permit renting of land for farming. Many scholars accuse the language of the Hadith of being general and say it is explained by another narration of the same Hadith that restrict the prohibition to the case when the rent is part of its crops. In other words, they argue that renting for cash is permissible, so is renting when the rent is in kind provided it is restricted to be a part of its products (like a hundred bushels of wheat grown on this land). In brief, renting land is permissible according to the four schools of Fiqh.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Does This Practice Fall Under Riba?

From: Yusoph through Islam on Line

Sent: Monday, September 12, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,
May Allah bless all Muslims. 1) My wife is selling gold in some Hospitals and clinics. If customers pay cash they will pay lesser than if they pay on credit. Does this practice falls under riba. 2) Every Ramadan, I used to pay Zakat for my Cash Savings and send to my Mother in my Country to distribute it to the poor. I have 2 cousins with families without permanet source of income (only relying upon their parents) is it lawful to give them my Zakat? 3) Is lawful in Islam to undergo operations in order to enhance private parts (Penis) which is considerably smal size (approximately 4 inches)

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Yusoph,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please address your third question to a specialist, my specialty is finance and economics.

1) Any time difference in delivery of cash or gold when you sell gold is Riba. The Prophet, pbuh, in an authentic Hadith said that such exchange must be "Ha'a bi Ha' " and "yadan bi Yad" that mean that the whole price must be paid at the time of contract and delivery of the gold sold must also be at the same time. Any time discrepancy, even if it were more profitable, introduces a Riba element. In fact the time differential between the two prices is the Riba.

2) It is permissible to give your Zakah to your poor cousins, if they are really poor. This is in fact is more rewarding because it adds kindness to kin relatives as the Prophet, pbuh, indicated.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Trading an old car for a new one, is it Haram?

From: Islam on line

Sent: Monday, June 13, 2005

Name of Questioner Mohamed country of Residence Egypt

Question

Asslamu Alykom, can I trade my old car for a new one and pay the difference

Notes

There is a Hadith regarding Belal trading a bad quality date for a good brand and the prophet disagree and consider this as Riba

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.Mohamed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Exchanging an old car for an other car plus a difference paid in cash or on installments is permissible. This is not Riba.

The Prophet, pbuh, prohibits the exchange, with difference, of certain items and called it Riba. This is known in the Fiqh writings as Riba al Fadl. In addition to gold and silver that were the money of his time, the Prophet, pbuh, mentioned four items: wheat, barley, date and salt. These are normally standardized commodities that were used as quasi-money in the Arabia at his time. Please notice that they do not cover the kinds of things that are specific like horses, houses, saddles, mirrors, swords, clothes, etc.

Fuqaha have provided several explanations, and therefore, different ways of analogy, to these four items. Some Fuqaha argued that what is common in them is that they are food and dry items. Others argued that they are all storable food items. I argue that what is common in them is that they are quasi-money items. These are items that have several similarities to money. They have active markets, they are in demand by all, they can be a store of value and sometimes they are used as a medium of exchange exactly like money. This is also why they are put side by side with money in the Prophet's Saying and given similar treatment as gold and silver.

Consequently, all items that serve as money or quasi-money should be treated according to the Saying of the Prophet that sets the rule of Riba al Fadl: exchange of quantities of the same item must fulfill 2 conditions: same quantity and immediate delivery; and exchange of one item for another: one condition that is immediate delivery.

Exchanging of cars, animals, buildings and the like that are specific is not covered by the conditions of Riba al Fadl.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Trading an old car for a new one, is it Riba?

From: Mohamed through Islam on Line

Sent: Monday, June 13, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Can I trade my old car for a new one and pay the difference?

Notes: There is a hadith regarding Belal trading a bad quality date for a good brand and the prophet disagree and consider this as Riba

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

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Dear Br.Mohamed,

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quasi-money in the Arabia at his time. Please notice that they do not cover the kinds of things that are specific like horses, houses, saddles, mirrors, swords, clothes, etc.

Fuqaha have provided several explanations, and therefore, different ways of analogy, to these four items. Some Fuqaha argued that what is common in them is that they are food and dry items, others argued that they are all storable food items, I argue that what is common in them is that they are quasi-money items. These are items that have several similarities to money. they have active markets, they are in demand by all, they can be a store of value and sometimes they are used as a medium of exchange exactly like money. This is also why they are put side by side with money in the Prophet's Saying and given similar treatment as gold and silver.

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Exchanging of cars, animals, buildings and the like that are specific is not covered by the conditions of Riba al Fadl.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: question on trading currency

From: Aishah

Sent: Saturday, May 21, 2005

Question

Assalamu Alaikum,

Dear Dr. Monzer,

Insha'Allah this message finds you in the best of health and emaan. Amin.

I learned about you when I was doing some research recently. Below I have inserted text of a "conversation" carried out on a message board between myself and a sister that I have known for about 2-years. She is dear to me in my heart. Al-hamdulillah.

Well, she posted this trading statement (inserted below), and it just sent me to worrying about her...and that's how I found you.

I have inserted the conversation below and separated the comments with a ===== line.

I am sure you are terribly busy...but if you have time to review this and perhaps offer any comment...I would be so very appreciative.

The whole trading issue is something that weighs on my mind as my former husband is caught up in it...and to his detriment...I just hate to see people being led down such a steep path of destruction... Best regards. Ma'Salaama,

Aishah

Assalamu Alaikum wa Rahmatuallahi wa Barakatuhu.

Habibti...mmm...I'm just a little curious about the interest.

You deposit cash into an account that the trading company holds for you.

You spend the month in a profit-and-loss-cycle at the end of which you receive a report indicating the result of a month's transactions.

And the company charges interest on your money (thus the deduction of the \$88.60)???

The straight cash-for-cash trading is not what I have a problem with...but the company holding your money is charging you interest...how can this be islamically justifiable and remain within the parameters of "Halal" vs. "Haram" - it is my understanding that both paying and/or receiving interest is strictly prohibited.

I want to thank you for posting your statement; because it showed me an aspect of this form of trading that had previously been withheld from me in conversations I had in the past, with someone striving diligently to convince me that this activity was an acceptable means to an end.

I know you are not depending on this as the primary source of your income, Habibti, but it is a dangerous game...one which puts you at greater risk of loss beyond what is monetary; and I only write this out of concern.

You see...I knew a man who was introduced to trading approximately 6-years ago.

Let me itemize his losses in those 6-years.

He lost his job. He lost his wife. He lost his children. He lost his home. He was given a second chance. He got married again. But he continued trading. He lost his car. He lost his money.

He was evicted from his home. He was forced into a position of dependency upon the earnings of his wife. He was forced to seek employment outside of the country.

He lost his residency status in the U.S. 2-years short of being able to apply for citizenship because he had to go outside of the country to find employment; putting his citizenship status back at square one. He returned to the U.S. after a year only to resume trading. He lost his wife.

And to top it all off...there is now a woman who claims to be Muslim is falsely accusing him of something that will absolutely obliterate any possibility of his gaining lawful employment in the U.S. ever again (in the medical profession)...and she is doing this through a divorce action from her own husband in order to gain interest money earned on a house whereby she thinks she will gain \$100,000. Astifergullah Al-Azeem.

Nothing causes me more pain than conveying this to you; as you know...the man I have referred to was my husband.

What remains in the end is the power of the Almighty Allah subhanaahu wa ta'ala...when we ignore the truth...we pay a mighty price.

I just don't want you to suffer any greater losses than those that you have already lost monetarily, or spiritually... I love you for the sake of Allah subhanaahu wa ta'ala...that's all I know.

, Aishah

My Answer

Riba

The Arabic word for "Usury". Usury is explicitly and clearly prohibited as a major sin in the Quran, as well as The Prophet's Traditions Sunnah. Most modern scholars agree that fixed rate interest from financial institutions (e.g. banks, brokerage houses, ...etc.) is the same as Usury, and is thus not permissible for a Muslim to neither give nor receive interest. (<http://muslim-investor.com/>)

There are two forms of Riba: The most common one is defined as "any contractual increment in a loan." This means that interest of banks is certainly and clearly Riba.

The second kind of Riba comes from certain sales contracts. It may appear especially in a currency exchange contract. This Riba includes any time difference in the delivery of exchanged currencies and any differential in the amount when you change different bills of the same currency (like one hundred dollar bill for 99 bills of the one dollar, the difference of 1 is Riba). The prohibition of this kind of Riba came in the correct sayings of the Prophet, pbuh. Dr. Monzer Kahf, Expert, ASSOCIATED WITH the Organization of Islamic Conference ("OIC") (the highest and most respected Fiqh body in the world.), and the Islamic Fiqh Academy. (Linked for reference in second response.)

The Prophet, pbuh, said that the wrath of God is on the person who takes Riba, one who gives it and the person who writes its contract. The Prophet also classified dealing with Riba as morally and religiously worse than adultery. Banks' interest is plain Riba, no more, no less, because the transaction is a lending transaction and there is an increment. Although the matter is so clear from the definition of Riba, the Fiqh Academy of the Organization of Islamic Conference discussed this issue in one of its meetings and resolved that: "Banking interest is the same as the Riba that is made prohibited in the Qur'an." (Resolution No. 10 (10/2) dated December 28, 1985.)

Those who devour usury will not stand except as stands one whom the Evil One by his touch hath driven to madness. That is because they say: "Trade is like usury," but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (the offence) are Companions of the Fire; they will abide therein (forever). (Al-Baqarah 2:275)

Allah will deprive usury of all blessing, but will give increase for deeds of charity; for He loveth not creatures ungrateful and wicked. (Al-Baqarah 2:276)

O ye who believe! Fear Allah, and give up what remains of your demand for usury, if ye are indeed believers. (Al-Baqarah 2:278)

O ye who believe! devour not Usury, doubled and multiplied; but fear Allah; that ye may (really) prosper. (Al-i-'Imran 3:130)

That they took usury, though they were forbidden; and that they devoured men's substance wrongfully; We have prepared for those among them who reject Faith a grievous punishment. (An-Nisaa 4:161)

As Further Described in the Qur'an and Sunnah

SOURCE OF THE INTEREST:

"For trade positions open at 5PM EST there is a daily roll-over interest rate a trader either pays or earns, depending on your established margin and position in the market. If you do not want to earn or pay interest on your positions, simply make sure it/they are closed before 5PM, the established end of the market day." (FXCM)

. IS TRADING ONLINE WITH AN INVESTMENT OF SAY, \$5,000 USD, ON A TEMPORARY PLAYING MARGIN (WHICH CAN BE \$50,000 USD), BUT NO ACTUAL PAYMENT OF THE MARGIN IS DONE, IS THIS ACCEPTABLE PER FIQH OR NOT?

My Answer.

The Prophet (pbuh) said about Sarf that it must be HA'BI HA' or HADAN' BI YAD. It literally means, ""give or take"" or ""hand to hand"". Hence in Sarf it is always required that delivery of both currency must be full, in cash, at the time of the contract, otherwise the transaction becomes known as Riba-based. FOREX ON MARGIN AND FOREX FUTURES ARE ALL NOT PERMITTED UNDER SHARI'AH. - FROM DR. MONZER KAHF

MARGIN TRADING:

All trading involves a level of risk. Foreign Exchange trading is certainly not the exception.

That is why FXDirectDealer believes all of our clients, should individually analyze their financial objectives, financial status, investment constraints and tax situation to determine whether this type of trading is suitable. In addition, we encourage our clients to educate themselves to the potential risks they may encounter while trading margined foreign exchange with FXDirectDealer, and look for ways to control those risks so the rewards can be achieved.

Risks associated with trading margined foreign exchange include, but are not necessarily limited to the following:

Market Risk: Risk associated with the price movement of the currency pair traded resulting primarily from a change in economic and/or political conditions.

Liquidity Risk: Risk resulting from decreased liquidity of a currency pair usually due to unanticipated changes in economic and/or political conditions. When liquidity decreases, the trader can expect, at the minimum, to have wider bid to ask spreads. Decreases in liquidity can also result in "Fast Market" conditions where the price of a currency pair moves sharply higher or lower or in a volatile up/down pattern without trading in an ordinary step-like fashion. Although there may be instances when the markets enters a "Fast Market" situation, it is important to note that under all circumstances, FXDirectDealer's prices, bid/ask spreads and liquidity will reflect prevailing interbank market conditions.

Excessive Leverage: FXDirectDealer gives the trader the ability to leverage the deposited funds by a 100:1 ratio (this is under normal market conditions and can be reduced or increased at FXDirectDealer's discretion). With this level of leverage, an investor has the potential to control a maximum margined position of up to \$1,000,000 with an account balance of just \$10,000.

Leverage works for the investor when the position is favorable, but can work against the investor in a losing position. As a result, it is possible that the amount of margin initially pledged against a trading position, can be completely depleted. In fact, it is possible for the margin to go negative.

In the event that this happens, FXDirectDealer protects itself and its clients by imposing margin requirements and rules. If an outstanding position results in a loss to a level that

is incongruent with the amount of margin deposited for that size of a position, a ""margin call"" will be made that will require the client to deposit additional funds. Doing so will allow the client to maintain the existing position. In the absence of a new margin deposit, or in the event that the position continues to deteriorate passed the Liquidation Margin Level, FXDirectDealer has the option to automatically liquidate the client's position. The client will be fully responsible for any resulting losses as a result of the liquidation.

Because excessive leverage has the potential to magnify losses, FXDirectDealer encourages it's clients to only use an amount of leverage that the client feels comfortable with. Furthermore, trading discipline and sound money management principles should always be used when trading. Stop Loss Orders along with careful monitoring of positions and orders are essential ingredients to making sound trading decisions. Having a plan, and following the plan through the disciplined use of Stop Loss Orders and market monitoring, is essential to becoming a successful trader.

Technology Risk: There are risks inherent with trading via any online internet trading application. Technology failure can manifest itself in many ways. The inability of a client to successfully dial into an Internet Service Provider (ISP) is a technology risk on par with a complete hardware or software failure. Both will prohibit electronic execution.

FXDirectDealer employs state of the art technology that allows scalability and advanced performance.

However, the possibility still exists for a system failure no matter the level of technology or safeguards employed. As a result, FXDirectDealer maintains a phone in service whereby clients can telephone a clerk who will execute the orders at the best available price. To make telephone orders as efficient as possible, FXDirectDealer requests that all clients use a standard dealing protocol (see examples of our standard dealing protocol by clicking [here](#)).

FXDirectDealer encourages it's clients to understand the risks associated with leverage, a lack of liquidity, and technology when trading foreign exchange, and to utilize disciplined money management practices including Stop Loss Orders. FXDirectDealer also requires all clients read, sign and understand the FXDirectDealer Risk Disclosure document before opening an account with FXDD.

Wa Alaikum As Salaam

We have spoken of this many times and I know your concern is genuine. Your personal experience makes you even more concerned. However, my situation is nothing like your husbands.

The "interest" (fee) is not applied to the money i put into my account. The fee is on all active trades. They are not yet MINES.. but flowing in the virtual market until I trade them elsewhere. When i take profit and put it into my account it builds equity like your home in a good area of town.

A "fee" is charged for holding on to 1000- 100,000 of THERE money. Just like when you go to another ATM machine that isnt apart of your bank. They charge you a ""service fee"" for going to there bank and in some cases you are hit twice because your bank might incur a ""fee"" on your for using another ATM as well.

FXCM did not collect money over and above what they let me hold.

Since this is a grey area at best you can avoid the ""fee"" by simply getting out of the trade by 5pm which I do in most cases.

This fee is also applied when you are not trading in the virtual market. It happens if you go to the bank or any money exchange when you try to buy Euros, Pound, or the Yen. In your case you went to Saudi so there currency is RA (riyaals) so if you ever go to the bank and trade USA for Riyaals they charge you a ""Fee"". You have just participated in the 4x market you just didn't do it online. Going to the bank or a exchange place is much higher than going online because interest rates (fee) isn't monitored and they basically rip you off. Which is why they advise you have the country you plan to visit currency before you get there so you won't get abused at the banks or exchanges with bogus fees.

A regular bank charges you a ""fee"" every month just for holding your money. All banks use your money to trade on various markets or the benefit of the bank not YOU. Unless you open up a money market account with them which will give you some benefit of there profitable trades. However, most of us here have a bank account even a free one the bank uses to invest for the benefit of the bank. If you get your check cashed at the liquor store you are charged a "fee". This fee might change from time to time because the market dictates the charge.

2. With all due respect I would have to disagree with this fatwa you posted. I am not a solid student on the Fiqh of transactions but I have studied it in relation to home buying and trading the 4x. So-called Shari'ah complaint mortgage companies right here in American don't even follow that rule. It's very impractical for certain contracts that require giving up large sums of money (company mergers, stock splits, pension realignments, revalued currency updates). We are also living in a time that has almost perfected art of ""buy, sell and demand because almost everything with value in the virtual and physical world flows around this concept. This time is nothing like the profits time and at the same time many things haven't changed. However, this is not the barter system there is a ""tax, fee, rate"" associated with almost everything and it's all another world for interest.

Whether U like it or not sister everything is some how connected to the 4x. When we get up to go to work everyday we effect it and if you get fired that effects it too. We all cause it to fall or rise for all sorts of reasons.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Aishah,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Forex trading has several problems, the least of them are the margin issue and the future currencies. Both are not permissible by the very text of the Sayings of the Prophet Muhammad, pbuh. There is no argument by any Muslim or among Muslims as to the meaning of these Sayings. If some one does not want to obey the Prophet, pbuh, it is a problem of the faith of the person, nothing less. The meaning of the Sayings is

crystal clear. Money for money must be with full payment and immediate delivery of both currencies.

The discussion on Islamic financing contracts is a bit long and needs to be sorted out. I suggest that our sister need to read more on Islamic finance, say the book of Shaikh Muhammad Taqi Osmani. As she educate herself on forex she should also educate herself on what is permissible in Shari'ah. It is not that Shari'ah wants to limit people but it wants to remove the pure speculation out of their dealings. Speculation itself is certainly not Haram. it is part of live but unnecessary excessive speculation become like gambling and it certainly certain forms of it are prohibited. For instance, the Prophet, pbuh, prohibited selling a thing you purchased before taking delivery of it; this is obviously a ruling in the direction of reducing speculation.

