

Guiding words on explaining the objectives of the Bitcoin network and how to deal with it in financial transactions.

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The first principle: The ruling on a matter is a branch of its conception.	6
The second principle: The default state of things in worldly matters is permissibility.	6
The third principle: Obligatory rulings are related to the actions of the accountable individuals, not to the things themselves However, in establishing rulings, validity, corruption, and nullity are considered.”	7
The fourth rule: The foundation in Islam is to seek benefits and prevent harms	7
Correcting the Perception	8
(Blockchain)	8
(Distributed Ledger)	9
(Mining Blocks)	9
(Transactions)	10
Summary	10
Collection of Questions and Answers On the Bitcoin Network	11
Is Bitcoin halal?	11
The Bitcoin network is a collection of computer devices and automated systems that work together to publish a ledger	

containing blocks and transactions. The question is: Is it permissible to use the software that downloads a copy of this ledger and distributes it to others, thus providing the opportunity to refer to it and view the transactions within? 11

In the formation of blocks in the Bitcoin network, there is a process of searching for an important number that is used to validate the blocks and also to win a reward that includes a bounty and transaction fees. The question is: Is it permissible to search for this number? 11

If I want to sell a commodity, is it permissible for me to accept Bitcoin as payment for it? 12

Is there Zakat on the Bitcoin I own? 13

Is it permissible to give Bitcoin to another person as a loan, even though its value may rise or fall in terms of the country's currency? 14

Some people are not good at safeguarding their Bitcoin, so they give it to someone who can keep it safe, whether an exchange or a member of their family or friends. What rights do they have then? 14

Is it permissible for me to lend someone Bitcoin and ask for more in return, arguing that it is not gold or silver, which are explicitly forbidden in usury? 15

If someone wants to pay off a debt, conduct a business transaction, or settle a bill, is the sender responsible for the transaction value and its fees, or is the recipient? What if the recipient wants to directly include the transaction in the next block, based on urgency, and the sender has not paid the fees for that? 16

When someone buys a product with Bitcoin, when is the payment considered complete?	17
Is it permissible for me to buy and sell Bitcoin to profit in my currency, for example, buying it when its price drops and selling it when the price rises to take the increase in my currency?	18
What is your opinion on other cryptocurrencies? Is it permissible to use them in buying, selling, and various types of commercial exchanges?	18
Some people claim that fiat money is haram to use in buying, selling, and various types of commercial exchanges, and that Muslims should use Bitcoin instead. What is your opinion on this?	18
Some people claim that with Bitcoin, the owner can shut down the site and thus the money can be lost. What is your opinion on this?	19
Some people claim that Bitcoin is uncertain and ambiguous, thus making it haram. What is your opinion on this?	19
Some people claim that Bitcoin is used for crimes such as money laundering, and therefore using the network is haram. What is your opinion on this?	19
Some people claim that the creators of the network are anonymous, and therefore it is not permissible to use the network. What is your opinion on this?	20
What is the ruling on inheritance in Bitcoin?	20
When does possession occur in Bitcoin in the matter of Ribaa al-Fadl?	20

I've heard of something called the Lightning Network, which allows one to use Bitcoin instantly. Is it permissible to use and participate in it? 20

I've heard of something called Liquid, which facilitates the use of Bitcoin faster and with increased privacy, and similarly, what is called Fedi Mint and Chaumian ECash. Is it permissible to use and participate in them? 21

Is it permissible to buy something that is based on Bitcoin but cannot be received, or something whose basis is related to its price and not to its essence? ie a derivative product? 21

It has been said that currency must have a utility and that Bitcoin has no utility; in fact, it is not anything at all. What is your opinion on this? 22

Some argue that Bitcoin has no intrinsic value or lacks value in itself. What is your opinion on this matter? 22

There are those who say that it is not permissible to use any type of currency other than gold and silver, arguing that they are the only valid forms of currency in Islamic law and that we must revert to them in our financial transactions as the Sharia is tied to them. What is your opinion on this? 23

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

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Praise be to Allah, Lord of the Worlds, the King and Owner of the Day of Judgement, the Planner of life with His wisdom and the Distributor of things with His justice. Peace and blessings be upon His noble messenger, sent with the justice of Islam, conveying the message of faith, a mercy to the worlds and a guide for those who seek truth. Moving forward:

In 2009, a new network sprouted in the realm of the Internet, with a noble purpose: "To facilitate the transfer of money from one person to another in a way that cuts off external control." Here are a set of questions and answers to enlighten your path in understanding this network, both in its meaning and its use along with the related islamic rulings.

Before delving into the sea of rulings related to the Bitcoin network, it is essential to arm ourselves with the sword of knowledge about the basic rules and information related to this digital network.

THE FIRST PRINCIPLE: THE RULING ON A MATTER IS A BRANCH OF ITS CONCEPTION.