Your friend may like to attend some of the training courses that explain the structures of Islamic financing contracts.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Online Currency Trading

From: Islam on line

Sent: Tuesday, April 26, 2005

Name of Questioner Mohammed country of Residence Egypt

Question

Alsalamo 3alikom 1- A company will accept money from me and work with it and give me profit. There is no guarantee i.e.: there is risk involved and I must accept that risk. They work in online trading [forex, day trading...]. Is that Halal?, some one told me that if part of their trading is currency ex (forex) then it is Haram to give them my money but i can't find any reason to make this Haram? 2- I trade in gold and silver through a broker, it goes like that: I deposit \$100 for example I see international buy and sell price of gold on a live chart. I buy when i want (my money gets deducted the amount i bought with) then later when i find that the market is in better state and i'd make a profit of selling i sell and the money gets adde to my account) both deposit and withdrawal are instant. the broker only takes a fee when i buy gold throug them and got nothing to do with my profit or loss. Is that Halal Gazakom allaho khayran

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohammed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Trading of goods on the internet is permissible provided the goods you trade are permissible to own and to trade and provided the contracts through which trade is done are permissible.

You know that there are goods/stocks that are prohibited to trade such as porno products and stocks of companies that produce or distribute prohibited products.

Therefore, when you give your money to a person to trade on your behalf, you have to be sure that this person trade only permissible goods and by means of permissible contracts. Otherwise giving money to another person to trade on your behalf becomes not permissible if you know that this person may trade in prohibited ways or goods/stocks.

Trading currencies and gold and silver, including FOREX, may involve Riba (it rather involves Riba in most of the cases). Therefore the Prophet, pbuh, made additional restrictions on such trading in order to avoid Riba. In trading currencies, gold and silver delivery of both what you buy and what you sell must be done at the time of contract. This means that the full amount of the currency, gold and silver that you buy must appear in your account immediately and also the full price that you buy for must be deducted also immediately. This condition rules out two kind of transactions: 1) all future transactions because in futures you buy now gold or currency of future (say three month later) delivery, and; 2) margin trading (buy a contract whose price is say \$ 5000 and pay only \$250) whether the transaction is future or spot. This prohibition is given by the Prophet, pbuh, in a clear cut Saying reported buy both Bukhari and Muslim.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Working for a Currency Exchange company

From: Ahmed

Sent: Wednesday, April 13, 2005

Dear Sir,

Question

Assalam-o-Alaikum,

I work as a software developer in a company which provides money remittance services like Western Union. Our office is in Dubai, UAE. Now my company wants to enter into the money exchange business. I am confused about the permissibility of working with this company. Is the money exchange business Halal? In one of your answers to a brother you clearly stated that Forex Trading is NOT ALLOWED. What about currency exchange? Does the same apply to all currency exchange businesses?

I would really appreciate a prompt answer.

Barakallahu feekum,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Ahmed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If I said , or if I am understood to have said that All FOREX Trading is not permissible, that was wrong! Most FOREX Trading is not permissible in Shari'ah, this covers all margin and all future currency, gold and silver trading. Some of their agents give traders wrong info claiming that the company gives a zero interest loan above the margin so payment is made in full, this info is incorrect. The company does not give interest free loan to no body.

Currency trading is permissible if TWO CONDITIONS are satisfied together: 1) NO DELAY in debiting and crediting your accounts in the 2 traded currencies, i.e., debit and credit are effected at the time of contract; and 2) payment of the two traded currencies is done in full. These conditions are stated by the Prophet, pbuh, himself in a highly correct Saying reported by Bukhari and Muslim. Obviously this rules out any margin and future trading. Trading with delivery in full of both currencies at the time of the contract is permissible.

Your work in the IT department is not related to the purchase and sale of currencies. Therefore, even if the company allows other contracts (Non permissible) on its board, you are not going to make these contracts, are you? Then your Job itself remains on the permissibility side.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJCET: TRADING FOREX

From: Irshad

Sent: Tuesday, March 29, 2005

Question

Salam Allaykum

I know that you must be busy, Dr Kahf.

However, a lot of people are in my situation and inshallah we be guided to earn in Halal way, and if you can find some time to answer these questions, please do.

I do not understand what you meant in your response.

I would like to know whether trading forex

Also, is it permissible to make profit from the fluctuating prices of different currencies?

Thank you for your help.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Irshad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Trading forex spot with full payment is permissible. It is not gambling, it is rather what every trader does, buying goods and wait for a good price to sell. The only difference is: because we are dealing with currencies (that are normally very close to Riba transactions) this extra conditions are added by the Prophet, pbuh. that is full payment and spot only. This kind of transaction is offered in the market.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Irshad

IS it possible to profit from currency fluctuation with the only purpose being "to profit"? What I mean is that, can I trade currencies with the only intention being to attempt to profit from the fluctuating values of currencies?

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Irshad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I told you earlier, dear brother that profit from fluctuation in currency prices is permissible provided that when we deal in currencies we must deal only cash (spot or same moment instant transaction) and full debit and credit of the two currencies are done immediately. This can be done with all internet traders. But trading on margin is not permissible and trading futures is also not permissible. The Reason is the Authentic Hadith of the Prophet, pbuh. The Hadith does not prohibit currency trading and making profit but it does require immediate and full delivery of both exchanged currencies at the time of the contract.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is Forex Trading Halal?

From: Irshad

Sent: Wednesday, March 23, 2005

Question:

Assalaam Allaykum, Dr Kahf.

My name is Irshad. I came across your site and your articles as I was searching for the islamic response to forex trading as done by many online brokers nowadays. I hope that you do not mind me contacting you directly, as I need an answer to a question that I have not seen discussed elsewhere in this following way.

From your responses, it is clear to me that forex trading cannot be done if it is done on margin. Margin, as you have said yourself, is not even a loan, and even if it was a loan, it wouldn't make trading forex on margin permissible because of authentic Hadiths that say that currency cannot be exchanged on credit.

Now, I explained this to a broker and a specialist responded and told me that if I wanted, they could let me trade forex with them without any margin requirement. They said that I would then be able to trade only with whatever funds I have available.

Now, my question is, does this make forex trading permissible??

I am not too well versed with the ruling of ""work"" in Islam and am not sure whether trading forex only for the sake of profiting would be considered work or not and whether the profits would be Halal or not. I would consider forex trading as a business, as I would treat it as a business and not as gambling, as many other people do. But truth is, I would not be providing a service to others (although forex trading increases liquidity which is important to all well functioning markets) , and in fact, my intention is not to provide a service, but it is to profit. However, I do not know whether, by trading forex, there may be some service or benefit that I provide society, but as yet, I cannot see it.

Anyway, can you please explain to me if forex trading using only my own money and no loan/collateral is Halal or Haram?

If my explanations is not good, then please advise and I would be more than happy to re-explain as many times as necessary.

Thank you for your help and may Allah bless you for helping us understand His rulings.

Irshad

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Irshad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Trading forex spot with full payment is permissible. It is not gambling, it is rather what every trader does, buying goods and wait for a good price to sell. The only difference is: because we are dealing with currencies (that are normally very close to Riba transactions) this extra conditions are added by the Prophet, pbuh. that is full payment and spot only. This kind of transaction is offered in the market.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Irshad

Salaam Alekum, dr Kahf.

Thjank you for the reply.

Forex is not goods trading. Does this make a difference, since we only trade forex with the intention of profiting, through investment/trade ?

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Irshad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I know, brother, what is Forex. Yes, it is permissible to trade currencies with the conditions I mentioned. The conditions do not apply to forex though!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Irshad

Salam Allaykum
I know that you must be busy, Dr Kahf.
However, a lot of people are in my situation and InShaAllah we be guided to earn in halaal way, and if you can find some time to answer these questions, please do.
I do not understand what you meant in your response.
I would like to know whether trading FOREX with www.gftforex.com is permissible if there is no margin involved and where I trade with only whatever funds i have ??
Also, is it permissible to make profit from the fluctuating prices of different currencies

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Irshad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I told you earlier, dear brother, that profit from fluctuation in currency prices is permissible provided that when we deal in currencies we must deal only cash (spot or same moment instant transaction) and full debit and credit of the two currencies are done immediately. This can be done with all internet traders. But trading on margin is not permissible and trading futures is also not permissible. The Reason is the Authentic Hadith of the Prophet, pbuh. The Hadith does not prohibit currency trading and making profit but it does require immediate and full delivery of both exchanged currencies at the time of the contract.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: question on sale of jewelry

From: suriani

Sent: Monday, March 14, 2005

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

dear DR,

1) I want to ask about Riba. Common practice in Malaysia, most of the people buy gold jewelry and after that they want to TREAD-IN that jewelry may be because they want change to new model and the price is higher than the old one. I heard before this, TRADE-IN gold jewelry involves RIBA. Is it true DR?

- I heard also, to avoid RIBA, we need to sell first and need ijab and qabul. And the money that we received from the first sale, we can use to buy new one even though with the higher price. Is it true DR?

2) How about if sell Ribawi item that mix with others to change with Ribawi item.

Example: may be in Arabic

thanks DR

sincerely,

suriani

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Student Suriani,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Yes exchanging jewelry for other jewelry plus money not considering the weight only is Riba al Fadl. One MUST sell the jewelry for cash and buy with cash the new lowery.

2. Sale of jewelry for jewelry plus cash should be weight for weight plus cash price of the difference in weight at existing price at time of payment, with immediate delivery of all regardless of the cost of manufacturing; otherwise it is Riba al Fadl. Here again the transaction becomes permissible, with recognition of manufacturing ingredient, if old gold is sold for cash and new gold is bought for cash in the same sitting provided that delivery is done immediately for each sale. This is what is normally done by Muslim jewelers

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Riba in Jewelry exchange

From: suriani

Sent: Monday, March 14, 2005

Question

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

dear DR,

1) I want to ask about riba. common practise in malaysia, most of the people buy gold jewellery and after that they want to TREAD-IN that jewellery may be because they want change to new model and the price is higher than the old one. I heard before this, TREAD-IN gold jewellery involve RIBA. Is it true DR?

- I heard also, to avoid RIBA, we need to sell first and need ijab and qabul. and the money that we received from the first sale, we can use to buy new one even though with the higher price. Is it true DR?

2) how about if sell ribawi item that mix with others to change with ribawi item. example : may be in Arabic. Is it riba also DR?

sincerely,

suriani

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Student Suriani,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Yes exchanging jewelry for other jewelry plus money not considering the weight only is Riba al Fadl. One MUST sell the jewelry for cash and buy with cash the new lowery.

2. Sale of jewelry for jewelry plus cash should be weight for weight plus cash price of the difference in weight at existing price at time of payment, with immediate delivery of all regardless of the cost of manufacturing; otherwise it is Riba al Fadl. Here again the transaction becomes permissible, with recognition of manufacturing ingredient, if old gold is sold for cash and new gold is bought for cash in the same sitting provided that delivery is done immediately for each sale. This is what is normally done by Muslim jewelers

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Trading commodity, currencies

From: Moosa

Sent: Tuesday, February 08, 2005

Question

Assalamalaiku: Dr. Kahf

I would like to know why is it not permissible to trade in the commodities market (futures trading), and also currency trading (forex). I see it as buying goods at a given price, and hopefully selling it in the future for a profit. Is it not same at the retail level where you buy a product and then just sell it at profit.

Jazakullah

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Moosa,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
The Prophet, pbuh, prohibits trading currencies except with immediate delivery. In a correct statement, He mentioned that trading gold for silver must be "Yadan bi Yad," meaning give and take in the same sitting of the contract. Applying this principle on trading in the Exchanges or on the Internet means only when the full amount of both currencies is debited/credited to the accounts of a trader the transaction is permissible. Trading futures is essentially speculative. It is not meant to obtain the commodity and then sell it, it is rather meant to speculate on prices and pocket the price differentials only. This artificiality in it is what made the OIC Fiqh Academy resolve that it is not allowed in Shari'ah. On the other hand buying with future delivery is permissible and the Shari'ah call this contract Salam but requires for it certain conditions (to make it serious) that includes full payment of the price at the time of the contract, i.e., no margin transaction.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Moosa

Assalamalaikum Dr. Kahf
Jazakullah for your reply. However, I still don't understand what you mean by ""On the other hand buying with future delivery is permissible and the Shari'ah call this contract Salam but requires for it certain conditions (to make it serious) that includes full payment of the price at the time of the contract, i.e., no margin transaction.""
Can you please explain?
Jazakullah

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Moosa,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Salam is a sale contract that has forward delivery and cash payment. It applies mainly in agriculture where farmers need money for seeds and fertilizers. The main conditions of this contract are: full payment of price must be at the time of the contract; the two things that are exchanged must not be from among the items (in the same category) for them Riba al Fadl Apply (these are six items in two categories: category one gold and silver, i.e., currencies in our time, and the second category is wheat, barley, date and salt); the date and place must be specified; the sold item must be adequately and

objectively specified for kind and quality and must not be determined to be from the farm of the exchangers, etc.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Riba al Fadl and Sarf

From: Jeff

Sent: Monday, February 07, 2005

Dear Br. Monzer

Question

ASAWRWB. Thanks for your replies on the Riba revisions. I have the following questions regarding your responses.

1) Sorry for my ignorance, by what does mudaf mean in this context? (I'm still studying Arabic at the elementary level).

2) I understood from Br. Monzer's past comments (full email exchange is copied below into this message) that some of the Hadith attributing to the Prophet (pbuh) statements condemning as Riba the practices of bidding up prices in an auction and keeping participants out of a market were statements the Prophet made using the word "Riba" in its general language use only and not identifying these practices as "THE Riba" (used with the definite article "al") condemned in the Qur'an. As we know, Riba is not really defined in the Qur'an (although it is hinted at being interest on money lending or rescheduling loans). So if we look to Hadith for the definition of Riba, what I gather from your comments so far is that it falls into three classes: a) interest on money-lending (and loan rescheduling), which is Riba al-nasi'ah and is al-Riba prohibited in the Qur'an, b) currency abuse, which is prohibited in trustworthy Hadith of the Prophet and is called Riba al-fadl, and c) market abuse, which is prohibited in some Hadith in which the definite article is omitted and therefore this is a general kind of "Riba" not equivalent to the exact kind of Riba condemned in the Qur'an. My question is as follows: is the definite article used in the Hadith condemning type b) i.e., Riba al-fadl? If so, then why is it not considered to be a subset of the exact Riba condemned in the Qur'an? If not, then how is it distinguished over type c), i.e., why can't we include type c) as being Riba al-fadl as well? For reference, I've attached the comments from the prior email.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Jeff,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1- The mudaf business is simple. In Arabic we don't, usually use an article like "of" in a phrase 'the book of the child' we say it 'Kitab al Tifl' not 'al kitab al Tifl' this expression makes the book known as if you have al for it.

2- The other question is also simple: The Qur'an was revealed in the Hijaz area of the Arabia. People there have dealings and transactions known to them. The matter is not a presence of al or not. The matter is that the Qur'an refers to a known transaction for which the Qur'an used the al that indicates that it refers to a thing that is known to the listeners.

Arabs did not call chasing caravans before they reach town, untrue bidding up prices or selling on behalf of persons who are not present in the market Riba. These abuses have other names but not Riba. Riba that Arabs knew and practice was increments on rescheduling and giving loans (even some scholars argue that it was only rescheduling). When Fiqh started being elaborated, in the second century of Hijra, scholars started asking questions about definitions. Definitions were derived and documented from different sources including language sources, practices of tribes and traders, especially when reported from the time of revelation, statements of companions and of course The Qur'an and Hadith. This task also involves comparing and contrasting statements and Hadiths, etc.

The prophet, pbuh, has many Sayings that refer to the Riba in general, and in specific has, in several authentic Sayings, mentioned a transaction that Arabs did not give the name Riba but he repeatedly call Riba: the barter of four commodities (wheat, barley, date and salt) and exchanges of gold and silver. He prohibited any exchange of within each kind lone (even with different qualities) except if it is in equal quantities and with immediate delivery of both; he also prohibited any exchanges of gold for silver or any of the other four commodities for another except with immediate delivery. Hence, in theses Ahadith we have a Riba that includes a time span even at "fare" market price (e.g., the prohibition of gold for silver or dollar for euro with delay in delivery of one or both) and a Riba that has a no time span (e.g., the difference of weight in exchanging good wheat for bad wheat, good date for bad date or golden jewelry for gold bullion). These 2 kinds of Riba are known in the literature as Riba l Fadl.

Finally, please take another look at the changes I suggested in my changes to the revised write up you send on Jan 26 and you will notice that I tried to reflect these ideas in a non- confusing way. Also notice that the Prophet, pbuh, also used the word Riba with regard to prayers and hurting the integrity/reputation of fellow Muslims.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Jeff

In Rating and Reports: under what is Riba: delete 'or colluding to affect market prices.

I'd like to make at least a brief reference to Riba al-fadl, in order to be complete and accurate in defining Riba. My understanding from the Hadith and from our earlier discussions (and what we put into our rating criteria), is that Riba al-fadl is getting something for nothing in an immediate exchange, and that the examples in the hadith include artificially bidding up prices in an auction, preventing the Bedouins from

reaching the market square by going out to meet them and buying from them before they get there so they can't learn the market value of their goods, bartering good dates for bad dates, and exchanging in unequal quantities various commodities that in the time of the Prophet were used as currency. All of these things I would summarize as "market or currency abuse." Maybe I don't have this correct, but what do you think is the best way to include the concept of Riba al-fadl without distracting from our main concern, that of Riba an-nasi'a (as Riba al-fadl is generally now largely irrelevant or outlawed by anti-trust/anti-competition law).

Jeff

My Answer

The underlined part is not Riba al Fadl. These practices are also prohibited by other sayings. Without going into definitional difficulties Riba al fadl applies today to currencies only. Date for date and others are not practical today and the prohibition at the time of the Prophet, pbuh, may be for other reasons because differences in quality are recognized in another saying. Bidding up prices and selling outside the market (so to speak) may be mentioned under violation of standards of business practices but not under Riba al fadl. In currency (including gold and silver because they are named in the Hadith) both delay of payment of either currency and partial payment (margin) are considered Riba al fadl. This leaves only day non-margin trading and may be spot when day settlement is not practiced as the only permissible deals in currencies.

In other words, including other matters (colluding to affect market prices) under Riba al fadl is incorrect although these practices are prohibited on their own..

Monzer Kahf

From: Jeff

What about the Hadith: Anas ibn Malik reported that the Prophet (pbuh) said: "Deceiving an unknowing entrant into the market is Riba" (Suyuti, al-Jami' al-Saghir, under the word "ghabn"; Kanz al-'Ummal, Kitab al Buyu, al-Bab al-thani, al-fasi al-thani, on the authority of Sunan al-Bayhaqi). And,

Abdallah ibn Abi Awfa reported that the Prophet (pbuh) said, "One who serves as an agent to bid up the price in an auction is a cursed taker of Riba." (Cited by Ibn Hajar al-Asqalani in his commentary on al-Bukhari and Suyuti, al-Jami al-Saghir, under the word "al-najish" and Kanz al-'Ummal, op. cit., both on the authority of Tabarani's al-Kabir).

Jeff

My Answer

I don't know if these are weak Hadith or I am misunderstanding or misquoting them, but this is what I categorize as "market abuse."

There is no doubt that these actions, as mentioned in the two Hadiths, are prohibited, I don't need to question the authenticity of the reports because the prohibition of these acts is well known. Riba means in Arabic any increment, and there are increments in these practices.

The Prophet, pbuh, sometimes used the word Riba in its pure Arabic meaning as increment without meaning the exact meaning as referred to in the Qur'an. The Qur'an used the word in its already known meaning with the article al (=the) and the Prophet,

pbuh, used it in the same already known meaning in most of the times. But in these Sayings and in the Saying that means "the most devilish Riba is for one to indulge (in a bad sense) in the dignity of his brother" the word Riba is used in the language meaning only.

This is one of many reasons that when we deal with Sayings and Verses, we need to be cautious not to derive from them rulings unless one has taken all prerequisite studies that are necessary to qualify a person to do so.

Best Regards, Wassalam,

Sincerely,

Monzer Kahf

SUBJECT: Riba al Fadl and riba al Nasi'ah

From: Elisa

Sent: Thursday, January 27, 2005

To: monzer@kahf.com

Question:

assalam wa alaykum

Dear Dr.Kahf,

First I m pleased to be able to speak with You, my name is Elisa. I m an italian student at Bocconi university in Milan, and I m making a research about islamic finance to have my degree. i saw your fatawa on "islamonline.com", and i know You re one of the most competent scholar about this field. I cannot ask for a fatwa maybe, cause I m not muslim, but I m really convinced that the islamic one is a better financial system compared to the conventional one. Anyway there are two things in particular that are not clear for me, i wondered if you could kindly bring some light on it:

first some scholars say that Riba al-nasi'a is the increment related to the passing of time, in other terms it is the interest, some others believe that is just the ""waiting"" (al-nasi'a) and that interest should be identified with a combination of both Riba al-nasi'a e al-fadl. Which one do you think is the more compliant with the explanation the Prophet (saas) gave of Riba in the well known Ahadith "wheat for wheat....is Riba unless it is hand to hand and equal in amount"? And about the deferred payment, or purchase on credit, is there Riba or Gharar, or both?

Furthermore i would like to give to Your attention the following Ahadith:

Volume 3, Book 35, Number 454:

Narrated Al-A'mash:

We argued at Ibrahim's dwelling place about mortgaging in Salam. He said, "Aisha said, 'The Prophet bought some foodstuff from a Jew on credit and the payment was to be made by a definite period, and he mortgaged his iron armor to him.'"

Then, every time someone's payment is delayed there is gharar, so we should eliminate gharar by giving something as a guarantee of the payment. referring to this.. How could the purchase on credit "Halal", and above all when the price is higher than purchasing cash...do You think the Prophet (saas) would have paid more than the cash-price to have His foodstuff?

I hope You will understand my questions

Thank You anyway for Your attention

Best Regards,

Elisa

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sister Elisa,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

For the Hadith you quoted from book 35, please tell me which collection of Hadith you refer to so that I can check its Arabic origin. There is always a problem of translation. This is apparent in this Hadith from the word mortgaging. It means put a collateral, not mortgage the way it is used in today's language/transaction. But this Hadith began talking about Salam (Salam requires cash payment and delay of delivery) then it caught 'A'isha about credit and collateral. Sale on credit denotes sale for deferred payment, i.e., it creates a debt on the purchaser which may accommodate asking for a collateral. The issue of a collateral is independent from the issue of Gharar. A creditor may seek a collateral from the debtor regardless of the reason of the debt. Seeking a collateral may indicate the presence of a credit risk in the mind of the creditor because a collateral is a remedy (mitigation) for credit risk.

Credit and collateral should not be mixed with Gharar. Gharar is ambiguity in a contract. Gharar may relate to the object of the contract (the good or the price) or to some of its main conditions such as date of delivery or payment. When ambiguity relates to minor matters such as ""any time within three days"" the contract remains valid even with such ambiguity but when it is substantial, it may void a contract such as a fisherman selling the "catch of tomorrow." In brief sale on credit does not involve any Gharar unless the subject of sale or the date of payment is grossly indeterminate. Further, a sale contract may be for cash payment and immediate delivery, or either price or delivery may be deferred. These three types of contracting may have different prices and nothing, in Shari'ah, prevents them from having variant prices.

In other words, if the payment is deferred, the price may be higher than a contract with immediate payment and if the delivery is deferred and payment is cash the price may be lower. This is a matter of free contracting and people's (contractors') preferences. Islam does not deny variation in prices as a result of variation in date of payment or in date of delivery. In fact, the verses 2:275 and 2:283 are understood by many as an indication for recognizing a higher price if the contract stipulates deferred payment. Verse 2:275 does not deny certain similarity between Riba and sale although it answers that there are differences that necessitates making one permissible and the other prohibited; and Verse 283 speaks about documenting debts (notice that sale with deferred payment produces debts as compared with cash sale).

For the first issue, the discussion is long and may take us more than one email so please if you find any need for more explanation do not hesitate to raise the issue in your future emails. Al Riba that is mentioned in the Qur'an is mentioned with this "al" article that is a definitive article; it refers to a thing that was known and practiced. This al Riba

is an increment in a debt/loan. A loan always results in a debt but a debt may come from sale and other contract such as dissolving a partnership or distributing an estate. Hence, Riba that is prohibited in the Qur'an is a Riba in relation to giving loans and rescheduling debts. This is what we know as interest today.

The Hadith of the six items along with other related Sayings refer to another kind of Riba that occurs only in Bay' (exchange). Exchanging these six items, and their similar, may be with immediate payment and delivery or one of the two exchanged items may be postponed. Here is where the word Asia's comes from because it means postponement/delay. Postponement in handing over one of the exchanged items when the subject of the contract is one of the items mentioned in this Hadith and their similar is not permitted and called Riba al Nasi'ah. This is the meaning of "Yadan bi Yad" or "Ha'a bi Ha' " that is mentioned in this Hadith. (You should notice that there is postponement in giving loans and in rescheduling debts, i.e., in interest transaction. This is why the word Nasi'ah is sometimes used in relation to interest).

The Hadith also talks about another thing that is when you exchange quantities of the sale item such as gold for gold and date for date. In such an exchange quantities must be equal regardless of quality. This is Riba al Fadl. You should notice that quality is not denied because in another Saying the Prophet, pbuh, advised to sell the low quality for cash and buy the good quality for cash at a higher price. Of course, in this exchange if there is a delay in delivery or payment you would have both Riba al Fadl and Riba al Nasi'ah together.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Questions about FOREX

From: Khalid

Sent: Sunday, January 02, 2005

Question

Assalamu Alaikum,

Sorry to bother you again, but I have been browsing some websites and I'm trying to understand exactly what makes FOREX Haram. Is it because of the roll-over interest charges? I just found out that there are brokers that have a commission-based fee system where you pay a flat commission per transaction and do not incur any roll-over fees. Up to this point I have been withdrawing the interest paid to me and I donate it to charity without any reward as I do with my personal bank account.

May Allah reward you.

Khalid

From: Khalid

Sent: January 2, 2005 1:33 AM

Assalamu Alaikum Warahmatulahi Wabarakatuh,

Jazakum allahu khairan for your website – it is extremely informative!

From what I am reading from your website FOREX trading is HARAM. Up to this point I was not aware of this.

1) My question is since I have made some money in this market what shall I do with this money. Is it considered permissible for me to keep it or is it Haram?

2) If it is Haram then I have another question. I initially lost money in this market before I gained money. For example, if my initial investment was \$10,000 and it went down to \$5000 and currently I have \$40,000 – If the gained money is Haram I am assuming that I would only be required to give away \$30,000 and my initial investment of \$10,000 is ok for me to keep?

3) Currently, I invest money for non-Muslims and keep 25% of profits. If this money is also considered Haram?

4) Would it be permissible for me to be an ANALYST for the currency market? I.e., to give advice about how to make investments in currencies and to charge investors for this advice?

Jazakum Allahu Khairan for all of your help.

Khalid

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Khalid,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Trading currencies is very close to the issue of Riba that is prohibited in the Qur'an and the Sunnah. There is a form of Riba, that is mentioned clearly is an authentic Saying of the Prophet, pbuh, as reported by both Bukhari and Muslim in regard to currency trading. After he mentioned gold and silver (the two currencies of His time) he said that any transaction between them must be 'Yadan bi Yad' and in one other narration of the Saying 'Ha'a bi Ha' that means that delivery of both currencies must be immediate at the time of the contract. This excludes both future and margin. Consequently, currency trading is permissible if it is done with immediate delivery and non-permissible when it is done on margin or when any of the two currencies is delayed for any period of time.

You know that future differences in currency prices are very much based on the interest differentials. Margin spot in currencies is another form of Riba that is also prohibited in clear terms in Shari'ah based on this absolutely non-disputed Hadith.

Delivery today means credit and debt of the full amount of both currencies at the time of the contract.

Now I come to your other questions in the bottom of the email (that BTW I did not receive separately)

Profit made from non-margin spot forex is permissible.

Profit made from margin and future forex is a form of Riba that should be given away to Muslim charity

You take your principal (10,000 in your example) and need to make Twabah and Istighfar for the wrong trades you unknowingly made.

We are required to know the Shari'ah ruling on a transaction before we do it.

Getting a percentage of Haram transactions is certainly Haram while it is permissible to take a commission on fully paid spot trading of currencies, it doesn't matter whether the commission is a given amount or a percentage.

It seems to me that given theoretical advice is not Haram, even on currency futures and margin. The Prophet, pbuh, said that the Wrath of God is on the taker, giver, writer and two witnesses of Riba. Giving theoretical advice is not one of these four and I think there is no justification to expand on them. It is certainly related but not specifically prohibited.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: gold and silver coins sold through Network Marketing

From: Firoz

Sent: Saturday, January 01, 2005

Question

Aas-salamo-alaikum,

Thanks a lot Br. Monzer for your reply.

Hence, after reading your reply, as I have understood that as this Networking Company is selling Numismatic Gold & Silver Coin Products and since these Gold or Silver Coin products are not shipped at the same time AS THE CONTRACT from the factories that are located at different sites of the contracting offices, therefore according to Islamic Sharia the commission earned through such transactions (SALE OF GOLD AND/OR SILVER WITH NO IMMEDIATE DELIVERY) of this Networking Company should be declared as ""HARAM"" for a Muslim.

After reading my above interpretation of your reply, I hope, I have rightly interpreted your explanation.

I will be highly obliged if you kindly just reply in a nutshell as ""YES"" for ""HARAM"" and ""NO"" for ""HALAL"" to confirm it finally. Then I will forward this e-mail to all of my friends and colleagues about your confirmation which is of utmost importance to all of us, who, as a Muslim wants to endeavour a ""HALAL"" earning for ourselves and our families and save ourselves from the wrath of Allah and Hellfire in our permanent life Hereafter.

Thanks and best regards,

Firoz

My Answer

Dear Br. FIROZ

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

YES, please notice that I added a few clarifying words

Best Regards, Wassalam,

Sincerely,

Monzer Kahf

From: Firoz

Dear Sir,

Aas-salam-o-alaikum,

I am Firoz from Saudi Arabia. I have the following two queries related to the products sold through Network Marketing or Multi Level Marketing:-

1) Numismatic Coin Products having ""SCULPTED HEAD"" of a revered person of a Non-Islamic religious faith:- Such type of products (like Mother Teresa Coin) being sold by a Network Marketing Company or Multi-Level Marketing Company and if a non-Muslim make a purchase due to his own religious belief (Intention or ""NIYAH"") under a Muslim person who is a Net worker of this Network Marketing Company and this Muslim Net worker being the ""UPLINE"" of this non-Muslim purchaser receives the commission for that sale. Then will this COMMISSION will be ""HALAL"" for this Muslim Net worker working with this Network Marketing Company? The reason for this doubt or the of question of Halal arises with this transaction is due to the Islamic belief that as a Muslim, one should not keep or promote the sale of any sort of ""COMMEMORATIVE PICTURE"" of any dead person that leads to "IDOLATORY" or "IDOL WORSHIP" because this Muslim Net worker is not aware of the Intention or ""NIYAH"" of that non-Muslim purchaser under his "DOWNLINE" of this Network Marketing Company.

2) Being a Muslim receiving commission from a Network Marketing Company due to the sales in his ""DOWNLINE"" of his Network Chain of this company and at the same time he has no authority or control on the policy of launching of Halal or Haram products of that particular company. Under such circumstances, say this company launches a product which is Haram for a Muslim. Then will this commission coming from the sale of a Haram product in his ""DOWNLINE"" of this company can be acceptable for this Muslim Net worker of this particular company?

Secondly, as a Muslim, should he continue to work as a Net worker of such a company where he does not have any provision to prevent his "DOWNLINE" from purchasing such Haram products because he will not be able to filter the sale of Haram products from the Halal ones?

I would be highly obliged if you kindly reply on this issue. Because like me, lot of Muslim brothers are eagerly waiting to know your opinion on such critical issues.

Thanks and best regards,

Firoz

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br. Firoz,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. I don't think a coin that has a head of mother Teresa or a king or an important person to the issuer is Haram. Such coins and currencies existed all the time, and most paper currencies today have such pictures. Such kind of pictures, including those that

are crafted on metal coins are normally heads only and are not prohibited to use as coins or similar.

2. The issue of selling gold and silver coins on Internet networking is different. When we sell gold, silver and currencies there must be immediate delivery at the time of contract. This may be done by debit and credit records, if you have an account with the broker, when you deal with deposits' accounts, but when you deal with coins such records are not sufficient and actual delivery of the coins must be at the time of the contract. This is not done on internet sale unless coins are shipped at the same time (what I know is that such coins are ordered for shipping from factories that are located at different sites of the contracting offices. If the metal of coins is not gold or silver, it is permissible to delay delivery.

3. The Prophet, pbuh, informed us that Whatever God prohibited, He also prohibited its price. This means that the commission arising from the sale of a Haram thing is also prohibited because it is a part of the sale price. Accordingly, commission to upper line points of sale is not permitted.

4. If the company you work with has too many prohibited products may be changing company or quitting is the only solution because being a part of the sale process of such a company is not a job of a Muslim; but if such items are a very small minority of the company's sales, one may stay with this company but one has to give for Muslim charity the amount of commissions one estimates as resulting from such Haram items.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Zakah and Sarf

From: Ahmed

Sent: Tuesday, October 04, 2005

Question

Bismil Allah al Rahman al Rahim

Dear Scholar AoA and Ramadaz Mubarak.

I would like to have your opinion regarding following:

1- Zakat on branded Gold. The price of branded women gold sets is far more than simple per gram gold rate. In this case how one would calculate zakat? Per gram of gold or the original price of that branded set? Often those set do contain precious stones mixed in the design.

2- Investing money in buying foreign currency say \$ and selling it when its price goes higher as compared to local currency due to forex exchange rates in local market; is it ok or Halal to do this kind of transaction?. Income is not fixed and it could be both profit and loss.

Thanks for your time

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Ahmed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1) For women personal use, the precious stones and craftsmanship are exempt from Zakah, what is subject to Zakah is only the gold part of jewelry if it exceeds the Nisab according to the Hanafi school. Weigh the gold only and pay the equivalent in local currency of the amount of Zakah as due in gold.

2) It is permissible to invest money in such a trade provided that when you buy and sell you must get the full amount of both currencies at the time of the contract. This rules out margin and future transactions of Forex. This condition is mentioned in an authentic Hadith of the Prophet, pbuh, that is reported by both Bukhari and Muslim.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Ribawi transactions or not?

From: Waheed

Sent: Monday, September 12, 2005

Question

Assalam O Alaikum Dr Kahf,

I had earlier mailed you a few questions that I was trying to clarify. I think that for some reason that email might not have reached you. Therefore, I am sending those questions again. Jazak Allah for your time and help.

I had a couple of questions regarding the validity of a few transactions as to whether they involve Riba or Gharar or not? Please reply to them at your convenience.

1 - (a) Although living in US, I am originally from Pakistan. Recently I made a purchase from Pakistan in PKR using my US credit card. When my statement for the credit card came, there were two items in it for that purchase. One was that they converted the PKR using a certain exchange rate and charged me about \$20 and the second that they charged me a one time International Transaction Fee @ 0.1% of transaction i.e. \$0.20. My idea is that since that international transaction fee is proportional to the amount of transaction and not a fixed amount, this would make it a Ribawi transaction (as I recall reading something like that). Please explain.

1 - (b) Also, even if there was no international transaction fee, would the fact that I did not know the exchange rate that the company would charge me make the transaction forbidden because of Gharar?

2 - Sometimes I send money to Pakistan using a branch of national bank. The bank gives me an exchange rate that would be charged to me and although that rate is less than the market rate, I know the rate before I complete the transaction. The bank in return,

charges me \$5 if my transaction is less than \$300 or nothing if it is more than \$300. Please comment on the validity of the transaction.

3 - In Pakistan, it is quite a common practice for agricultural land owners to ask someone else to do the farming and in return the owner gets to ask for some money which is decided before hand based on the amount of land and the time for which the owner gives that land to the other person. Other than this money, the owner gets no share in what the other person gets out of the land (whether the other person is in loss or profit). I am not sure if this is the kind of transaction that is allowed in Islam or not. Some people say that it is just leasing of the land and so nothing is wrong in it. While others maintain that among other factors there is a hadith of Prophet (SAW) that forbids this kind of thing. Please explain.

Jazak Allah for your help in helping a lot of people understand their deen. Wassalam,
Waheed

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Waheed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I am definite that I did not receive your previous mailer. It happened with me in the past that I lost some mail due to stoppage at the server, sorry for that.

1) The fees of exchanging currencies is permissible, it is not Riba. The same also applies to the percentage additional fee for the transfer. Proportionality or not is not a factor in defining what is Riba. Riba, in regard to finance, is simply and only, an increment in the amount of a loan or debt because of the time factor, regardless of whether it is fix proportional or variable.