Many people have stumbled in their judgement on this matter, due to a lack of clarity in their understanding. Therefore, my first step in this message is to dispel this ambiguity and clarify the essence of the network in a transparent manner, so that the reader stands on firm ground in understanding it.

THE SECOND PRINCIPLE: THE DEFAULT STATE OF THINGS IN WORLDLY MATTERS IS PERMISSIBILITY.

This principle is one of the most important in this chapter and the basis of the discussion within it. Many have erred when asked: "What is the proof that Bitcoin is permissible (halal)?" Allah the Almighty said:

"He is the One who created ***for you*** all that is on the earth."

From this statement, scholars deduced a fundamental principle in Islamic transactional jurisprudence:

"Everything is permissible in its essence until evidence to the contrary arises."

Therefore, those who acknowledge its permissibility rely on this principle, and it is upon the opponent to present evidence of prohibition. Contradicting this principle without valid and significant evidence is a more serious matter than adhering to the principle while being ignorant of the correct aspects of prohibition.

THE THIRD PRINCIPLE: OBLIGATORY RULINGS ARE RELATED TO THE ACTIONS OF THE ACCOUNTABLE INDIVIDUALS, NOT TO THE THINGS THEMSELVES HOWEVER, IN ESTABLISHING RULINGS, VALIDITY, CORRUPTION, AND NULLITY ARE CONSIDERED."

Therefore, we base our questions on the actions of those accountable regarding Bitcoin, so that the answers and consequent actions are as clear as daylight. The question may revolve around the establishment of a ruling or a contract, and its establishment carries a judgment different from prescriptive rulings, like validity, corruption, and nullity, or the matter may be related to whether certain things are a condition for the ruling, a preventer of it, or a cause of it. For example, the obligation of the Dhuhr prayer is not established until after midday; hence, the passing of midday is a condition for the obligation of the Dhuhr prayer.

THE FOURTH RULE: THE FOUNDATION IN ISLAM IS TO SEEK BENEFITS AND PREVENT HARMS

In the realm of each transaction, benefits and harms are manifested, and religion is based on considering these benefits and harms. When benefits clash and cannot all be accommodated, the highest of these benefits is given priority as much as possible. Similarly, when harms conflict and some level of harm is inevitable, the least harmful and least damaging option is chosen as much as possible.

تصحيح التصور

CORRECTING THE PERCEPTION

Before delving into the fields of rulings related to this network, it is necessary to shed light on its essence and explain the meanings of some of the basic terms used in discussing it.

Just as in everyday life, where people adhere to certain customs and traditions in marriage, trade, or rectifying mistakes among themselves to facilitate interactions, similarly in the world of computing, computer devices need a set of agreed-upon rules to facilitate communication between them. These rules, known as protocols, act as guidelines for digital interactions. Each type of interaction requires its own specific protocol. For instance, to send an email, we use the ¹SMTP protocol, which includes a series of steps and procedures that devices must follow to participate in the network. If a computer deviates from any of these steps, it won't be able to receive or send emails. Another example is the ²HTTP protocol, used for loading web pages.

Just as the SMTP protocol is used for sending emails, and the HTTP protocol for loading web pages, the Bitcoin network uses its own specific protocol to transfer monetary value from one person to another without the need for third-party permission. To achieve this goal, the network utilises a combination of various programmable parts and technologies, which we will clarify here to ensure a correct and comprehensive understanding.

(BLOCKCHAIN)

Approximately every ten minutes, a device around the world gathers financial transactions into an informational unit known as a block. A portion of information from the last previous block is included in a new block, linking the new block to the old one. In this way, a blockchain is formed, where each block is connected to the one preceding it. This method is akin to the Isnad (chain of narrators) in Hadith methodology, where the source of each narration and its transmitters are traced. However, while Isnad in the study of Hadith is used to determine the authenticity and weakness of a narration, the purpose of this technology in Bitcoin is to ensure the transfer of funds from one place to another and guarantee that a transaction cannot be altered after it has been recorded.

¹ Simple Mail Transfer Protocol

² Hyper Text Transfer Protocol

(DISTRIBUTED LEDGER)

Every block in the Bitcoin network is recorded in what is known as a distributed ledger. It is called this because, as previously explained, the Bitcoin protocol relies on the interaction of thousands of computer devices on the internet, where each device exchanges information and transactions with others. Every participant in the network records all transactions from the start of the network to the present day. The basic condition for dealing in the network is that each participant's ledger (which is a collection of transactions and blocks) must match the ledgers held by other devices. To illustrate, this is similar to the distribution of the memorisation of the Quran around the world, where the Quran memorised in South Africa is letter-for-letter identical to the Quran memorised in China. To eliminate the Quran from the world, it would require eradicating all its memorisers, but memorisers are spread across the globe and their exact locations are not all known. Similarly, the ledger of the Bitcoin network is spread around the world, making it difficult to lose or alter.