2) In credit card transfers, you are in fact informed that you will be charged the highest rate of the day of transaction, and perhaps now the minute of it. Hence, when you make a foreign use of a credit card, you are giving agency to the credit card to select the rate according to the terms of the agreement that you are informed about. This agency takes the issue of Gharar away, the rate has become known to your agent because remember, a credit card contract is not an exchange contract especially when you get the card (the service) free. There is no Gharar. Besides there is no Gharar in small things, the issue of Gharar arises only when it is big or substantial!

3) An international transfer usually consists of exchanging currency and then paying fees for its transfer abroad, or sending it as it is in foreign currency abroad for a fee and then exchanging it in the recipient country. Both are permissible In Shari'ah.

4) I am aware of the Hadith that is reported by Rafi' Bin Khadij, one of the youngest companions of the Prophet, pbuh. But I am also aware that all schools of Fiqh approves of renting a land for agriculture, exactly in contradiction of the Hadith. I studied the issue some thirty five years ago, and took it completely out of my mind. I knew the argument against this Hadith as, although it is correct from the point of view of narration, all schools of Fiqh do not accept it as it contradicts many other sayings and principles of Shari'ah that permit renting of land for farming. Many scholars accuse the

language of the Hadith of being general and say it is explained by another narration of the same Hadith that restrict the prohibition to the case when the rent is part of its crops. In other words, they argue that renting for cash is permissible, so is renting when the rent is in kind provided it is restricted to be a part of the products (like a hundred bushels of wheat grown on this land). In brief, renting land is permissible according to the four schools of Fiqh.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Does This Practice Fall Under Riba?

From: Yusoph through Islam on Line

Sent: Monday, September 12, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh, May Allah bless all Muslims. 1) My wife is selling gold in some Hospitals and clinics. If customers pay cash they will pay lesser than if they pay on credit. Does this practice fall under riba. 2) Every Ramadan, I used to pay Zakat for my Cash Savings and send to my Mother in my Country to distribute it to the poor. I have 2 cousins with families without permanent source of income (only relying upon their parents) is it lawful to give them my Zakat? 3) Is lawful in Islam to undergo operations in order to enhance private parts (Penis) which is considerably small size (approximately 4 inches)

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Yusoph,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Please address your third question to a specialist, my specialty is finance and economics.

1) Any time difference in delivery of cash or gold when you sell gold is Riba. The Prophet, pbuh, in an authentic Hadith said that such exchange must be "Ha'a bi Ha' " and "yadan bi Yad" that mean that the whole price must be paid at the time of contract and delivery of the gold sold must also be at the same time. Any time discrepancy, even if it were more profitable, introduces a Riba element. In fact the time differential between the two prices is the Riba.

2) It is permissible to give your Zakah to your poor cousins, if they are really poor. This is in fact is more rewarding because it adds kindness to kin relatives as the Prophet, pbuh, indicated.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

SUBJECT: Trading an old car for a new one, is it Haram?

From: Islam on line

Sent: Monday, June 13, 2005

Name of Questioner Mohamed country of Residence Egypt

Question

Asslamu Alykom, can I trade my old car for a new one and pay the difference

Notes

The is a Hadith regarding Belal trading a bad quality date for a good brand and the prophet disagree and consider this as Riba

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br.Mohamed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Exchanging an old car for an other car plus a difference paid in cash or on installments is permissible. This is not Riba.

The Prophet, pbuh, prohibits the exchange, with difference, of certain items and called it Riba. This is known in the Fiqh writings as Riba al Fadl. In addition to gold and silver that were the money of his time, the Prophet, pbuh, mentioned four items: wheat, barley, date and salt. These are normally standardized commodities that were uses as quasi-money in the Arabia at his time. Please notice that they do not cover the kinds of things that are specific like horses, houses, saddles, mirrors, swords, clothes, etc.

Fuqaha have provided several explanations, and therefore, different ways of analogy, to these four items. Some Fuqaha argued that what is common in them is that they are food and dry items. Others argued that they are all storable food items. I argue that what is common in them is that they are quasi-money items. These are items that have several similarities to money. They have active markets, they are in demand by all, they can be a store of value and sometimes they are used as a medium of exchange exactly like money. This is also why they are put side by side with money in the Prophet's Saying and given similar treatment as gold and silver.

Consequently, all items that serve as money or quasi-money should be treated according to the Saying of the Prophet that sets the rule of Riba al Fadl: exchange of quantities of the same item must fulfill 2 conditions: same quantity and immediate delivery; and exchange of one item for another: one condition that is immediate delivery.

Exchanging of cars, animals, buildings and the like that are specific is not covered by the conditions of Riba al Fadl.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Trading an old car for a new one, is it Riba?

From: Mohamed through Islam on Line

Sent: Monday, June 13, 2005

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

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Notes: There is a hadith regarding Belal trading a bad quality date for a good brand and the prophet disagree and consider this as Riba

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Fuqaha have provided several explanations, and therefore, different ways of analogy, to these four items. Some Fuqaha argued that what is common in them is that they are food and dry items, others argued that they are all storable food items, I argue that what is common in them is that they are quasi-money items. These are items that have several similarities to money. they have active markets, they are in demand by all, they can be a store of value and sometimes they are used as a medium of exchange exactly like money. This is also why they are put side by side with money in the Prophet's Saying and given similar treatment as gold and silver.

Consequently, all items that serve as money or quasi-money should be treated according to the Saying of the Prophet that sets the rule of Riba al Fadl: exchange of quantities of the same item must fulfill 2 conditions: same quantity and immediate delivery; and exchange of one item for another: one condition that is immediate delivery.

Exchanging of cars, animals, buildings and the like that are specific is not covered by the conditions of Riba al Fadl.

Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: question on trading currency

From: Aishah

Sent: Saturday, May 21, 2005

Question

Assalamu Alaikum,

Dear Dr. Monzer,

Insha'Allah this message finds you in the best of health and emaan. Amin.

I learned about you when I was doing some research recently. Below I have inserted text of a "conversation" carried out on a message board between myself and a sister that I have known for about 2-years. She is dear to me in my heart. Al-hamdulillah.

Well, she posted this trading statement (inserted below), and it just sent me to worrying about her...and that's how I found you.

I have inserted the conversation below and separated the comments with a ===== line.

I am sure you are terribly busy...but if you have time to review this and perhaps offer any comment...I would be so very appreciative.

The whole trading issue is something that weighs on my mind as my former husband is caught up in it...and to his detriment...I just hate to see people being led down such a steep path of destruction... Best regards. Ma'Salaama,

Aishah

Assalamu Alaikum wa Rahmatuallahi wa Barakatuhu.

Habibti...mmm...I'm just a little curious about the interest.

You deposit cash into an account that the trading company holds for you.

You spend the month in a profit-and-loss-cycle at the end of which you receive a report indicating the result of a month's transactions.

And the company charges interest on your money (thus the deduction of the \$88.60)???

The straight cash-for-cash trading is not what I have a problem with...but the company holding your money is charging you interest...how can this be islamically justifiable and remain within the parameters of "Halal" vs. "Haram" - it is my understanding that both paying and/or receiving interest is strictly prohibited.

I want to thank you for posting your statement; because it showed me an aspect of this form of trading that had previously been withheld from me in conversations I had in the past, with someone striving diligently to convince me that this activity was an acceptable means to an end.

I know you are not depending on this as the primary source of your income, Habibti, but it is a dangerous game...one which puts you at greater risk of loss beyond what is monetary; and I only write this out of concern.

You see...I knew a man who was introduced to trading approximately 6-years ago.

Let me itemize his losses in those 6-years.

He lost his job. He lost his wife. He lost his children. He lost his home. He was given a second chance. He got married again. But he continued trading. He lost his car. He lost his money.

He was evicted from his home. He was forced into a position of dependency upon the earnings of his wife. He was forced to seek employment outside of the country.

He lost his residency status in the U.S. 2-years short of being able to apply for citizenship because he had to go outside of the country to find employment; putting his citizenship status back at square one. He returned to the U.S. after a year only to resume trading. He lost his wife.

And to top it all off...there is now a woman who claims to be Muslim is falsely accusing him of something that will absolutely obliterate any possibility of his gaining lawful employment in the U.S. ever again (in the medical profession)...and she is doing this through a divorce action from her own husband in order to gain interest money earned on a house whereby she thinks she will gain \$100,000. Astifergullah Al-Azeem.

Nothing causes me more pain than conveying this to you; as you know...the man I have referred to was my husband.

What remains in the end is the power of the Almighty Allah subhanaahu wa ta'ala...when we ignore the truth...we pay a mighty price.

I just don't want you to suffer any greater losses than those that you have already lost monetarily, or spiritually... I love you for the sake of Allah subhanaahu wa ta'ala...that's all I know.

, Aishah

My Answer

Riba

The Arabic word for "Usury". Usury is explicitly and clearly prohibited as a major sin in the Quran, as well as The Prophet's Traditions Sunnah. Most modern scholars agree that fixed rate interest from financial institutions (e.g. banks, brokerage houses, ...etc.) is the same as Usury, and is thus not permissible for a Muslim to neither give nor receive interest. (<http://muslim-investor.com/>)

There are two forms of Riba: The most common one is defined as "any contractual increment in a loan." This means that interest of banks is certainly and clearly Riba.

The second kind of Riba comes from certain sales contracts. It may appear especially in a currency exchange contract. This Riba includes any time difference in the delivery of exchanged currencies and any differential in the amount when you change different bills of the same currency (like one hundred dollar bill for 99 bills of the one dollar, the difference of 1 is Riba). The prohibition of this kind of Riba came in the correct sayings of the Prophet, pbuh. Dr. Monzer Kahf, Expert, ASSOCIATED WITH the Organization of Islamic Conference ("OIC") (the highest and most respected Fiqh body in the world.), and the Islamic Fiqh Academy. (Linked for reference in second response.)

The Prophet, pbuh, said that the wrath of God is on the person who takes Riba, one who gives it and the person who writes its contract. The Prophet also classified dealing with Riba as morally and religiously worse than adultery. Banks' interest is plain Riba, no

more, no less, because the transaction is a lending transaction and there is an increment. Although the matter is so clear from the definition of Riba, the Fiqh Academy of the Organization of Islamic Conference discussed this issue in one of its meetings and resolved that: "Banking interest is the same as the Riba that is made prohibited in the Qur'an." (Resolution No. 10 (10/2) dated December 28, 1985.)

Those who devour usury will not stand except as stands one whom the Evil One by his touch hath driven to madness. That is because they say: "Trade is like usury," but Allah hath permitted trade and forbidden usury. Those who after receiving direction from their Lord, desist, shall be pardoned for the past; their case is for Allah (to judge); but those who repeat (the offence) are Companions of the Fire; they will abide therein (forever). (Al-Baqarah 2:275)

Allah will deprive usury of all blessing, but will give increase for deeds of charity; for He loveth not creatures ungrateful and wicked. (Al-Baqarah 2:276)

O ye who believe! Fear Allah, and give up what remains of your demand for usury, if ye are indeed believers. (Al-Baqarah 2:278)

O ye who believe! devour not Usury, doubled and multiplied; but fear Allah; that ye may (really) prosper. (Al-i-'Imran 3:130)

That they took usury, though they were forbidden; and that they devoured men's substance wrongfully; We have prepared for those among them who reject Faith a grievous punishment. (An-Nisaa 4:161)

As Further Described in the Qur'an and Sunnah

SOURCE OF THE INTEREST:

"For trade positions open at 5PM EST there is a daily roll-over interest rate a trader either pays or earns, depending on your established margin and position in the market. If you do not want to earn or pay interest on your positions, simply make sure it/they are closed before 5PM, the established end of the market day."" (FXCM)

IS TRADING ONLINE WITH AN INVESTMENT OF SAY, \$5,000 USD, ON A TEMPORARY PLAYING MARGIN (WHICH CAN BE \$50,000 USD), BUT NO ACTUAL PAYMENT OF THE MARGIN IS DONE, IS THIS ACCEPTABLE PER FiqH OR NOT?

My Answer.

The Prophet (pbuh) said about Sarf that it must be HA'BI HA' or HADAN' BI YAD. It literally means, ""give or take"" or ""hand to hand"". Hence in Sarf it is always required that delivery of both currency must be full, in cash, at the time of the contract, otherwise the transaction becomes known as Riba-based. FOREX ON MARGIN AND FOREX FUTURES ARE ALL NOT PERMITTED UNDER SHARI'AH. - FROM DR. MONZER KAHF

MARGIN TRADING:

All trading involves a level of risk. Foreign Exchange trading is certainly not the exception.

That is why FXDirectDealer believes all of our clients, should individually analyze their financial objectives, financial status, investment constraints and tax situation to determine whether this type of trading is suitable. In addition, we encourage our clients to educate themselves to the potential risks they may encounter while trading margined foreign exchange with FXDirectDealer, and look for ways to control those risks so the rewards can be achieved.

Risks associated with trading margined foreign exchange include, but are not necessarily limited to the following:

Market Risk: Risk associated with the price movement of the currency pair traded resulting primarily from a change in economic and/or political conditions.

Liquidity Risk: Risk resulting from decreased liquidity of a currency pair usually due to unanticipated changes in economic and/or political conditions. When liquidity decreases, the trader can expect, at the minimum, to have wider bid to ask spreads. Decreases in liquidity can also result in "Fast Market" conditions where the price of a currency pair moves sharply higher or lower or in a volatile up/down pattern without trading in an ordinary step-like fashion. Although there may be instances when the markets enters a "Fast Market" situation, it is important to note that under all circumstances, FXDirectDealer's prices, bid/ask spreads and liquidity will reflect prevailing interbank market conditions.

Excessive Leverage: FXDirectDealer gives the trader the ability to leverage the deposited funds by a 100:1 ratio (this is under normal market conditions and can be reduced or increased at FXDirectDealer's discretion). With this level of leverage, an investor has the potential to control a maximum margined position of up to \$1,000,000 with an account balance of just \$10,000.

Leverage works for the investor when the position is favorable, but can work against the investor in a losing position. As a result, it is possible that the amount of margin initially pledged against a trading position, can be completely depleted. In fact, it is possible for the margin to go negative.

In the event that this happens, FXDirectDealer protects itself and its clients by imposing margin requirements and rules. If an outstanding position results in a loss to a level that is incongruent with the amount of margin deposited for that size of a position, a "margin call" will be made that will require the client to deposit additional funds. Doing so will allow the client to maintain the existing position. In the absence of a new margin deposit, or in the event that the position continues to deteriorate passed the Liquidation Margin Level, FXDirectDealer has the option to automatically liquidate the client's position. The client will be fully responsible for any resulting losses as a result of the liquidation.

Because excessive leverage has the potential to magnify losses, FXDirectDealer encourages it's clients to only use an amount of leverage that the client feels comfortable with. Furthermore, trading discipline and sound money management principles should always be used when trading. Stop Loss Orders along with careful monitoring of positions and orders are essential ingredients to making sound trading decisions. Having a plan, and following the plan through the disciplined use of Stop Loss Orders and market monitoring, is essential to becoming a successful trader.

Technology Risk: There are risks inherent with trading via any online internet trading application. Technology failure can manifest itself in many ways. The inability of a client to successfully dial into an Internet Service Provider (ISP) is a technology risk on par with a complete hardware or software failure. Both will prohibit electronic execution.

FXDirectDealer employs state of the art technology that allows scalability and advanced performance.

However, the possibility still exists for a system failure no matter the level of technology or safeguards employed. As a result, FXDirectDealer maintains a phone in service whereby clients can telephone a clerk who will execute the orders at the best available price. To make telephone orders as efficient as possible, FXDirectDealer requests that all clients use a standard dealing protocol (see examples of our standard dealing protocol by clicking [here](#)).

FXDirectDealer encourages its clients to understand the risks associated with leverage, a lack of liquidity, and technology when trading foreign exchange, and to utilize disciplined money management practices including Stop Loss Orders. FXDirectDealer also requires all clients read, sign and understand the FXDirectDealer Risk Disclosure document before opening an account with FXDD.

Wa Alaikum As Salaam

We have spoken of this many times and I know your concern is genuine. Your personal experience makes you even more concerned. However, my situation is nothing like your husbands.

The "interest" (fee) is not applied to the money i put into my account. The fee is on all active trades. They are not yet MINES.. but flowing in the virtual market until I trade them elsewhere. When i take profit and put it into my account it builds equity like your home in a good area of town.

A "fee" is charged for holding on to 1000- 100,000 of THERE money. Just like when you go to another ATM machine that isnt apart of your bank. They charge you a ""service fee"" for going to there bank and in some cases you are hit twice because your bank might incur a ""fee"" on your for using another ATM as well.

FXCM did not collect money over and above what they let me hold.

Since this is a grey area at best you can avoid the ""fee"" by simply getting out of the trade by 5pm which I do in most cases.

This fee is also applied when you are not trading in the virtual market. It happens if you go to the bank or any money exchange when you try to buy Euros, Pound, or the Yen. In your case you went to saudi so there currency is RA (riyaals) so if you ever go to the bank and trade USA for Riyaals they charge you a ""Fee"". You have just participated in the 4x market you just didn't do it online. Going to the bank or a exchange place is much higher than going online because interest rates (fee) isn't monitored and they basically rip you off. Which is why they advise you have the country you plan to visit currency before you get there so you won't get abused at the banks or exchanges with bogus fees.

A regular bank charges you a ""fee"" every month just for holding your money. All banks use your money to trade on various markets or the benefit of the bank not YOU. Unless you open up a money market account with them which will give you some benefit of there profitable trades. However, most of us here have a bank account even a free one the bank uses to invest for the benefit of the bank. If you get your check cashed at the liquor store you are charged a "fee". This fee might change from time to time because the market dictates the charge.

2. With all due respect I would have to disagree with this fatwa you posted. I am not a solid student on the Fiqh of transactions but I have studied it in relation to home buying

and trading the 4x. So-called Shari'ah complaint mortgage companies right here in American don't even follow that rule. It's very impractical for certain contracts that require giving up large sums of money (company mergers, stock splits, pension realignments, revalued currency updates). We are also living in a time that has almost perfected art of ""buy, sell and demand because almost everything with value in the virtual and physical world flows around this concept. This time is nothing like the profits time and at the same time many things haven't changed. However, this is not the barter system there is a ""tax, fee, rate"" associated with almost everything and it's all another world for interest.