The purpose of this technology is to eliminate the need for trust in other parties and to protect the ledger from tampering. Today, we use bank networks for our financial transactions, which are based on our trust in them. When a bank informs us of our account balance, we trust in the accuracy of their statement and that they will return our money when needed, and we trust that the money exists in the first place. However, the goal of the Bitcoin network is to know your account balance without the need to inquire or trust anyone in the world, but rather to verify the transactions yourself. How is this verification done? It is achieved through a mathematical process.

(MINING BLOCKS)

As mentioned earlier, all financial transactions in the Bitcoin network are recorded in sequential blocks, which are compiled in a distributed ledger around the world. But, how are these blocks constructed? Anyone in the world can compile transactions into a block and link it using information from a previous block, but there is a specific, unknown number that is crucial. This number makes the block acceptable to all participants in the network, and without it, the block is not accepted. Many devices compete to find this number to complete the block and make it valid, and the one who finds it wins a sum of money. This process is not about solving an equation, but rather a competition to find that number. To illustrate, consider this example: If you wrote a verse of poetry except for the last word, and said, "Whoever comes to me with the final word that fits the meter, meaning, and rhyme, will receive a reward." There is no mathematical equation that gives you this word; instead,

one must search, experiment, and think until the verse is complete and the prize is won.

The purpose of this system is to ensure the validity of the blocks themselves, without the need for claims or trust in others. Whether the number is found by an honest, trustworthy, virtuous person or a lying, treacherous, immoral person, the nature of the person does not affect the validity of the block with this number, as the process relies on mathematical calculations. Everyone in the world can verify and confirm the validity of the number themselves.

(TRANSACTIONS)

Anyone wishing to use the Bitcoin network to send money must possess a private key. With this key, the user can receive and send money to others.

The purpose of this design is to make the network accessible to everyone. The network does not discriminate between sender and receiver, or the amount being sent. The primary goal of the network is to treat all users equally; if the currency is to be globally circulated, this cannot be achieved if the network is open to some people and closed to others.

SUMMARY

There are other steps and techniques related to this network, but we have clarified and explained the most important ones as a foundation for what will be discussed in the following.

مجموعة الأسئلة والأجوبة في شبكة بتكوين

COLLECTION OF QUESTIONS AND ANSWERS ON THE BITCOIN NETWORK

Is Bitcoin halal?

This question requires precise explanation and clarification. When asked: Is pork meat halal? The question is clear because the predominant use of any meat is for consumption. However, Bitcoin is a new technology, and we must precisely define the intended meaning of the question to avoid confusion and ambiguity.

The Bitcoin network is a collection of computer devices and automated systems that work together to publish a ledger containing blocks and transactions. The question is: Is it permissible to use the software that downloads a copy of this ledger and distributes it to others, thus providing the opportunity to refer to it and view the transactions within?

Yes, using this software can be compared to any other software used for downloading information, as long as the content of the ledger does not cause harm to those who download or view it. Generally, the sender of the funds, the recipient, or the reason behind the transfer is not known, and even if this information is known, there is no harm in it as it becomes part of history. Therefore, there is no objection to running this program and using it to view the transactions, just as it is permissible to look at history books. Publishing the ledger and the information in it to others is permissible, and it may even be preferable to run the program if you wish to use the network to verify the transactions yourself. This is based on the principle that the original state of things is permissibility and there is no prohibition in it.

In the formation of blocks in the Bitcoin network, there is a process of searching for an important number that is used to validate the blocks and also to win a reward that includes a bounty and transaction fees. The question is: Is it permissible to search for this number?

Yes, it is permissible. This work is considered a form of Ja'alah, which is offering a specified reward for completing a permissible task, even if the task itself is not precisely known. It's like someone saying: "Whoever finds my lost

watch will receive a certain amount of money,” or “Whoever finds my wallet will receive half of its contents,” or as mentioned earlier: “The first to come up with the closing word suitable for the meter, meaning, and rhyme of this verse of poetry will receive a prize.” In the case of the Bitcoin network, it is said: “The first to find the important number for the network and block validity and publishes it to the world will receive a certain amount of Bitcoin.” There is no objection to this activity other than finding that important number.

This highlights the importance of the term “nonce,” which means “Number used ONCE (NONCE)” Each block in the Bitcoin network has its own number, and a number that is valid for a previous block cannot be assumed to be valid for a subsequent block. Therefore, a new and independent search is required for each block. Searching for this number can be very difficult, but once found, verifying its suitability and the validity of the block with it becomes easy. Thanks to these numbers, the network maintains its integrity, manipulation of the ledger is prevented, and verification of the distributed ledger is facilitated.

Regarding the transfers within the blocks in the Bitcoin network, the sender and recipient are often unknown, as the network is open to the entire world, from South America to North China. Therefore, each transaction is treated equally and is permissible to be included in the blocks, just as it is permissible to sell goods to anyone in the market without inspection or interrogation. This is permissible even if the transfer is the result of a sin like theft, because including it in the blocks may help in uncovering the criminal, recovering the stolen money, and similar outcomes. It's akin to accepting an email that contains a crime and using it in courts to prove the offence. Preventing the inclusion of a transaction in the blocks may lead to the loss of money, and the loss of money is haram (forbidden). It is noted that the total number of Bitcoin in the world does not exceed 21 million, and if we prevent every Bitcoin used in a crime, it would lead to the complete loss of money, which constitutes greater loss and corruption. The Bitcoin network records every transaction and exchange from sender to recipient, enabling the discovery of crime perpetrators.

If I want to sell a commodity, is it permissible for me to accept Bitcoin as payment for it?

Yes, it is permissible to accept Bitcoin as a monetary exchange for selling a commodity because the basis of buying and selling is permissibility, and there is no legal prohibition in accepting something that is desired and not inherently forbidden. Bitcoin is considered a technology and a means of transferring value, which can be owned and traded. The method for receiving Bitcoin is

for the sender to announce a signed message to all participants in the network that they are sending a certain amount to a specific address, and there is no prohibition in sending this message. In contrast, the creation of traditional paper money is based on something forbidden. The issuance of well-known paper currencies is based on the creation of usurious³ debt and is not issued except for that, minus a very small denomination which is not considered significant. The creation of paper money is done through usury, and its cancellation is done by repaying usurious debts, and the majority of ways of circulating it are done through usurious banks and by financial transactions between banks through dubious contracts.

Is there Zakat on the Bitcoin I own?

Yes, zakat is obligatory on anyone who possesses the Nisaab (minimum amount for zakat eligibility) in Bitcoin itself or if its value combined with what they own in gold and paper currency reaches the Nisaab. They are required to pay one-quarter of a tenth (2.5%) every year to any of the categories of zakat beneficiaries.

If you choose to pay zakat in a currency other than Bitcoin, you should pay an amount equivalent to one-quarter of a tenth (2.5%) based on the value at the date zakat becomes due. For example, if you have two hundred Bitcoin (BTC 200), the zakat would be five Bitcoin. If one Bitcoin is worth a thousand (1000) in your local currency, you would pay five thousand (5000) of your currency, ie 5 Bitcoin x 1000 = 5000.

In case of delay in paying zakat due to forgetfulness, you must pay one-quarter of a tenth upon remembering. If the price of Bitcoin changes and you want to pay zakat in your currency, pay the amount determined at the time zakat became obligatory, whether the price of Bitcoin has risen to ten thousand (10,000) or dropped to two thousand five hundred (2,500), similar to the case with gold and silver.

The Nisaab of Bitcoin is determined based on the Nisaab of gold, not silver, due to its value being more akin to gold at the time of the Prophet Muhammad, peace be upon him, whereas the value of silver has significantly decreased. For example, during the Prophet's time, the value of a sheep was about half a dinar ($\frac{1}{2}$) or five dirhams (5), and today the value of a sheep is close to half a dinar ($\frac{1}{2}$), where a dinar is made of gold, while the value of a sheep in terms of dirhams today would be around fifty dirhams (50), where a dirham is made of silver. Therefore, wealth is measured based on gold.

³ Taking the definition of usury to be any form of interest, not just that which has a high interest rate.

Is it permissible to give Bitcoin to another person as a loan, even though its value may rise or fall in terms of the country's currency?

It is permissible to lend Bitcoin to others as a debt, despite its fluctuating value compared to a country's currency, just as it is with gold, silver, and other currencies. In many countries, debts are taken in U.S. dollars, despite fluctuations in their local currency compared to it, and these fluctuations can be larger than those experienced with Bitcoin, as seen in Lebanon, Argentina, and Turkey.

Definitely, if Bitcoin is lent for a specified term and the time for repayment arrives, the creditor has the right to demand repayment. If the debtor claims financial hardship and is truthful, Islam directs to deal with mercy and patience, as Allah Almighty says:

“And if the debtor is in difficulty, then [there should be] postponement until [a time of] ease. And if you were to give [from your wealth as] charity, then it is better for you, if you only knew.”

This means that if the debtor is unable to repay, it is preferable to give him time until he can do so, and forgiving the debt may be better if the lender is able to do so.

The purpose of giving loans is to assist, not to turn them into a means for profit or to impose additional pressure on the debtor. As my teacher and sheikh Abdul Latif Al-Hamd, a professor at the Islamic University of Medina, advised, “If you decide to lend to a friend, you should be prepared for the possibility of not recovering the debt, and if you do recover it, consider it a blessing.”

If the creditor doubts the debtor's honesty and believes that he has money, he has the right to take the matter to a judge to recover his right. There are specific details in jurisprudence regarding this matter that should be referred to.