Whether U like it or not sister everything is some how connected to the 4x. When we get up to go to work everyday we effect it and if you get fired that effects it too. We all cause it to fall or rise for all sorts of reasons.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Aishah,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Forex trading has several problems, the least of them are the margin issue and the future currencies. Both are not permissible by the very text of the Sayings of the Prophet Muhammad, pbuh. There is no argument by any Muslim or among Muslims as to the meaning of these Sayings. If some one does not want to obey the Prophet, pbuh, it is a problem of the faith of the person, nothing less. The meaning of the Sayings is crystal clear. Money for money must be with full payment and immediate delivery of both currencies.

The discussion on Islamic financing contracts is a bit long and needs to be sorted out. I suggest that our sister need to read more on Islamic finance, say the book of Shaikh Muhammad Taqi Osmani. As she educate herself on forex she should also educate herself on what is permissible in Shari'ah. It is not that Shari'ah wants to limit people but it wants to remove the pure speculation out of their dealings. Speculation itself is certainly not Haram. it is part of live but unnecessary excessive speculation become like gambling and it certainly certain forms of it are prohibited. For instance, the Prophet, pbuh, prohibited selling a thing you purchased before taking delivery of it; this is obviously a ruling in the direction of reducing speculation.

Your friend may like to attend some of the training courses that explain the structures of Islamic financing contracts.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Online Currency Trading

From: Islam on line

Sent: Tuesday, April 26, 2005

Name of Questioner Mohammed

country of Residence Egypt

Question

Alsalamo 3alikom 1- A company will accept money from me and work with it and give me profit. There is no guarantee i.e.: there is risk involved and I must accept that risk. They work in online trading [forex, day trading...]. Is that Halal?, some one told me that if part of their trading is currency ex (forex) then it is Haram to give them my money but i can't find any reason to make this Haram? 2- I trade in gold and silver through a broker, it goes like that: I deposite \$100 for example I see international buy and sell price of gold on a live chart. I buy when i want (my money gets deducted the amount i bought with) then later when i find that the market is in better state and i'd make a profit of selling i sell and the money gets adde to my account) both deposite and withdrawal are instant. the broker only takes a fee when i buy gold throug them and got nothing to do with my profit or loss. Is that Halal Gazakom allaho khayran

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohammed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Trading of goods on the internet is permissible provided the goods you trade are permissible to own and to trade and provided the contracts through which trade is done are permissible.

You know that there are goods/stocks that are prohibited to trade such as porno products and stocks of companies that produce or distribute prohibited products.

Therefore, when you give your money to a person to trade on your behalf, you have to be sure that this person trade only permissible goods and by means of permissible contracts. Otherwise giving money to another person to trade on your behalf becomes not permissible if you know that this person may trade in prohibited ways or goods/stocks.

Trading currencies and gold and silver, including FOREX, may involve Riba (it rather involves Riba in most of the cases). Therefore the Prophet, pbuh, made additional restrictions on such trading in order to avoid Riba. In trading currencies, gold and silver delivery of both what you buy and what you sell must be done at the time of contract. This means that the full amount of the currency, gold and silver that you buy must appear in your account immediately and also the full price that you buy for must be deducted also immediately. This condition rules out two kind of transactions: 1) all future transactions because in futures you buy now gold or currency of future (say three month later) delivery, and; 2) margin trading (buy a contract whose price is say \$ 5000 and pay only \$250) whether the transaction is future or spot. This prohibition is given by the Prophet, pbuh, in a clear cut Saying reported buy both Bukhari and Muslim.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Working for a Currency Exchange company

From: Ahmed

Sent: Wednesday, April 13, 2005

Dear Sir,

Question

Assalam-o-Alaikum,

I work as a software developer in a company which provides money remittance services like Western Union. Our office is in Dubai, UAE. Now my company wants to enter into the money exchange business. I am confused about the permissibility of working with this company. Is the money exchange business Halal? In one of your answers to a brother you clearly stated that Forex Trading is NOT ALLOWED. What about currency exchange? Does the same apply to all currency exchange businesses?

I would really appreciate a prompt answer.

Barakallahu feekum,

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ahmed,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

If I said , or if I am understood to have said that All FOREX Trading is not permissible, that was wrong! Most FOREX Trading is not permissible in Shari'ah, this covers all margin and all future currency, gold and silver trading. Some of their agents give traders wrong info claiming that the company gives a zero interest loan above the margin so payment is made in full, this info is incorrect. The company does not give interest free loan to no body.

Currency trading is permissible if TWO CONDITIONS are satisfied together: 1) NO DELAY in debiting and crediting your accounts in the 2 traded currencies, i.e., debit and credit are effected at the time of contract; and 2) payment of the two traded currencies is done in full. These conditions are stated by the Prophet, pbuh, himself in a highly correct Saying reported by Bukhari and Muslim. Obviously this rules out any margin and future trading. Trading with delivery in full of both currencies at the time of the contract is permissible.

Your work in the IT department is not related to the purchase and sale of currencies. Therefore, even if the company allows other contracts (Non permissible) on its board, you are not going to make these contracts, are you? Then your Job itself remains on the permissibility side.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,
Dr. Monzer Kahf

SUBJECT: TRADING FOREX

From: Irshad

Sent: Tuesday, March 29, 2005

Question

Salam Allaykum

I know that you must be busy, Dr Kahf.

However, a lot of people are in my situation and inshallah we be guided to earn in Halal way, and if you can find some time to answer these questions, please do.

I do not understand what you meant in your response.

I would like to know whether trading forex

Also, is it permissible to make profit from the fluctuating prices of different currencies?

Thank you for your help.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Irshad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Trading forex spot with full payment is permissible. It is not gambling, it is rather what every trader does, buying goods and wait for a good price to sell. The only difference is: because we are dealing with currencies (that are normally very close to Riba transactions) this extra conditions are added by the Prophet, pbuh. that is full payment and spot only. This kind of transaction is offered in the market.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Irshad

IS it possible to profit from currency fluctuation with the only purpose being "to profit"? What I mean is that, can I trade currencies with the only intention being to attempt to profit from the fluctuating values of currencies?

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Irshad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I told you earlier, dear brother that profit from fluctuation in currency prices is permissible provided that when we deal in currencies we must deal only cash (spot or

same moment instant transaction) and full debit and credit of the two currencies are done immediately. This can be done with all internet traders. But trading on margin is not permissible and trading futures is also not permissible. The Reason is the Authentic Hadith of the Prophet, pbuh. The Hadith does not prohibit currency trading and making profit but it does require immediate and full delivery of both exchanged currencies at the time of the contract.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Is Forex Trading Halal?

From: Irshad

Sent: Wednesday, March 23, 2005

Question:

Assalaam Allaykum, Dr Kahf.

My name is Irshad. I came across your site and your articles as I was searching for the islamic response to forex trading as done by many online brokers nowadays. I hope that you do not mind me contacting you directly, as I need an answer to a question that I have not seen discussed elsewhere in this following way.

From your responses, it is clear to me that forex trading cannot be done if it is done on margin. Margin, as you have said yourself, is not even a loan, and even if it was a loan, it wouldn't make trading forex on margin permissible because of authentic Hadiths that say that currency cannot be exchanged on credit.

Now, I explained this to a broker and a specialist responded and told me that if I wanted, they could let me trade forex with them without any margin requirement. They said that I would then be able to trade only with whatever funds I have available.

Now, my question is, does this make forex trading permissible??

I am not too well versed with the ruling of ""work"" in Islam and am not sure whether trading forex only for the sake of profiting would be considered work or not and whether the profits would be Halal or not. I would consider forex trading as a business, as I would treat it as a business and not as gambling, as many other people do. But truth is, I would not be providing a service to others (although forex trading increases liquidity which is important to all well functioning markets) , and in fact, my intention is not to provide a service, but it is to profit. However, I do not know whether, by trading forex, there may be some service or benefit that I provide society, but as yet, I cannot see it.

Anyway, can you please explain to me if forex trading using only my own money and no loan/collatarel is Halal or Haram?

If my explanations is not good, then please advise and I would be more than happy to re-explain as many times a necessary.

Thank you for your help and may Allah bless you for helpng us understand His rulings.

Irshad

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Irshad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
Trading forex spot with full payment is permissible. It is not gambling, it is rather what every trader does, buying goods and wait for a good price to sell. The only difference is: because we are dealing with currencies (that are normally very close to Riba transactions) this extra conditions are added by the Prophet, pbuh. that is full payment and spot only. This kind of transaction is offered in the market.
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Irshad

Salaam Alekum, dr Kahf.
Thjank you for the reply.
Forex is not goods trading. Does this make a difference, since we only trade forex with the intention of profiting, through investment/trade ?

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Irshad,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh
I know, brother, what is Forex. Yes, it is permissible to trade currencies with the conditions I mentioned. The conditions do not apply to forex though!
Wa Allahu A'lam
Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

From: Irshad

Salam Allaykum
I know that you must be busy, Dr Kahf.
However, a lot of people are in my situation and InShaAllah we be guided to earn in halaal way, and if you can find some time to answer these questions, please do.
I do not understand what you meant in your response.
I would like to know whether trading FOREX with www.gftforex.com is permissible if there is no margin involved and where I trade with only whatever funds i have ??

Also, is it permissible to make profit from the fluctuating prices of different currencies

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Irshad,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I told you earlier, dear brother, that profit from fluctuation in currency prices is permissible provided that when we deal in currencies we must deal only cash (spot or same moment instant transaction) and full debit and credit of the two currencies are done immediately. This can be done with all internet traders. But trading on margin is not permissible and trading futures is also not permissible. The Reason is the Authentic Hadith of the Prophet, pbuh. The Hadith does not prohibit currency trading and making profit but it does require immediate and full delivery of both exchanged currencies at the time of the contract.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: question on sale of jewelry

From: suriani

Sent: Monday, March 14, 2005

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

dear DR,

1) I want to ask about Riba. Common practice in Malaysia, most of the people buy gold jewelry and after that they want to TREAD-IN that jewelry may be because they want change to new model and the price is higher than the old one. I heard before this, TRADE-IN gold jewelry involves RIBA. Is it true DR?

- I heard also, to avoid RIBA, we need to sell first and need ijab and qabul. And the money that we received from the first sale, we can use to buy new one even though with the higher price. Is it true DR?

2) How about if sell Ribawi item that mix with others to change with Ribawi item.

Example: may be in Arabic

thanks DR

sincerely,

suriani

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Student Suriani,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Yes exchanging jewelry for other jewelry plus money not considering the weight only is Riba al Fadl. One MUST sell the jewelry for cash and buy with cash the new lowery.

2. Sale of jewelry for jewelry plus cash should be weight for weight plus cash price of the difference in weight at existing price at time of payment, with immediate delivery of all regardless of the cost of manufacturing; otherwise it is Riba al Fadl. Here again the transaction becomes permissible, with recognition of manufacturing ingredient, if old gold is sold for cash and new gold is bought for cash in the same sitting provided that delivery is done immediately for each sale. This is what is normally done by Muslim jewelers

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Riba in Jewelry exchange

From: suriani

Sent: Monday, March 14, 2005

Question

Assalamu Alaykum wa Rahmatullahi wa Barakatuh

dear DR,

1) I want to ask about riba. comman practise in malaysia, most of the people buy gold jewellery adn after that they want to TREAD-IN that jewellery may be because they want change to new model and the price is higher than the old one. I heard before this, TREAD-IN gold jewellery involve RIBA. Is it true DR?

- I heard also, to avoid RIBA, we need to sell first and need ijab and qabul. and the money that we received from the first sale, we can use to buy new one eventhough with the higher price. Is is true DR?

2) how about if sell ribawi item that mix with others to change with ribawi item. example : may be in Arabic. Is it riba also DR?

sincerely,

suriani

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Student Suriani,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. Yes exchanging jewelry for other jewelry plus money not considering the weight only is Riba al Fadl. One MUST sell the jewelry for cash and buy with cash the new lowery.

2. Sale of jewelry for jewelry plus cash should be weight for weight plus cash price of the difference in weight at existing price at time of payment, with immediate delivery

of all regardless of the cost of manufacturing; otherwise it is Riba al Fadl. Here again the transaction becomes permissible, with recognition of manufacturing ingredient, if old gold is sold for cash and new gold is bought for cash in the same sitting provided that delivery is done immediately for each sale. This is what is normally done by Muslim jewelers

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Trading commodity, currencies

From: Moosa

Sent: Tuesday, February 08, 2005

Question

Assalamalaiku: Dr. Kahf

I would like to know why is it not permissible to trade in the commodities market (futures trading), and also currency trading (forex). I see it as buying goods at a given price, and hopefully selling it in the future for a profit. Is it not same at the retail level where you buy a product and then just sell it at profit.

Jazakullah

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Moosa,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

The Prophet, pbuh, prohibits trading currencies except with immediate delivery. In a correct statement, He mentioned that trading gold for silver must be "Yadan bi Yad," meaning give and take in the same sitting of the contract. Applying this principle on trading in the Exchanges or on the Internet means only when the full amount of both currencies is debited/credited to the accounts of a trader the transaction is permissible. Trading futures is essentially speculative. It is not meant to obtain the commodity and then sell it, it is rather meant to speculate on prices and pocket the price differentials only. This artificiality in it is what made the OIC Fiqh Academy resolves that it is not allowed in Shari'ah. On the other hand buying with future delivery is permissible and the Shari'ah call this contract Salam but requires for it certain conditions (to make it serious) that includes full payment of the price at the time of the contract, i.e., no margin transaction.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Moosa

Assalamalaikum Dr. Kahf

Jazakullah for your reply. However, I still don't understand what you mean by ""On the other hand buying with future delivery is permissible and the Shari'ah call this contract Salam but requires for it certain conditions (to make it serious) hat includes full payment of the price at the time of the contract, i.e., no margin transaction.""

Can you please explain?

Jazakullah

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Moosa,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Salam is a sale contract that has forward delivery and cash payment. It applies mainly in agriculture where farmers need money for seeds and fertilizers. The main conditions of this contract are: full payment of price must be at the time of the contract; the two things that are exchanged must not be from among the items (in the same category) for them Riba al Fadl Apply (these are six items in two categories: category one gold and silver, i.e., currencies in our time, and the second category is wheat, barley, date and salt); the date and place must be specified; the sold item must be adequately and objectively specified for kind and quality and must not be determined to be from the farm of the exchangers, etc.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Riba al Fadl and Sarf

From: Jeff

Sent: Monday, February 07, 2005

Dear Br. Monzer

Question

ASAWRWB. Thanks for your replies on the Riba revisions. I have the following questions regarding your responses.

- 1) Sorry for my ignorance, by what does mudaf mean in this context? (I'm still studying Arabic at the elementary level).
- 2) I understood from Br. Monzer's past comments (full email exchange is copied below into this message) that some of the Hadith attributing to the Prophet (pbuh) statements condemning as Riba the practices of bidding up prices in an auction and keeping participants out of a market were statements the Prophet made using the word "Riba" in its general language use only and not identifying these practices as "THE Riba"

(used with the definite article “al”) condemned in the Qur’an. As we know, Riba is not really defined in the Qur’an (although it is hinted at being interest on money lending or rescheduling loans). So if we look to Hadith for the definition of Riba, what I gather from your comments so far is that it falls into three classes: a) interest on money-lending (and loan rescheduling), which is Riba al-nasi’ah and is al-Riba prohibited in the Qur’an, b) currency abuse, which is prohibited in trustworthy Hadith of the Prophet and is called Riba al-fadl, and c) market abuse, which is prohibited in some Hadith in which the definite article is omitted and therefore this is a general kind of “Riba” not equivalent to the exact kind of Riba condemned in the Qur’an. My question is as follows: is the definite article used in the Hadith condemning type b) i.e., Riba al-fadl? If so, then why is it not considered to be a subset of the exact Riba condemned in the Qur’an? If not, then how is it distinguished over type c), i.e., why can’t we include type c) as being Riba al-fadl as well? For reference, I’ve attached the comments from the prior email.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Jeff,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1- The mudaf business is simple. In Arabic we don't, usually use an article like "of" in a phrase 'the book of the child' we say it 'Kitab al Tifl' not 'al kitab al Tifl' this expression makes the book known as if you have al for it.

2- The other question is also simple: The Qur'an was revealed in the Hijaz area of the Arabia. People there have dealings and transactions known to them. The matter is not a presence of al or not. The matter is that the Qur'an refers to a known transaction for which the Qur'an used the al that indicates that it refers to a thing that is known to the listeners.

Arabs did not call chasing caravans before they reach town, untrue bidding up prices or selling on behalf of persons who are not present in the market Riba. These abuses have other names but not Riba. Riba that Arabs knew and practice was increments on rescheduling and giving loans (even some scholars argue that it was only rescheduling). When Fiqh started being elaborated, in the second century of Hijra, scholars started asking questions about definitions. Definitions were derived and documented from different sources including language sources, practices of tribes and traders, especially when reported from the time of revelation, statements of companions and of course The Qur'an and Hadith. This task also involves comparing and contrasting statements and Hadiths, etc.

The prophet, pbuh, has many Sayings that refer to the Riba in general, and in specific has, in several authentic Sayings, mentioned a transaction that Arabs did not give the name Riba but he repeatedly call Riba: the barter of four commodities (wheat, barley, date and salt) and exchanges of gold and silver. He prohibited any exchange of within each kind lone (even with different qualities) except if it is in equal quantities and with immediate delivery of both; he also prohibited any exchanges of gold for silver or any of the other four commodities for another except with immediate delivery. Hence, in

theses Ahadith we have a Riba that includes a time span even at "fare" market price (e.g., the prohibition of gold for silver or dollar for euro with delay in delivery of one or both) and a Riba that has a no time span (e.g., the difference of weight in exchanging good wheat for bad wheat, good date for bad date or golden jewelry for gold bullion). These 2 kinds of Riba are known in the literature as Riba l Fadl.

Finally, please take another look at the changes I suggested in my changes to the revised write up you send on Jan 26 and you will notice that I tried to reflect these ideas in a non- confusing way. Also notice that the Prophet, pbuh, also used the word Riba with regard to prayers and hurting the integrity/reputation of fellow Muslims.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Jeff

In Rating and Reports: under what is Riba: delete 'or colluding to affect market prices.