Some people are not good at safeguarding their Bitcoin, so they give it to someone who can keep it safe, whether an exchange or a member of their family or friends. What rights do they have then?

In Islam, the distinction between a debt and a deposit is clear. A debt involves giving money to someone, making it their property, and the debtor bears the responsibility of repaying its value. The debtor is allowed to use this money in trade, as it occurs in banks where a deposit in an account becomes a debt to the bank, resulting in interest.

A deposit, however, is storing money solely for safekeeping, without the custodian having the right to use it in trade or any other activity.

When placing Bitcoin on exchange platforms, the company should not use the deposited Bitcoin in its business activities, as collateral, or in any of its operations, as it happened with the FTX company. Platforms may charge fees for safekeeping and executing exchange operations for Bitcoin owners.

If Bitcoin is placed with a family member or friend, one must ensure their ability to safely keep it. If they lack the capability to do so due to ignorance and this is known, the owner of the Bitcoin is not guaranteed compensation because it is negligence on their part.

In cases of damage, theft, or loss on exchange platforms or with the custodian of the deposit, the guarantor is responsible if there was negligence in safekeeping. However, if all necessary measures were taken to keep the Bitcoin safe and damage still occurred, the guarantor is not liable.

If the person keeping the deposit dies and leaves no means to return the Bitcoin to its owner, these funds become a debt in their estate and are repaid from their inheritance due to their negligence, if it is established that they were negligent.

Is it permissible for me to lend someone Bitcoin and ask for more in return, arguing that it is not gold or silver, which are explicitly forbidden in usury?

Lending someone Bitcoin with a request for an increase upon repayment is not permissible, because Bitcoin is considered a currency with a known value among people, similar to gold and silver in its fungibility, exchangeability, and compensatory use, and it is used in exchange and trade. Therefore, anything that functions as money with the mentioned characteristics is considered like gold and silver in terms of the prohibition of usury. Taking an increase on a Bitcoin loan is considered usury.

It is known in the books of Fiqh that scholars have differed on Ribaa (interest/usury) and that which causes the ruling to exist on an item. This difference is based on the Hadith.

From Abu Sa`eed al-Khudri – may Allah be pleased with him – from the Prophet – peace and blessings be upon him – who said: 'Gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, and salt for salt, like for like, hand to hand. Whoever increases or asks for an increase has engaged in Ribaa. The giver and the receiver are the same.'

The Dhaahiri (Literalist) scholars have stated that Ribaa only applies to what is mentioned in the Hadith, based on their view that the Shari'ah is not based on underlying reasons or that it is impossible to grasp the reasons behind rulings, and thus it is restricted to what is mentioned only. However, other scholars have endeavoured to understand the underlying reason in order to grasp the wisdom of the ruling and what other things not mentioned in the text could be included. Some scholars opined that the cause of Ribaa is weight or volumetric measure, so buying and selling gold and silver by weight and wheat and barley by volume (like how you cook cups of rice) are all considered from the Ribaa items. Others believed that the cause of Ribaa is volumetric measure in eatables and value in others. So, selling and buying dates by volumetric measure makes it part of Ribaa rulings and gold and silver because they are used for price exchange. If we look at their opinions, we realise what is common among them is the concept of fungibility. Fungibility allows a person to use it for exchange and trade, and we find in history that everything mentioned in the Hadith was used at some point to facilitate trade and exchange. As the potential for equality disappears, so does the claim of being from the Ribaa items. Thus, Ribaa does not apply to things like mobile phones and watermelons because they cannot be divided into equal parts in price and substance, so they are not sold by weight or measure and are not used for trade.

If someone wants to pay off a debt, conduct a business transaction, or settle a bill, is the sender responsible for the transaction value and its fees, or is the recipient? What if the recipient wants to directly include the transaction in the next block, based on urgency, and the sender has not paid the fees for that?

Sending Bitcoin can be done through various methods, and it varies depending on the situation. It may occur via:

1. Through the blockchain.
2. Via an exchange.
3. Through exchange software like Bisq.
4. Via a physical wallet like Opendime.
5. By giving the entire wallet, meaning giving the Bitcoin key known by twenty-four or twelve words while this method is not recommended.

In all these methods, the responsibility lies with the sender. The fees associated with blockchain transfers, sending fees from exchange platforms, exchange software fees, and the cost of personal wallets fall on the sender. However, if

the payer provides the key to the recipient and it is received, then the responsibility of sending Bitcoin from that account falls on the receiver.

The fees on exchange platforms and the cost of personal wallets are usually fixed and do not change with the fluctuating sending prices in the blockchain, which avoids delays in confirming the transfer. Meanwhile, the fees for sending Bitcoin directly on the blockchain vary according to network congestion. If there is significant congestion, fees increase for those needing a quick confirmation.

If both parties agree on the urgency level, for instance, if one requests, "It must be sent and confirmed immediately," and the sender agrees to send it with fees that ensure entry in the next or following block, then this is the agreed term, and it becomes a condition for the exchange, as the Prophet Muhammad, peace be upon him, said:

"Muslims are bound by their [agreed] conditions [of their contracts]."

If they agree on a delay for an hour, hours, or days, it is permissible to pay lower fees that match the agreed delay. In case there is no specific agreement about the urgency level and a dispute arises after sending, the matter is referred to the general custom, which is the average between immediate urgency and delaying for days.

If Bitcoin is sent with appropriate fees that are not contrary to the custom or the agreement made between the parties, and then sudden congestion occurs in the network, the sender is not obligated to pay an additional fee for the confirmation of the transfer. This is based on the principle that "custom is authoritative," meaning that custom and practice can stand in place of explicit conditions if not specified and a dispute arises. Note that the recipient of the transaction, which has not been confirmed in the blocks, can speed up its confirmation.

When someone buys a product with Bitcoin, when is the payment considered complete?

The sale using Bitcoin becomes binding upon the agreement of the parties, with the right to cancel the deal before physical separation (contrary to the Hanafi school), even if the amount has not been confirmed in the blockchain. The transaction confirmation in the blockchain is a technical procedure within the network, but it may not always align with the actual reality and Islamic ruling. The ruling and right in the sale might be established before sending Bitcoin, and the sale may not be considered valid even with the sending. If a

sale has been made and the sending process encounters a problem with confirmation within the blockchain, the amount remains a debt on the buyer at its original value. According to the Hanafi school, finality of the transaction through “separation” and the option of cancelling the transaction occur by the finality of the agreement, without the need for physical departure.

If one of the parties wants to cancel the sale before separation, the cancellation costs or Bitcoin sending fees are borne by the party wishing to cancel, even if they have not left the transactional location (ie transactional finality). However, if there was deceit in the sale and the other party wishes to cancel the sale, the costs of the fees then fall on the party that committed the deceit.

Regarding remote sales using Bitcoin, separation occurs upon completing the sale on the website or by any other agreed method.

Is it permissible for me to buy and sell Bitcoin to profit in my currency, for example, buying it when its price drops and selling it when the price rises to take the increase in my currency?

Just as it is permissible to convert currency from paper money to gold and silver when their price decreases, and then reconvert it to paper money when their price increases, the same process is permissible using Bitcoin. However, is this action beneficial? For the general public, this action is often harmful and not beneficial. Most people who try to engage in these transactions do not make any profit, whether in Bitcoin or their original currency. This is because most of them make their investment decisions based on emotions or greed, without a deep understanding of market mechanisms. Therefore, it is better for the average person to carry on with their regular job and receive their salary or profits in Bitcoin, gold, silver, or other permissible currencies. Engaging in Bitcoin transactions with the intention of profit often leads to the loss of time and money.

What is your opinion on other cryptocurrencies? Is it permissible to use them in buying, selling, and various types of commercial exchanges?

Don't invest your time and money in it. Everything mentioned in this document applies specifically to Bitcoin, and other digital currencies require independent evaluation and consideration. From my personal experience, I've found that most of these currencies are not viable financially or legally.

Some people claim that fiat money is haram to use in buying, selling, and various types of commercial exchanges, and that Muslims should use Bitcoin instead. What is your opinion on this?

The origin and primary purpose of paper money are interest (Riba). Riba cannot be separated from paper currency, so it is preferable for Muslims to use alternatives as much as possible. Since the inception of this currency, there has not been another way for trade among people, especially in distant transactions. Some individuals are forced to use it; there have been instances where people have been imprisoned for attempting to use gold as an alternative to paper money. Therefore, the advice to every Muslim is to fear Allah as much as you can. If it is possible to use another permissible currency instead of paper money, then it should be done, as this is linked to one's capability and capacity.

Some people claim that with Bitcoin, the owner can shut down the site and thus the money can be lost. What is your opinion on this?

As previously explained, Bitcoin is a protocol and not a website. Anyone can run the program to become part of the network, and there are thousands of individuals who are part of this network. The network cannot be shut down unless all participants are disconnected, all copies of the distributed ledger are deleted, and all information in the blockchain is removed. This is as improbable as the Quran disappearing with the death of all those who have memorised it.

Some people claim that Bitcoin is uncertain and ambiguous, thus making it haram. What is your opinion on this?

If someone wants to buy a car but the car owner prevents them from inspecting and examining it, there is clear uncertainty (gharar) due to the unknown actual condition of the car, which means there is uncertainty about whether the car is in good condition or damaged. In the case of Bitcoin, it is clearly known by quantity and description. When you receive five bitcoins, their amount and authenticity are clear and cannot be falsified, so there is no uncertainty in it. As for its price, it changes in the market like other goods. What matters in the price is the agreement between the parties in the sale and purchase process.

Some people claim that Bitcoin is used for crimes such as money laundering, and therefore using the network is haram. What is your opinion on this?