I'd like to make at least a brief reference to Riba al-fadl, in order to be complete and accurate in defining Riba. My understanding from the Hadith and from our earlier discussions (and what we put into our rating criteria), is that Riba al-fadl is getting something for nothing in an immediate exchange, and that the examples in the hadith include artificially bidding up prices in an auction, preventing the Bedouins from reaching the market square by going out to meet them and buying from them before they get there so they can't learn the market value of their goods, bartering good dates for bad dates, and exchanging in unequal quantities various commodities that in the time of the Prophet were used as currency. All of these things I would summarize as "market or currency abuse." Maybe I don't have this correct, but what do you think is the best way to include the concept of Riba al-fadl without distracting from our main concern, that of Riba an-nasi'a (as Riba al-fadl is generally now largely irrelevant or outlawed by anti-trust/anti-competition law).

Jeff

My Answer

The underlined part is not Riba al Fadl. These practices are also prohibited by other sayings. Without going into definitional difficulties Riba al fadl applies today to currencies only. Date for date and others are not practical today and the prohibition at the time of the Prophet, pbuh, may be for other reasons because differences in quality are recognized in another saying. Bidding up prices and selling outside the market (so to speak) may be mentioned under violation of standards of business practices but not under Riba al fadl. In currency (including gold and silver because they are named in the Hadith) both delay of payment of either currency and partial payment (margin) are considered Riba al fadl. This leaves only day non-margin trading and may be spot when day settlement is not practiced as the only permissible deals in currencies.

In other words, including other matters (colluding to affect market prices) under Riba al fadl is incorrect although these practices are prohibited on their own..

Monzer Kahf

From: Jeff

What about the Hadith: Anas ibn Malik reported that the Prophet (pbuh) said: "Deceiving an unknowing entrant into the market is Riba" (Suyuti, al-Jami' al-Saghir, under the word "ghabn"; Kanz al-'Ummal, Kitab al Buyu, al-Bab al-thani, al-fasi al-thani, on the authority of Sunan al-Bayhaqi). And,

Abdallah ibn Abi Awfa reported that the Prophet (pbuh) said, "One who serves as an agent to bid up the price in an auction is a cursed taker of Riba." (Cited by Ibn Hajar al-Asqalani in his commentary on al-Bukhari and Suyuti, al-Jami al-Saghir, under the word "al-najish" and Kanz al-'Ummal, op. cit., both on the authority of Tabarani's al-Kabir).

Jeff

My Answer

I don't know if these are weak Hadith or I am misunderstanding or misquoting them, but this is what I categorize as "market abuse."

There is no doubt that these actions, as mentioned in the two Hadiths, are prohibited, I don't need to question the authenticity of the reports because the prohibition of these acts is well known. Riba means in Arabic any increment, and there are increments in these practices.

The Prophet, pbuh, sometimes used the word Riba in its pure Arabic meaning as increment without meaning the exact meaning as referred to in the Qur'an. The Qur'an used the word in its already known meaning with the article al (=the) and the Prophet, pbuh, used it in the same already known meaning in most of the times. But in these Sayings and in the Saying that means "the most devilish Riba is for one to indulge (in a bad sense) in the dignity of his brother" the word Riba is used in the language meaning only.

This is one of many reasons that when we deal with Sayings and Verses, we need to be cautious not to derive from them rulings unless one has taken all prerequisite studies that are necessary to qualify a person to do so.

Best Regards, Wassalam,

Sincerely,

Monzer Kahf

SUBJECT: Riba al Fadl and riba al Nasi'ah

From: Elisa

Sent: Thursday, January 27, 2005

To: monzer@kahf.com

Question:

assalam wa alaykum

Dear Dr.Kahf,

First I m pleased to be able to speak with You, my name is Elisa. I m an italian student at Bocconi university in Milan, and I m making a research about islamic finance to have my degree. i saw your fatawa on "islamonline.com", and i know You re one of the most competent scholar about this field. I cannot ask for a fatwa maybe, cause I m not

muslim, but I m really convinced that the islamic one is a better financial system compared to the conventional one. Anyway there are two things in particular that are not clear for me, i wondered if you could kindly bring some light on it:

first some scholars say that Riba al-nasi'a is the increment related to the passing of time, in other terms it is the interest, some others believe that is just the ""waiting"" (al-nasi'a) and that interest should be identified with a combination of both Riba al-nasi'a e al-fadl. Which one do you think is the more compliant with the explanation the Prophet (saas) gave of Riba in the well known Ahadith "wheat for wheat....is Riba unless it is hand to hand and equal in amount"? And about the deferred payment, or purchase on credit, is there Riba or Gharar, or both?

Furthermore i would like to give to Your attention the following Ahadith:

Volume 3, Book 35, Number 454:

Narrated Al-A'mash:

We argued at Ibrahim's dwelling place about mortgaging in Salam. He said, "Aisha said, 'The Prophet bought some foodstuff from a Jew on credit and the payment was to be made by a definite period, and he mortgaged his iron armor to him.'"

Then, every time someone's payment is delayed there is gharar, so we should eliminate gharar by giving something as a guarantee of the payment. referring to this.. How could the purchase on credit "Halal", and above all when the price is higher than purchasing cash...do You think the Prophet (saas) would have paid more than the cash-price to have His foodstuff?

I hope You will understand my questions

Thank You anyway for Your attention

Best Regards,

Elisa

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sister Elisa,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

For the Hadith you quoted from book 35, please tell me which collection of Hadith you refer to so that I can check its Arabic origin. There is always a problem of translation. This is apparent in this Hadith from the word mortgaging. It means put a collateral, not mortgage the way it is used in today's language/transaction. But this Hadith began talking about Salam (Salam requires cash payment and delay of delivery) then it caught 'A'isha about credit and collateral. Sale on credit denotes sale for deferred payment, i.e., it creates a debt on the purchaser which may accommodate asking for a collateral. The issue of a collateral is independent from the issue of Gharar. A creditor may seek a collateral from the debtor regardless of the reason of the debt. Seeking a collateral may indicate the presence of a credit risk in the mind of the creditor because a collateral is a remedy (mitigation) for credit risk.

Credit and collateral should not be mixed with Gharar. Gharar is ambiguity in a contract. Gharar may relate to the object of the contract (the good or the price) or to some of its

main conditions such as date of delivery or payment. When ambiguity relates to minor matters such as ""any time within three days"" the contract remains valid even with such ambiguity but when it is substantial, it may void a contract such as a fisherman selling the "catch of tomorrow." In brief sale on credit does not involve any Gharar unless the subject of sale or the date of payment is grossly indeterminate. Further, a sale contract may be for cash payment and immediate delivery, or either price or delivery may be deferred. These three types of contracting may have different prices and nothing, in Shari'ah, prevents them from having variant prices.

In other words, if the payment is deferred, the price may be higher than a contract with immediate payment and if the delivery is deferred and payment is cash the price may be lower. This is a matter of free contracting and people's (contractors') preferences. Islam does not deny variation in prices as a result of variation in date of payment or in date of delivery. In fact, the verses 2:275 and 2:283 are understood by many as an indication for recognizing a higher price if the contract stipulates deferred payment. Verse 2:275 does not deny certain similarity between Riba and sale although it answers that there are differences that necessitates making one permissible and the other prohibited; and Verse 283 speaks about documenting debts (notice that sale with deferred payment produces debts as compared with cash sale).

For the first issue, the discussion is long and may take us more than one email so please if you find any need for more explanation do not hesitate to raise the issue in your future emails. Al Riba that is mentioned in the Qur'an is mentioned with this "al" article that is a definitive article; it refers to a thing that was known and practiced. This al Riba is an increment in a debt/loan. A loan always results in a debt but a debt may come from sale and other contract such as dissolving a partnership or distributing an estate. Hence, Riba that is prohibited in the Qur'an is a Riba in relation to giving loans and rescheduling debts. This is what we know as interest today.

The Hadith of the six items along with other related Sayings refer to another kind of Riba that occurs only in Bay' (exchange). Exchanging these six items, and their similar, may be with immediate payment and delivery or one of the two exchanged items may be postponed. Here is where the word Asia's comes from because it means postponement/delay. Postponement in handing over one of the exchanged items when the subject of the contract is one of the items mentioned in this Hadith and their similar is not permitted and called Riba al Nasi'ah. This is the meaning of "Yadan bi Yad" or "Ha'a bi Ha' " that is mentioned in this Hadith. (You should notice that there is postponement in giving loans and in rescheduling debts, i.e., in interest transaction. This is why the word Nasi'ah is sometimes used in relation to interest).

The Hadith also talks about another thing that is when you exchange quantities of the sale item such as gold for gold and date for date. In such an exchange quantities must be equal regardless of quality. This is Riba al Fadl. You should notice that quality is not denied because in another Saying the Prophet, pbuh, advised to sell the low quality for cash and buy the good quality for cash at a higher price. Of course, in this exchange if there is a delay in delivery or payment you would have both Riba al Fadl and Riba al Nasi'ah together.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

SUBJECT: Questions about FOREX

From: Khalid
Sent: Sunday, January 02, 2005

Question

Assalamu Alaikum,
Sorry to bother you again, but I have been browsing some websites and I'm trying to understand exactly what makes FOREX Haram. Is it because of the roll-over interest charges? I just found out that there are brokers that have a commission-based fee system where you pay a flat commission per transaction and do not incur any roll-over fees. Up to this point I have been withdrawing the interest paid to me and I donate it to charity without any reward as I do with my personal bank account.
May Allah reward you.

Khalid

From: Khalid
Sent: January 2, 2005 1:33 AM

Assalamu Alaikum Warahmatullahi Wabarakatuh,
Jazakum allahu khairan for your website – it is extremely informative!
From what I am reading from your website FOREX trading is HARAM. Up to this point I was not aware of this.

- 1) My question is since I have made some money in this market what shall I do with this money. Is it considered permissible for me to keep it or is it Haram?
- 2) If it is Haram then I have another question. I initially lost money in this market before I gained money. For example, if my initial investment was \$10,000 and it went down to \$5000 and currently I have \$40, 000 – If the gained money is Haram I am assuming that I would only be required to give away \$30, 000 and my initial investment of \$10, 000 is ok for me to keep?
- 3) Currently, I invest money for non-Muslims and keep 25% of profits. If this money is also considered Haram?
- 4) Would it be permissible for me to be an ANALYST for the currency market? I.e., to give advice about how to make investments in currencies and to charge investors for this advice?

Jazakum Allahu Khairan for all of your help.

Khalid

My Answer

Bismi Allah al Rahman al Rahim
Al Hamdu li Allah Rabb al 'Alamin
wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. Khalid,
Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Trading currencies is very close to the issue of Riba that is prohibited in the Qur'an and the Sunnah. There is a form of Riba, that is mentioned clearly is an authentic Saying of the Prophet, pbuh, as reported by both Bukhari and Muslim in regard to currency trading. After he mentioned gold and silver (the two currencies of His time) he said that any transaction between them must be 'Yadan bi Yad' and in one other narration of the Saying 'Ha'a bi Ha' that means that delivery of both currencies must be immediate at the time of the contract. This excludes both future and margin. Consequently, currency trading is permissible if it is done with immediate delivery and non-permissible when it is done on margin or when any of the two currencies is delayed for any period of time. You know that future differences in currency prices are very much based on the interest differentials. Margin spot in currencies is another form of Riba that is also prohibited in clear terms in Shari'ah based on this absolutely non-disputed Hadith. Delivery today means credit and debt of the full amount of both currencies at the time of the contract.

Now I come to your other questions in the bottom of the email (that BTW I did not receive separately)

Profit made from non-margin spot forex is permissible.

Profit made from margin and future forex is a form of Riba that should be given away to Muslim charity

You take your principal (10,000 in your example) and need to make Twabah and Istighfar for the wrong trades you unknowingly made.

We are required to know the Shari'ah ruling on a transaction before we do it.

Getting a percentage of Haram transactions is certainly Haram while it is permissible to take a commission on fully paid spot trading of currencies, it doesn't matter whether the commission is a given amount or a percentage.

It seems to me that given theoretical advice is not Haram, even on currency futures and margin. The Prophet, pbuh, said that the Wrath of God is on the taker, giver, writer and two witnesses of Riba. Giving theoretical advice is not one of these four and I think there is no justification to expand on them. It is certainly related but not specifically prohibited.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: gold and silver coins sold through Network Marketing

From: Firoz

Sent: Saturday, January 01, 2005

Question

Aas-salamo-alaikum,

Thanks a lot Br. Monzer for your reply.

Hence, after reading your reply, as I have understood that as this Networking Company is selling Numismatic Gold & Silver Coin Products and since these Gold or Silver Coin

products are not shipped at the same time AS THE CONTRACT from the factories that are located at different sites of the contracting offices, therefore according to Islamic Sharia the commission earned through such transactions (SALE OF GOLD AND/OR SILVER WITH NO IMMEDIATE DELIVERY) of this Networking Company should be declared as ""HARAM"" for a Muslim.

After reading my above interpretation of your reply, I hope, I have rightly interpreted your explanation.

I will be highly obliged if you kindly just reply in a nutshell as ""YES"" for ""HARAM"" and ""NO"" for ""HALAL"" to confirm it finally. Then I will forward this e-mail to all of my friends and colleagues about your confirmation which is of utmost importance to all of us, who, as a Muslim wants to endeavour a ""HALAL"" earning for ourselves and our families and save ourselves from the wrath of Allah and Hellfire in our permanent life Hereafter.

Thanks and best regards,

Firoz

My Answer

Dear Br. FIROZ

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

YES, please notice that I added a few clarifying words

Best Regards, Wassalam,

Sincerely,

Monzer Kahf

From: Firoz

Dear Sir,

Aas-salam-o-alaikum,

I am Firoz from Saudi Arabia. I have the following two queries related to the products sold through Network Marketing or Multi Level Marketing:-

1) Numismatic Coin Products having ""SCULPTED HEAD"" of a revered person of a Non-Islamic religious faith:- Such type of products (like Mother Teresa Coin) being sold by a Network Marketing Company or Multi-Level Marketing Company and if a non-Muslim make a purchase due to his own religious belief (Intention or ""NIYAH"") under a Muslim person who is a Net worker of this Network Marketing Company and this Muslim Net worker being the ""UPLINE"" of this non-Muslim purchaser receives the commission for that sale. Then will this COMISSION will be ""HALAL"" for this Muslim Net worker working with this Network Marketing Company? The reason for this doubt or the of question of Halal arises with this transaction is due to the Islamic belief that as a Muslim, one should not keep or promote the sale of any sort of ""COMMEMORATIVE PICTURE"" of any dead person that leads to "IDOLATORY" or "IDOL WORSHIP" because this Muslim Net worker is not aware of the Intention or ""NIYAH"" of that non-Muslim purchaser under his "DOWNLINE" of this Network Marketing Company.

2) Being a Muslim receiving commission from a Network Marketing Company due to the sales in his ""DOWNLINE"" of his Network Chain of this company and at the same time he has no authority or control on the policy of launching of Halal or Haram

products of that particular company. Under such circumstances, say this company launches a product which is Haram for a Muslim. Then will this commission coming from the sale of a Haram product in his ""DOWNLINE"" of this company can be acceptable for this Muslim Net worker of this particular company?

Secondly, as a Muslim, should he continue to work as a Net worker of such a company where he does not have any provision to prevent his "DOWNLINE" from purchasing such Haram products because he will not be able to filter the sale of Haram products from the Halal ones?

I would be highly obliged if you kindly reply on this issue. Because like me, lot of Muslim brothers are eagerly waiting to know your opinion on such critical issues.

Thanks and best regards,

Firoz

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br. Firoz,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

1. I don't think a coin that has a head of mother Teresa or a king or an important person to the issuer is Haram. Such coins and currencies existed all the time, and most paper currencies today have such pictures. Such kind of pictures, including those that are crafted on metal coins are normally heads only and are not prohibited to use as coins or similar.

2. The issue of selling gold and silver coins on Internet networking is different. When we sell gold, silver and currencies there must be immediate delivery at the time of contract. This may be done by debit and credit records, if you have an account with the broker, when you deal with deposits' accounts, but when you deal with coins such records are not sufficient and actual delivery of the coins must be at the time of the contract. This is not done on internet sale unless coins are shipped at the same time (what I know is that such coins are ordered for shipping from factories that are located at different sites of the contracting offices. If the metal of coins is not gold or silver, it is permissible to delay delivery.

3. The Prophet, pbuh, informed us that Whatever God prohibited, He also prohibited its price. This means that the commission arising from the sale of a Haram thing is also prohibited because it is a part of the sale price. Accordingly, commission to upper line points of sale is not permitted.

4. If the company you work with has too many prohibited products may be changing company or quitting is the only solution because being a part of the sale process of such a company is not a job of a Muslim; but if such items are a very small minority of the company's sales, one may stay with this company but one has to give for Muslim charity the amount of commissions one estimates as resulting from such Haram items.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2004

Subject: Foreign Exchange "Sharia Compliant Accounts" offered by online brokers

From: Mr 456

Sent: Tuesday, December 07, 2004

Question

Salaam alaikum dear scholar.

I have researched a little about forex trading and its permissibility.

Could you please explain why margin is forbidden in currency trading, and also why its allowed in stock trading when it involves no interest.

I had a conversation with www.forex.com staff and they have something they call Sharia Compliant Accounts.

These charge no interest and instead we pay a small fee. I have pasted the conversation as below.

Thank you for your help.

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Hussein,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

Currency transaction are not easy to make. You should realize that dealing in currencies may involve interest and interest is prohibited. The Prophet, pbuh, in an authentic Saying reported by both Bukhari and Muslim, determined the conditions of currency dealings, so that no interest is involved at all. These are two conditions: the two exchanged currencies must be HANDED IN FULL and in the SITTING OF THE CONTRACT. To put these in contemporary terms, the conditions are: credit and debit must be done immediately upon the contract and it must be in full. This obviously means that margin deals are not permissible and any delay from the time of the contract is not permissible too.

The rationale is delay means interest and margin means adding more heat in a market that is supposed to be limited to transactions that are meant to be fulfilling only the needs of exchange. Stocks on margin are a different story because stocks represent a bundle or real assets selling (buying) them future is permissible and margin means that the rest of the price is going to be paid later, that should also be permissible. In currencies a transaction with part of the price later is not permissible. It hides Riba.

If there is a company that offers fore in accordance with Shari'ah must structure it to be only with immediate delivery and with full payment and without any interest-based lending or delay.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Mr 456

Question

Salaam Alaykum, Dr Kahf.

I thought that I might give you some info on these sharia compliant forex accounts for you to have a look if you have the time.

I was actually considering to trade forex before I came across your articles and responses and others responses about forex. Although disappointed that forex is haraam, I do not wish to wrong myself.

I asked a few online forex brokers, just to get them to exclude interest/riba from my accounts and from the daily rollover that occurs in forex, because I believed at that time that interest was the only thing that made this product haraam. One online broker, <http://www.forex.com> told me they offer accounts that they call Sharia Compliant Account.

Upon further investigation, they claim that they will not pay interest to the account, or charge interest for giving margin, or charge or pay interest in daily rollover (we pay a small fee instead). They could not provide any further info. at this early stage in the development of these so-called Sharia Compliant Accounts, but they did assure me that their Compliance Board thoroughly researched this topic and even advised me to get scholars to give their opinion of it if I needed more peace of mind.

If you have the time, brother, please help me in this matter and a lot of other Muslims that have actually started trading due to this Sharia Compliant Account.

Please advise whether forex trading in Sharia Compliant Account would be halaal.

If not, what would need to be done by this broker and other brokers to make a proper Islamically permissible forex account.

Also, I read somewhere that trading on margin in forex, even if no interest/riba changes hands is haraam. Please give explanation of this because as I understand it, margin in stocks is permissible.

Brother, I have sent over 30 emails to different Islamic institutions and scholars without success.

Please help us in this regard, yet I do understand if you are busy at this moment.

Thank you,.

Hussain

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in
Dear Br. ,

Al Salamu Alaykum Wa Rahmatullahi Wa Barakatuh

I know this Fatwa and it is used to deceive people who tend not to read the full text. Please brother just look at conditions 2 and 3 they require that payment should be in full of both currencies t the time of contract. It is incorrect that the broker gives you a loan for no interest. This is a blunt lie. The management of the exchange does not require more than margin, o there is no loan, it is just a contract of speculation not a contract of trade. They put a color on it to deceive people like you, I am sorry to say it. Forex is not permitted in Shari'ah except in one case: when you buy a currency that you get delivery of it in your account and pay its full price and later if you decide to sell it n any future you can sell it. This I not what these online brokers do.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabb al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Mr 456

Sent: Saturday, December 18, 2004 9:29 AM

Question

Salam Alekum, Dr. Monzer Kahf.

Just checked email and I have recieved a reply from forex-arabia over my concerns as to the permissibility of forex trading in Islam. They have sent me this ""fatwa"" from an islamic site. Please give us your view on this.

If you are busy at the moment, please take your time. I would like to trade forex but only if it is halaal. Indeed, I do not wish to sacrifice my soul for the chance to make a few dollars. That is why i am looking at this issue as well as I can to get an understanding as to the permissibility of this. Thank you for your help, Dr Kahf.

Dear Sir,

I understand fully your worries in this particular matter, I am sending to you ""fatwa"" from Islam-online web site, but unfortunately it was written in Arabic, but take a look on it, perhaps you can find somebody to translate it for you, and I will take this opportunity to make the translation for you, if you trust me as a GUIDANCE.

My Answer:

Dear Br.

Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

Freedom of speech and lack of international law that prevents fraud and deception.

Now we have in the US several laws that prevent fraud in Halal food.

Best Regards, Wassalam,

Sincerely,

Monzer Kahf

Subject: Forex advertisement on Islam on line website

From: Islam on line

Sent: Tuesday, December 07, 2004

Question

Dear dr. Monzer,

As-Salamu `alaykum wa rahamtu Allah wa barakatuh.

I hope you are well and enjoy the blessings of Allah.

I am here just reminding your eminence to re-send us your reply regarding putting an ad for ""FOREX"" on IOL. Your advice, sir, will be very appreciated and we will act according to it.

Jaz for your efforts.

My Answer:

Bismi Allahi al Rahmani al Rahim,

Al Hamdu li Allahi Rabbi al 'Alamin, wa al Salatu wa al Salamu 'Ala Sayyidina Muhammad wa 'Ala 'Alihi wa Sahbihi 'Ajma'in,

Dear Br. Wael at Islam on line

Assalamu Alaikum wa Rahmatu Allahi wa Barakatuh

IOL must not accept this add because you represent the idea. Most of FOREX transactions are forbidden according to Shari'ah and putting an ad for it on IOL gives it credibility and illusion to many Muslims that their transactions may be permissible.

All currency future transactions are forbidden because they violate the rule of ""Yadan bi Yad"" and most of their spot transactions are forbidden because they are on margin. You know currency transaction must be complete cash for cash and hand to hand.

I think putting ads for FOREX is against what we all stand for in Islamic finance and economics.

Wa Allahu A'lam,

Wa al Hamdu li Allahi Rabbi al 'Alamin,

Wa Assalam,

Sincerely,

Dr. Monzer Kahf

Subject: Sale of Gold to a Jeweler

From: Samia through Islam on Line

Sent: Thursday, September 09, 2004

Question

Dear Dr. Monzer, Assalamu Alaykum wa Rahmatullahi wa Barakatuh,

I have some gold bangles that I want to sell. But when we go to jeweler and sell him the gold jewelry they cut a small portion(1 masha) of gold in every tola. Is it allowed to sell gold like this. Is this fall in the category

Jazakum Allahu Khairan for your constant help

My Answer

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Sr. Samia

AssalamuAlaikum Wa Rahmatullahi w Barakatuh

I don't know what do you mean by "they cut". If you mean they weigh the jewelry and then deduct certain amount f the total weight and pay the price as if the weight is less than what it actually is, with you knowing this deduction, it is permissible. This means that they want to take a part free without paying and since you know it is up to you to give them such an amount free or not, it is a matter of negotiation between the seller and the buyer. the buyer says I will buy from you 20 grams as a price of 10 Dollar a gram if you give one gram free with it; this amounts to offering a price that is actually less than 10 an if the seller accepts, the sale is permissible provided that the price of the gold is paid cash at the time of the contract..

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Delivery in Forex

From: Arqam

Sent: Sunday, August 29, 2004

Question

Dear Sir,

I just recieved your answer on the live Q & A session on Islam online regarding forex trading. But sir I am doing this since a long time so all the money earned from it is haram. And Iam confused about the margin, as my broker givbes me a loan by taking a security of \$50, in normal circumstances evryone is allowed to take an interest free loan, if possible, and can do whatever he wants, and I buy currencies with that loan, so whats wrong with it, and due to electronic development, if the contract is executed online to save time for the phphysical delivery, as I may close my position after taking profits after 10 minutes , or return the loan after 10 minutes without interest, is it wrong, otherwise if we go by physical deliveries it may take days, to recieve and return, so its simply borrowing of money to buy currencies electronically without physical possession, in order to save time, in which category it falls, like its haram or Makrooh, or will it be a sin to do this. for information you can visit www.refcofx.com

and can see the specifics involved in their methodology on this link

http://www.refcofx.com/ind_acct.html

or on the homepage can chat with them live for your further information 24/7. As I am told by them that thousands of muslims are their clients also from middle east, so everone is doing haram Business. And if no other way out, should I stop doing it, even If now , I am going in loss, and can do further trades, to reach the actuall investment. so can Icontinue or stop immediately, Iwould really appreciate your concern , if you reply me, as a big amount is involved from my side in this business.

Regards

Arqam

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. ARQAM

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I did not mention any physical delivery. acquisition in my reply to your question on live Fatwa. In response to another question, you may have noticed that I mentioned the concept of Qabdh in Shari'ah as the normal time needed to process a delivery order (that should mean that a product is already available in stock without including execution of a manufacturing order). Delivery in transaction on the internet or through phone with a broker means credit and debit to your account, if it is done momentarily upon executing an order, that is it. It satisfies the condition required for currency exchange. any extra time lag is forbidden in Shari'ah and the Prophet, pbuh, said that is has to be Yadan bi Yad (give and take). Purchase on margin, as practiced in commodities precious metals and currencies in not permitted in currencies. gold and silver because it is not full payment. day trading in other commodities and stocks is permitted as long as there is no interest-generating loan. Non-interest generating loans and lag in delivery do not affect the permissibility of transaction in stocks and commodities. future commodities are not permissible according to the resolution of the OIC Fiqh Academy of 1412H.

Money generated from such Haram transactions in the past should be given to Muslim charity along with seeking forgiveness and repentance. In Mu'amalat (transactions) the rules are permissible or not permissible. The Karahah and preference, comes within the category of permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Dealing in Foreign Currencies

From: Islam on line

Sent: Monday, August 23, 2004

Name of Questioner Faiz

Question

Dear Scholars, Assalamu Alaikum Warahmatullah, May Allah Almighty shower His Mercy on all of you for the great ideological service you render in the interest of Islam. Please enlighten me on the permissibility of dealing in Foreign currencies (FCc). Is it permitted, according to Islamic Law to make profit by purchasing and reselling FCc. Many muslim businessmen in Sri Lanka engage in Money changing business as stated above, mostly against Exchange Control restrictions of the country. Can Fcc be purchased with an intention to resell at a later time when the currency rates go up? Under what Islamic Trade rule does this deal falls? Also please enlighten whether

remittances can be made from country to country through black market deals (ie. bypassing the usual banking procedure) Jazakallahu Khairan

Notes

I ask these questions to clear my doubts as majority of muslims working abroad remit money home through these secondary sources.

Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa

Ashabihi Ajma'in

Dear Br. Faiz

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

First let me mention that black market trades are not a Muslim phenomenon, they rather have no religion, Hindus Buddhists Christian, Jews and Muslims deal in black market all over the world. Black market exists actually as a result of government restrictions that the market forces of supply and demand actually do not support, afford or warrant. Therefore I am sure that if the black market phenomenon in currency exchange and transfer exists in Sri Lanka it must be then done by all people regardless of religion.

According to the Islamic law, foreign currencies can be purchased and sold (trades) at any negotiable price that is agreed on between the parties to a contract; and if people need foreign currencies, there must be some traders who make them available to them. Traders buy for the purpose of selling at a higher price. All these activities are permissible in foreign currencies the same way they are permissible in all commodities. Yet, in currency exchange there may, sometimes, be an element of Riba (interest). It happens at every time there is a time lag between the contract and the delivery of any of the exchanged currencies. Riba is prohibited in Islam as you know. Therefore, the Prophet, pbuh, made the condition of delivery at the time of the contract of the two currencies exchanged in every contract of selling a currency for another. His very words are ""Ha'a bi Ha"" and in another version ""Yadan bi Yad"" which literally means that the sold currency must be given in one hand at the same time that the other hand receives the bought one. Hence, unlike other commodities currency exchange must always be accompanied by immediate delivery of both currencies, otherwise the transaction is considered as containing Riba.

What must be noted that in transfer of currencies from one country to another, one either transfers, through an intermediary that is a bank or any other entity, the foreign currency to the local land and locally the recipient exchanges it for local currency (that must be with immediate delivery) Or one makes the exchange in the foreign land (which must also be with immediate delivery) and transfers a quantity of the local currency. The bank or the intermediary entity is entitled to a price for its service; this price is permissible and it is not Riba.

The last point is related to "violation of the laws of the land." These carry no religious value, negative or positive, unless when they relate to moral issues. don't you see that

speeding over the limit set by law carries no religious value except when it endangers the life and properties of people. Therefore you cannot say that going five miles above the speed limit on a high way is Haram or Halal; it is not a religious matter although one will get a ticket for violating the law and be exposed to fines, but going at a speed that endangers the life/property of people inside or outside the car is certainly Forbidden in Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: currency trading

From: Islam on line

Sent: Monday, June 14, 2004

Name of Questioner magdy

Ccountry of Residence Egypt

Question

dear brothers may Allah bless you for your efforts, I was searching your database for fatwa regarding stock market, and found very few fatwa's all concerning stocks & shares issues, but I did not find any info regarding currency exchange markets and dealings. could you please direct me to any archived fatwa regarding this subject, if unavailable please forward this question to your fatwa committee. I would like to know the fatwa for stock market dealing in the currency exchange market, if I want to buy and sell Euro for ex. with US \$, I can pay only \$200 and buy a contract of 100,000 euros, when market is going up I can make money when it goes down I lose, with out anything to do with this purchased amount in the contract, I'll be only paying what's called MARGIN of the contract, so please clarify this issue for us, Jazakum Allah khairan ASSALAMU ALAIKUM Jazakum Allahu Khairan for your constant help

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Magdy

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

There are several Fatawa on currency trading, you may consult my website at www.kahf.net . These Fatawa are based on the correct Ahadith on this issue that are incorporated and explained in the well known resolutions of the OIC Fiqh Academy. In brief, exchanging currency for another currency requires, according to Shari'ah, that both quantities be delivered at the time of the contract, otherwise interest (Riba) will be involved. Hence, the resolution of the OIC Fiqh Academy came to illuminates that trading currency futures and/or on margin is not permitted. On the other hand if currencies are traded stop with full payment at the time of contract (which is not normally the practice in the currency exchanges), it becomes permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin
Wassalam
Sincerely,
Dr. Monzer Kahf

Subject: Trading indices and Futures commodities and currencies

From: Islam on line

Sent: Monday, June 14, 2004

Question

from Malaysia

ass.w.w. i am a futures trader who trades agricultural products through a futures exchange. is it a halal or haram profession? i don't gamble since i make my decisions based on research and analysis of the products. what about trading indices such as dow jones, nikkei etc. is it halal or haram ? at last, what about trading currencies, is it halal or haram ? all through a futures exchange such as chicago board of trade, etc. i've been waiting for so long for this oppotunity, please give me an expert answeres. may Allah rewards your kindness.

Jazakum Allahu Khairan for your constant help

Yours,

Islam on line

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Yan

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Trading any goods / commodities that are permissible in Shari'ah is also permissible because trade creates value as it is well known.

Trading in commodity exchange and stocks markets is also based on the same principle. A stock is tradable because it represents a basket of assets. Therefore, according to Shari'ah this basket must be real and permissible. Hence, from our religion's point of view, stocks of companies whose main activity is not permissible are not tradable. an example is companies that produce weapons used by armies/individuals to kill innocent people or to occupy their land.

Additionally there must be real assets behind a stock to be traded. Indices are mere mental calculation of values of a bundle of stocks; but unlike stocks they do not represent real assets. Therefore, the OIC Fiqh Academy ruled in 1412H that indices are not ownable or tradable.

While spot currency trading is permissible, currencies futures involve interest and our beloved Prophet, pbuh, prohibited it. In a correct Hadith he mentioned that currencies must only be exchanged with the condition of immediate delivery of both currencies. This means that futures are not permitted and margins are not permitted too.

The alternative to commodity futures is the Salam sale that is well defined in Shari'ah; it requires that the price, all of it, must be paid at the time of the contract. Accordingly,

the same Fiqh Academy also ruled that commodity futures are not permitted too because they are traded on margin and they are usually not intended for delivery/execution.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Forex, currency exchange

From: Wael

Sent: Wednesday, May 19, 2004

Question

Alsalm Alykom Dr Monzer,

I hope you are fine, i sent you earlier some questions regarding stocks and you were kind enough to provide me with answers so thanks again.

Now i have something else to ask your opinion about.

Basically i want to know the islamic ruling regarding trading currncies in the Forex.

Basically it's the spot market for currnecies where they are traded in pairs.

Usually your register with a broker/dealer you put fund in your account and when yu want to buy or sell the broker can leverage you to some extent. i.e to control 100000\$ lot you can put 1000\$, he will provide you with quote if you accept it , the order will be executed and you will be responsible for the position.

They send you notification instantly, but the settlement takes 2-3 days.

Once you have a position, you can sell/buy it, or provide the rest of the price, the amount the broker leveraged you to.

There's lots of sites that have explanation for this process, you can have a look at www.refcofx.com <<http://www.refcofx.com/>> for more info.

I looked at your site Fatwa section and in the PDF file about Fatwas regarding stocks/shares etc, there were a question similar to mine in page 35, but the next two questions and answers made me confused. i suspect those two were about currencies futures but i want to double check.

Now, i wonder if

1- trading currnecies is allowed

2- if trading them using margin, where you put the margin first and control the whole lot, then sell it and realize profit/loss, is acceptable. if you close the position in the smae day, there's no inerest on the leverage given

3- assuming that the above two points is Halal, what about the short position, i understand the long side, i have Canadian \$ and sold it for USD, but what about the other way aroud.

i know that the question is long and that i might not been so great in clarifying what i want , but i am hoping you can understand what's in my mind because of your great experience in this field.

Thanks so much and may god bless you for all the great work you are doing for islam, i have to admitt that when i searched the net i didn't find that much muslim scholars who are finance experts as well, and those who are i found them to be strongly affiliated with bussiness interprises/ banks etc that made me worried and looking for unbiased advice like yours.

P.S i forgot to say that i live in Canada in case this mught make a difference in the fatwa
Jazak Allah 7'ayarn

Wael

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Wael

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

To the best of my knowledge, the broker does not provide financing for spot forex. The contract itself requires both buyer and seller to place a margin in an escrow with the management of the Exchange. It is not even with the broker. If this is correct, the contract is tagged as a Riba contract in Shari'ah; it is forbidden because currencies can only be traded with delivery of both currencies at the time of contract. Having a spot position, on margin, does not mean that it is credited in your account, which is necessary to make the meaning of delivery (Qabd). On the other hand, having a spot position with either handing over a delivery receipt (order) or credit/debit in the account of the full price is permissible.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

From: Wael

Question

Alsalm alykom Dr Mozer,

I checked with the broker company on the phone about how they do theier trading.

Basically he told me that what i said before:

- 1- When a customer put order they themselves lend the customer money to finish the transaction , the customer have only to come up with a certain margin equity.
- 2- They are the market maker, the second part of the transaction, thye selll or buy the order from their inventory.
- 3- After finishing the transaction, they will go to the Interbank market and place the same order there. or replensihing their inventory again.
- 4- Over night position is charged intrest, intar day not.
- 5- The trade is spot trade not future.

Thank you

i hope i am not wasting you time, if i am accept my apology please

Salam Wael

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Wael

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

I will answer your three email together.

- 1- This is not that new of a transaction.
- 2- The broker is not telling you the truth; instead he is summarizing it to you. The broker DOES NOT LEND YOU MONEY, PERIOD, the sale is itself a margin sale. It is "as if it lends you"
- 3- The prophet, pbuh, made a clear distinction between currencies and other commodities. Yes you can sell TV's for a deferred price or on installments, but you cannot sell currencies because A) the Prophet said it with a clear cut statement "Ha'a bi Ha'." and "Ydan bi Yad" in another version of the Hadith; and B) because currencies are meant in Shari'ah to be a medium of exchange not a direct commodity that is why when we trade them, and trading them is needed and as ancient as the existence of currencies themselves.
- 4- Currency trading requires delivery at the time of the contract, this delivery can be done by credit and debit in the accounts but if it is not done, the transaction is then Riba al Fadl as called in Shari'ah. holding a position does not mean you got delivery, it means you got a contract, delivery must accompany it if the transaction is to be compatible with Shari'ah.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2003

Subject: Forex Trading in light of Fiqh

From: MOAZZAM

Sent: Saturday, October 18, 2003

Question:

Dear Scholar,

Assalamu Alaykum, I am posting this question to you directly because I was unable to find its answer on your site <http://monzer.kahf.com/> under Fatwa section. I hope you will not mind me accessing you directly.