Yes, using Bitcoin for criminal activities is considered haram (forbidden) just as using a knife to commit crimes is haram. Bitcoin is a tool and instrument, and the rulings on tools and instruments are related to intentions and purposes. Therefore, it should be used for what is halal (permissible) and legitimate.

Some people claim that the creators of the network are anonymous, and therefore it is not permissible to use the network. What is your opinion on this?

As previously mentioned, the purpose of the Bitcoin network is to be independent of individuals and not based on trust. Asking about the founder of the network is similar to asking about the inventor of mathematics or engineering. From creating blocks and searching for their corrective number, to the process of sending Bitcoin from one person to another, it does not require the trust or knowledge of the participants, unlike what is required with international paper currencies.

What is the ruling on inheritance in Bitcoin?

Inheritance rules apply to Bitcoin just as they do to other forms of wealth. One of the characteristics of Bitcoin is that it cannot be accessed or utilised unless you have authority over it through possession of the private key or its presence in your wallet. Therefore, it is incumbent upon every Muslim man and woman to document a method through which heirs can access Bitcoin in the event of death, just as with other funds. If a person neglects this matter and it leads to the loss of wealth, they would be accountable before Allah for this loss and for preventing the heirs from obtaining their right.

When does possession occur in Bitcoin in the matter of Riba al-Fadl?

In Islamic transactions involving Bitcoin, possession (Qabdh) is considered to occur as soon as the transfer is made, not necessarily when it is confirmed in the blockchain, as the recipient can use the sent Bitcoin before its confirmation in the chain. If you send Bitcoin to someone and receive the equivalent from them in cash directly, this is considered direct possession (hand-to-hand). Similarly, if you receive the equivalent amount via a bank transfer and it appears in your account, this too is considered possession.

I've heard of something called the Lightning Network, which allows one to use Bitcoin instantly. Is it permissible to use and participate in it?

The Lightning Network or Lightning is one of the ways to use Bitcoin, and understanding its nature requires knowing its purpose. When someone wishes to send Bitcoin to another, a message announcing this exchange must be sent and awaited for confirmation in the blockchain, which can take time and incur fees that may be high. However, Bitcoin includes a feature that allows for the creation of a contract in the blockchain between two parties, where both can

send Bitcoin to a shared address and become partners in it, with each party having their share.

This resembles what Muslims did in the past when sending money to another country, where the person would pay the amount locally and then travel to the other country to receive the amount there, subject to fees. There is a financial agreement between the person in the first and the second country, but in the Lightning Network, the agreement is not considered a debt, and the exchange between the parties can be conducted quickly and safely without the need to announce each exchange in the blockchain.

Participation in the Lightning Network is considered halal as long as each party does not betray the trust and does not take what they do not deserve.

I've heard of something called Liquid, which facilitates the use of Bitcoin faster and with increased privacy, and similarly, what is called Fedi Mint and Chaumian ECash. Is it permissible to use and participate in them?

The Liquid Network operates similarly to the Bitcoin network, but the funds within it act as tokens for Bitcoin. The process involves sending Bitcoin to the network's operators, where it is stored, and then they give you an equivalent in their network. After receiving funds from the Liquid Network, the sent Bitcoin becomes a debt, and you can reclaim the original Bitcoin by sending back the funds to the network.

This network is akin to how gold was used in the past, where people would deposit gold in a bank and receive a paper that acted as a bond for the gold. The purpose of using the Liquid Network is to speed up transfers and its ability to conceal the amount of cash sent, among other benefits.

Using the Liquid Network is permissible in Islam, as was the case with the use of paper money when it was backed by gold and silver. Participation in maintaining the network is also permissible if authorised.

Other technologies like Chaumian e-Cash and Fedimint offer similar services. Putting Bitcoin into these technologies for benefits before withdrawing it is permissible, and all these technologies are halal as long as the Bitcoin owner can withdraw their Bitcoin as needed and desired without obstacles.

Is it permissible to buy something that is based on Bitcoin but cannot be received, or something whose basis is related to its price and not to its essence? ie a derivative product?

In the realm of acquiring and dealing with Bitcoin, the greatest benefit comes from using it as cash for buying and selling, which requires the owner to be able to take and possess it in hand. Any company or individual that sells Bitcoin and then prevents the seller from obtaining it is considered haram (forbidden). It is not permissible to buy something with the condition that you cannot benefit from it, and here benefit means to utilise the item itself, not from the value associated with it.

Entering into a contract with the aim of paying a value for Bitcoin and then profiting from its increase in value or bearing the loss from its decrease, without the actual possession of Bitcoin or in cases where it does not actually exist, resembles gambling in intention and usury (Ribaa al Fadhl where money is exchanged without taking possession) in the absence of actual exchange since it is currency. Gambling is forbidden in Islam, and thus Muslims should avoid these types of contracts that lack actual exchange and rely on speculation.