My question is if one converts 5,000USD to Euro when Euro is weak and then converts Euro to USD when it's strong, in the end earning more USD. Is Harm or Halal.

If it is Halal then my second question is regarding Forex Trading, which is offered on-line by most of the Forex related sites now a days e.g. <http://www.realtimeforex.com/> Whether trading on-line with an investment of say 5,000USD on which temporary playing margin is given (which can be 50,000USD) but no actual payment of the margin is done, is acceptable as per the Fiqh or not.

Best Regards, Moazzam.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Moazzam

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

This transaction falls in the category of Sarf (currency exchange) contract that is well known in our Fiqh.

The answer to your first question is YES. Exchanging dollars for euro and vice versa is permissible provided the contract and delivery of both currencies is done at the same time (cash) in each of the two transactions (buying the euros and later buying the dollars).

The second transaction is different. The Prophet, pbuh, said about Sarf that it MUST BE "HA' BI HA' " OR "YADAN BI YAD". It literally means "give and take" or "hand to hand". Hence in Sarf it is always required that delivery of both currency must be full in cash at the time of the contract, otherwise the transaction becomes Riba-based (i. e. involving interest as we know). Forex on margin and forex futures are all not permitted in Shari'ah. They do not fulfill the condition put by the Prophet, pbuh.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: forex, foreign exchange

Subject: forex trading

From: Ibrahim

Sent: Friday, August 29, 2003

Question:

Assalam Alaikum Dr. Monzer:

I would like to know if forex trading that is done nowadays on the world market permissible. The following is a description of a company that provides forex trading.

What is Forex?

Forex, or Foreign Exchange, is the simultaneous buying of one currency while selling for another. This market of exchange has more buyers and sellers and daily volume than

any other in the world. Taking place in the major financial institutions across the globe, the forex market is open 24-hours a day.

Buying/Selling

In the forex market currencies are always priced in pairs; therefore all trades result in the simultaneous buying of one currency and the selling of another. The objective of currency trading is to buy the currency that increases in value relative to the one you sold. If you have bought a currency and the price appreciates in value, then you must sell the currency back in order to lock in the profit.

Currencies are quoted in pairs. The first listed currency is known as the base currency, while the second is called the counter or quote currency. In the wholesale market, currencies are quoted using five significant numbers, with the last placeholder called a point or a pip

Like all financial products, FX quotes include a "bid" and "ask". By quoting both the bid and ask in real time, FXCM ensures that traders always receive a fair price on all transactions. As in any traded instrument, there is an immediate cost in establishing a position. For example, USD/JPY may bid at 131.40 and ask at 131.45, this five-pip spread defines the trader's cost, which can be recovered with a favorable currency move in the market.

Margin

The margin deposit is not a down payment on a purchase of equity, as many perceive margins to be in the stock markets. Rather, the margin is a performance bond, or good faith deposit, to ensure against trading losses. The margin requirement allows traders to hold a position much larger than the account value. FXCM's online trading platform has margin management capabilities, which allow for this high leverage.

In the event that funds in the account fall below margin requirements, the FXCM dealing Desk will close all open positions. This prevents clients' accounts from falling into a negative balance, even in a highly volatile, fast moving market.

Rollover

For positions open at 5pm EST, there is a daily rollover interest rate a trader either pays or earns, depending on your established margin and position in the market. If you do not want to earn or pay interest on your positions, simply make sure it is closed at 5pm EST, the established end of the market day.

What Every Currency Trader Should Know

The forex market is one of the most popular markets for speculation due to its enormous size, liquidity, and tendency for currencies to move in strong trends. An enticing aspect of trading currencies is the high degree of leverage available. FXCM allows positions to be leveraged up to 100:1. Without proper risk management, this high degree of leverage can lead to enormous swings between profit and loss. Knowing that even seasoned traders suffer losses, speculation in the forex market should only be conducted with risk capital funds that if lost will not significantly affect one's personal financial well being.

The FXCM Mini account was designed for those new to online currency trading. There is a smaller deposit required to open an FXCM Mini account and trading sizes are 1/10th the size of a regular account. The smaller trade size enables traders to take smaller risks.

The FXCM Mini is intended to introduce traders to the excitement of currency trading while minimizing risk.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ibrahim

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

trading currencies is permissible only on stop basis. This is when settlement is done at the time of the trade or at the end of the day at the most. Settlement means crediting the account of the buyer for the whole amount of the currency purchased and debiting her account for the whole amount of the currency sold. The Prophet, pbuh, emphasized that in currency dealings (gold for silver and vice versa at his time) the delivery must be at the time of the contract " Yadan bi Yad" that means give and take at the same time on the spot of the contract.

Any future forex involves Riba al Buyu' which is also known as Riba al Fadl. This is prohibited clearly in several authentic Sayings of the Prophet, pbuh.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Using Credit Cards Involving Overseas Transactions

From: Islam on line

Sent: Saturday, July 19, 2003

Name of Questioner Amir

Country U S

Question:

Assalamu Alaikum, The question is about Credit Card usage particularly those involving overseas transactions. I have been informed that since overseas transactions (card usage outside of country of issuance) involve Money Exchange (As-Sarf) coupled with delayed (or differed) payment by the user, it is Haram. Appreciate your kind help and inputs. Jazakum Allahu Khairan katheera.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Amir

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

international transactions in credit cards are permissible provided no other delays are made in payment within the grace period. International credit card transactions involve a contract of sale of a good or service and a Hawalah (transfer) for the payment. When you make the transaction it is a cash transaction between the seller and the buyer and the buyer gets the price cash in the contract's currency immediately (or within no more

than three days upon depositing the credit card slips). The buyer becomes a debtor to the credit card issuer on the moment the issuer pays the amount and on the same moment the issuer debits the buyer's account in the buyer's domestic currency. Notice that the exchange (Sarf) takes place at that moment and both payment by issuer and debiting the buyer are the two sides of the one record the issuer makes. There is no doubt that there is a span of days between the day the seller gets the price from the seller's local bank and the issuer paying/debiting but this span of days is not within any of these contracts or between a contract and its execution, this period of time is between the execution of one contract and the execution of another.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Currency trading

From: Ibrahim

Sent: Saturday, May 31, 2003

Question:

Assalam Alaikum Dr. Kahf:

Is currency trading (Forex) permissible in Islam?

Also, is futures trading permissible?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Ibrahim

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Only spot currency trading is permissible because in currency, gold and silver transactions the Prophet, pbuh, put the condition that it must be cash only He said: ha' bi ha' meaning give and take at the same time. currency futures are not permissible. In fact they involve Riba.

commodities and stocks futures are decreed not permissible by the OIC Islamic Fiqh Academy (the highest and much respected Fiqh body in the world). The reason is that Shari'ah prohibits selling for future delivery and future payment at the same time. In Shari'ah-recognized sale contracts one at least of the two exchanged things must be immediate.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

Subject: Installment Facility in Changing Currencies

From: Islam on Line

Sent: Saturday, April 26, 2003

Name of Questioner Mohamed

Country India

Question

Assalamu Alaikum, In order to transact the money from QATAR (Qatar Riyal) to INDIA (Indian Rupees) as a demand draft, some persons offering installment facility, but they are charging more than the actual bank rate for their services of this installment facility. Can we call this as "INTEREST"?

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Mohamed

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Money transfer with change of currency must be combined in sequence (the same way it is normally practiced by banks. This means you either buy the foreign currency first (the Indian rupee or USD in your case) then transfer it in Rupees or in Dollars or you transfer Qatari Rials then in India exchange it for Rupees. In either case the exchange of currency must be done on the spot that is you give Rials and get Rupees at the same time and the rate of exchange is market determined not a Shari'ah matter; and the commission of the transfer service is permitted in Shari'ah.

From Shari'ah point of view, any bank or person can offer any or both of these two services with the above mentioned conditions. If exchange is done with spot delivery, then the Rupees are given as a loan for future payment in India there must be no difference between the total amount of installment and the amount of the loan; any increment is interest. the carrier this transfer service is entitled to normal price of the service which should not exceed what other transferors (banks) charge. any extra charge is not permitted in Shari'ah because it is a form of Ghabn that is prohibited.

Additionally, I like to warn you from dealing with persons and institutions that are not regulated by local governments, many of them may be money cleansers who deal with drugs and smuggling of prohibited items. You don't like your pure money to be mixed with their operations!

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Price difference between cash sale and credit sale and sale of gold

From: Islam on line

Sent: January 22, 2003

Name of Questioner Fatima

Country U K

Question

I sell goods to people from my own home and that includes gold, most of the people buy by credit and pay me whenever they get the money. I was told by my local Imam that selling (gold) by credit is Haram. I can not get the point where I do not increase the value of the product if it sold by credit. Also is it Haram to make a difference between the cash price and the credit price of a good (by fixed amount)

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Fatima

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

It is permissible to sell at any price you want, certainly provided that you do not charge prices that are way above the market, otherwise the contract becomes subject to cancellation from Shari'ah point of view. You can sell at a higher price if payment is deferred (on credit). However the contract must be definite either cash or credit. The price cannot be either or.

Selling gold, silver and all currencies must always be cash, payment by credit card or checks is considered cash because you can go and deposit it in your bank immediately. Any time difference is forbidden in gold, silver and currencies. The prophet, pbuh, called this a Riba and prohibited it in a correct Saying.

Wa Allahu A'lam

Wa Alhamdu li Allah Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2002

SUBJECT: GoldQuest multi- layer sale and commissions

From: Islam on line

Date: 1/20/2002

Name of Questioner Ahmad

Country U A E

Question

I've been involved in a company called QoldQuest. What it does is selling a golden coin to their customers with about \$400 which is half the price of the coin, then I work as a seller for that company and attract or invite other people to buy from that company. The operation is like the binary tree. When I have about two people beneath me two guys, and they do the same process that i did, those two guys are from my left and from my right as a binary tree. when I have about 5 guys on my right and other 5 on my left the company pays the other \$400 and send me the Golden Coin. and if my tree expanded and more 10 people get in it the company sends to me \$400, each time

another 10 people buy their product I get \$400 as a prize of my role as a seller or advertisement for the product and the company.. Is that allowed in Islam or not? And if it is not allowed what should i do for Allah forgiveness, and if it is allowed how the Zakah would be?

Notes: you can visit the company site which is www.goldquest.com and the details about the process is on <http://go.to/smartpapers> please answer soon

My Answer:

Dear Br. Ahmad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

1 - The Idea of earning commission on new people you get into the clientele population of the company is permissible provided those customers know about it. In other word, this commission process must be disclosed to any of your customers whom you get to attach to the company. The serious problem is in the trade itself as explained below.

Trading gold and silver and currencies must always be cash with spot or immediate delivery. This means that if the price of a given quantity of gold, it doesn't matter coins or bullion, is US\$ 800, this whole amount must be paid cash and the gold delivered, or shipped, at the time of the contract.

2 - What is past is past and ask Allah forgiveness and make more Sadaqat, Dhikr (remembrance of Allah) and prayers. Allah says in the Qur'an: Good deed wipe away the bad deed [Inna al hasanat yudhhibna al sayyi'at]. If the commission you make on your customers was not known to them inform them about it now and apologize for keeping them in the dark in the past.

3 - Zakah is on the balance you have at the end of a Zakah-fiscal lunar year. Such a year begins on the day you had a balance of value of 85 grams of gold (# US\$ 1000) and it is 354 days. At the end of such year you pay Zakah at 2.5% of what you have as long as it is at least US\$ 1000.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

FATAWA MONEY, CURRENCIES, GOLD, SARF 2001

SUBJECT: Sale of gold and silver on the internet by GoldQuest Int.

From: dialogue@islam-online.net

Date: 9/4/2001

Name Mohammad

Country Saudi Arabia

Question:

Assalamu Alaykum wa Rahmatullahi wa Barakatuh (Peace be upon you, and the mercy of Allah and His blessings). You are kindly requested to answer the following questions

received from one of my brothers in Islam: 1. How should be the payment of any Gold and Silver product? There is a Company (GoldQuest Int.) selling pure Gold products (99.99%) and offers the following payment plans: a. Full payment plan – product will be shipped within two weeks b. Partial payment plan – initial payment is 52%, balance 48% later without any interest, and then product will be shipped after receiving full cost. (Example: total cost of a Golden Coin is \$830. Initial payment (52%) is \$430 and the balance is \$400). 2. Is it Halal to receive a commissioning fee? There is a Company selling pure Gold product (99.99%) that offer the following commissioning fee program: a. Every customer who brings ten (10) new customers after buying gold product will receive \$400. b. Every time one of the ten (10) new customers brings another ten (10) new customers after buying gold product, \$800 commissioning will be given to him and who introduced him to the company (each will receive \$400). Refer to the example below for question 2 above: A. Ali buys a Gold product. He becomes a customer. B. Ali brings ten (10) new customers (Saeed, Saad, Sami, Hadi, Fahad, Nasser, Hani, Taheer, Shaker and Ahmed) who buy gold product and become new customers. Ali will receive \$400 as commission. C. If Fahad (who is one of the ten (10) new customers that Ali brought) brings another ten (10) new customers by buying gold product. Each of Fahad and Ali will receive \$400. 3. Are Muslims allowed to purchase and promote selling gold coins with figures?

My Answer:

Dear Br. Mohammad

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Al Hamdu li Allah wa al Salatu wa al Salam ala Rasuli Allah.

1) - Sale of gold, silver and currencies for each other requires in Shari'ah immediate delivery of the price and the sold metal or currency because the Prophet, pbuh, said that such sale must be "Yadan bi Yad", or "Ha' bi Ha'." This means immediate delivery/possession at the time of contract. However, recognizing that cases of international sales and banking transfers normally take some time for reaching the other party, the OIC Fiqh Academy resolves that any normal period a transfer or delivery takes is disregarded and the transaction is still considered Yadan bi Yad.

In your description of the delivery, you mentioned two weeks period for starting it (shipping) THIS DOES NOT SEEM TO ME NORMAL PERIOD FOR THE ORDER TO BE HANDED TO DELIVERY SECTION OF A COMPANY. It rather looks like a period needed for manufacturing the coin or metal piece. IT IS LONGER THAN NORMAL PERIOD FOR DELIVERING AN ORDER. On this basis I don't consider this as an immediate delivery governed by the opinion of the IOC Fiqh Academy No. 53(4/6) of 1410 H (= 1990 CE).

2) - Commissions, the way you described them are permissible if it is known to the ten persons you invite to become customers that you take this as business you make money from. In other words, they are not lured by a personal advice from a caring brother/sister.

3) - Muslims are permitted to deal with foreign metallic coins and paper currencies with whatever is pictured on them. When Muslim governments issue such currencies they are not permitted to put any thing prohibited on them, but you cannot apply that ruling

to foreign governments. The Prophet and His companions, pbuh, used foreign currencies with whatever was on them without questioning it.

Wa Allahu A'lam

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: trade in currencies

From: Islam on line

Sent: Tuesday, August 20, 2001

Name of Questioner Saleh

country of Res. Jordan

Question

Can one make use of this fluctuation in currency exchange, so that I exchange my USD to Euro and vice versa and make some profit, is this Halal.

My Answer:

Bismi Allah al Rahman al Rahim

Al Hamdu li Allah Rabb al 'Alamin

wa al Salatu wa al Salamu 'ala Sayyidina Muhammad wa 'Ala 'Alihi wa Ashabihi Ajma'in

Dear Br. Saleh

Assalamu Alaykum wa Rahmatullahi wa Barakatuh.

Yes, you can if you follow the conditions of the Sarf contract. Essentially you have to make the exchange of currency cash with delivery of both currencies at the time of the contract.

Wa Allahu A'lam

Wa Alhamdu li Allahi Rabbi al 'Alamin

Wassalam

Sincerely,

Dr. Monzer Kahf

SUBJECT: Sale of jewelry with exchange and Sale without ringing the register

From a live Fatwa Session on Islam on line,

Date: June 20, 2001

Name of questioner Omar Country United States

Question

Assalaamu Alaikum Dr.Kahf

I am running a business, in a non-Muslim country. We sell jewelry and watches and also do repair. I have 2 questions... and they are about doing business.

1- we get a lot of customers who want to do a trade in when they want to buy something from us. Example they like something for \$150.00 and they have a silver chain which weighs 70 grams. They trade in the chain we give them credit toward the purchase of the \$150 charm. So we give them for instance \$50.00 for their chain and then they owe us \$100.00. Is this permissible or not?

2- Is it allowed to sell something and not ring it up on the cash register and put it in the safe. That way it does not show up on the sales record. Now this is the owner of the business who does this and he has paid for the merchandise himself in cash?

Wa JazaaK Allah Kher

My Answer:

AsSalam 'Alakum wa Rahmatu Allah

Al hamduliAllah wa alSalat 'ala Rasul Allah

The first question is about a jewelry transaction that involves exchange of gold, silver, and cash. The way this transaction should be made is: there ought to be immediate delivery at the time of the transaction on the spot of all the ingredients; that is the silver given by the customer, the gold given by the store, and the cash difference give in between. Otherwise Riba al fadl will be involved which makes the transaction forbidden. The Prophet SAAS said that if you make a transaction gold for silver, or money for either of them, it must be: "Yadan bi Yad". That means delivery of all the involved components on the spot. In another narration "Haa bi Haa" which means give and take immediately. It doesn't matter whether the transaction is made with Muslims or non Muslims. In the example you mentioned, you may divide the transaction into two segments if the quantity of gold sold to the customer is divisible in a way that you buy silver valued at \$50 for gold valued the same with immediate delivery of both and then you keep the rest of the silver, if any, as a deposit (amanah) until the customer comes back with the rest of the money to make transaction for the rest of her silver for the rest of the gold she wants to buy.

The second question is a tax question. The Shari'ah does not prohibit using all the loopholes in the tax system as long as you are working within the law. President Reagan is known to have escaped payments of taxes for a long time by means of using the loopholes in the taxation system.

Wa Allahu A'lam

Monzer Kahf