It has been said that currency must have a utility and that Bitcoin has no utility; in fact, it is not anything at all. What is your opinion on this?

Gold and silver have a variety of uses; they can be used for commercial exchange, jewellery making, and the creation of various items. In contrast, the primary benefit of Bitcoin lies in its use as a means of exchange and a store of value for the future. It can also be used for securing loans and for remote service exchanges.

Additional benefits of the Bitcoin network have emerged since its creation, such as stabilising power grids and increasing income for impoverished regions. In electricity production, surplus electricity cannot be stored on an industrial scale, but it can be utilised in Bitcoin mining, which aids in stabilising the electricity grid and enhancing income and efficiency. Bitcoin mining can bring electricity to economically inaccessible areas, such as small islands and remote villages, thereby boosting local income. An example includes islands in Indonesia with geothermal sources that can be used for electricity generation, making them economically viable when used for Bitcoin mining.

Regarding Bitcoin's lack of physical form, there are many valuable and costly items that do not possess a physical form, such as software used in mobile phones and computers, as well as poetry and books sold through electronic devices like Amazon's Kindle.

Some argue that Bitcoin has no intrinsic value or lacks value in itself. What is your opinion on this matter?

The value of things does not lie in their essence but in the benefits and characteristics we derive from them or consider important. The different properties of each item bestow its value to individuals. For example, the rarity of gold is considered an important characteristic valued by people, playing a significant role in determining its value in trade. If this rarity were to disappear, the value of gold would be affected even if the gold itself did not change. Another example is the difference in value between a trained dog and an untrained one, where the trained dog's value is higher due to the characteristic of being trained.

In the era of science and technology we live in today, many things possess high value without having a physical form, such as intellectual property rights, patents, trademarks, and computer software. Bitcoin's value is based on what it is used for, such as sending money without the need for an intermediary, storing wealth and money, protecting against inflation, and other benefits. The more benefits it offers, the greater its value to people.

There are those who say that it is not permissible to use any type of currency other than gold and silver, arguing that they are the only valid forms of currency in Islamic law and that we must revert to them in our financial transactions as the Sharia is tied to them. What is your opinion on this?

It is correct to say that many of the rulings in Sharia are related to gold and silver, and the dinar and dirham have been mentioned in the Quran and the Hadiths. However, it's important to understand the context and purpose of these references. The aim is not always to focus on gold and silver as the specific materials for financial transactions or to consider it a ritualistic directive; rather, they were the prevalent means of trade exchange during the time of the Prophet Muhammad, peace be upon him.

The dirhams are mentioned in Surah Yusuf in the verse:

'And they sold him for a reduced price, a few dirhams counted, and they were, concerning him, of those content with little.' (12:20)

"Dirhams" are mentioned in a context that reflects the economic and monetary situation known to the Arabs at that time, simply because the dirham was not in existence during the time of Yusuf (Joseph). It is as though it was mentioned in the sense of a cheap currency or silver money. Therefore, it can be said in the saying of Allah the Almighty:

'Beautified for people is the love of that which they desire – of women and children, heaped-up sums of gold and silver, fine branded horses, and cattle and tilled land. That is the enjoyment of worldly life, but Allah has with Him the best return.' (3:14)

We can interpret:

'Beautified for people is the love of desires of women and children, billions in pounds/dollars and pence/cents, luxurious cars, businesses, and properties. This is the enjoyment of worldly life, and Allah has with Him the best return.'

The concept of “Qintars” (a term used in the Quran to denote a large quantity of wealth) of gold and silver symbolises a substantial amount of money, illustrating how concepts evolve over time and circumstances. Therefore, when new types of currency like Bitcoin emerge, they can be considered as money and the rulings related to money, such as Riba, trade, exchange, and inheritance, can be applied to them, as long as they possess the necessary characteristics for exchange and trade such as scarcity and fungibility.

Many Sharia rulings related to gold and silver are mentioned explicitly, but the intended meaning is value, not the material itself. Standards such as the Nisaab (minimum amount liable for zakat) of gold, silver, camels, and sheep reflect this consideration, where these items were equivalent in value during the Prophet Muhammad's era, peace be upon him⁴.

⁴The nisab (minimum amount liable for zakat) for gold was twenty dinars, for silver was two hundred dirhams, for camels was five camels, and for sheep was forty sheep. If we look into the value of these items, we find that they were all equal in value during the time of the Prophet Muhammad, peace be upon him.

Twenty dinars equal two hundred dirhams

Two hundred dirhams equal five camels

Five camels are equal in value to forty sheep

Another example is that Zakat is one-quarter of a tenth (2.5%). If the Nisaab of camels is five camels, how is Zakat extracted from it? The Zakat of five camels is a sheep, just as the Zakat of forty sheep is equally one sheep. The value of a sheep is a quarter of a tenth of five camels.