

VIRTUAL CURRENCIES (BITCOIN): THE STAND OF ISLAMIC ECONOMY ON THE USE OF SUCH CURRENCIES

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Abstract

Several major developments have occurred in the world in the field of information technology. That led to the occurrence of several changes in political, social and economic areas of life. The most prominent changes are the ones that occurred in economic areas. Such changes include: the development of virtual currencies. The most prominent virtual currency is Bitcoin. There has been a debate about the use of virtual currencies among contemporary economists and the ones specialized on Fiqh³. Some people support the use of virtual currencies, whereas others are against using them. The present study aims at identifying the meaning of (virtual currencies). It aims to identify the stand of Islamic economy on the use of virtual currencies. There is a need to identify these things due to the increasing use and prevalence of such currencies. It's expected that virtual currency shall become number one currency in the future. It was found that the use of virtual currencies is associated with several risks and suspicious issues which may negatively affect individuals and countries. Therefore, such currencies mustn't be sold, bought, or exchanged until providing clear mechanisms for controlling their use.

Keywords: virtual currencies, Bitcoin, mining

Introduction:

People carry out financial and cash transactions in order to deliver various services and products. The forms of such transactions have developed several times throughout time. For instance, during early centuries, people used to use items as a medium of exchange. Later on, people started to use commodities as a medium of exchange. Later on, people started to use coins which are made from copper and bronze as a medium of exchange. After that, people started to use coins which are made from gold and silver as a medium of exchange. Then, people started to use paper money as a medium of exchange. Today, some people use virtual currency as a medium of exchange. Virtual currency has been receiving much attention on the global level. It is considered the outcome of the technical revolution that has been experienced. It's considered a development that occurred to money.

Virtual currencies have been increasingly used for paying off various types of things. It's estimated that virtual currencies were used for making transactions which worth about 505 billion USD during 2018 (Abed Al-Salam, 2019). Using virtual currencies for making transactions has been increasing in most countries. That's attributed to globalism and the spread of modern technologies which enabled people to use such currencies.

The use of virtual currencies has been increasing without having Shariah⁴ based controls that govern the way these currencies are used for making transactions. Therefore, the present study aimed to identify the Hukum⁵ of using and exchanging virtual currencies, especially Bitcoin. Identifying this Hukum is very important for Muslims. Such

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³ The interpretation and elucidation of Islamic law

⁴ The code of law derived from the Quran and the teachings of Prophet Mohammad

⁵ The plural is (Ahkam).Hukum is the legal rulings derived from Fiqh.

importance has been increasing, because it's expected that virtual money shall replace the physical money in the future.

The Study's Significance:

The present study is significant because it sheds a light on a very important issue (i.e. the Hukum of using virtual currencies). The ICT revolution led to the emergence of new methods for making business transactions. The most prominent method is the use of virtual currencies. The use of virtual currencies has been increasing much in many countries. That's because using virtual currencies doesn't require much cost. It's because it's easy to use virtual currencies. It's also because virtual currencies can be used quickly for making transactions. Therefore, virtual currencies have been increasingly used for making purchasing and sale transactions. Based on some statistics, virtual currencies were used during 2018 for making transactions which worth about 505 billion USD. In the light of that, it has become necessary to identify the Hukum of using virtual currencies. Identifying this Hukum is required, because it's expected that the use of such currencies shall spread widely in the future.

Statement of the Problem and the Study's Question

Today, numerous financial inventions are introduced in Islamic societies today. The most important invention is represented in virtual currencies, including Bitcoin. The use of virtual currencies has been spreading in various fields for making transactions that worth much. Although such use is recent, it's considered one of the most debatable issues. Such use made a radical transformation to the global financial system. In the light of the aforementioned information, the present study aims to explore the meaning of virtual currencies, including the meaning of Bitcoin. It also aims to identify the Hukum of using virtual currencies. It should be noted that virtual currencies have been recently introduced and serve as a new method for making transactions. Virtual money differs from the physical money. To be specific, the present study aims to answer the following questions:

- 1- What's meant by the expression (virtual currencies)? When was virtual currency introduced? What are the types and characteristics of virtual currencies?
- 2- What is meant by the term (Bitcoin)? What are the most important characteristics, merits and demerits of Bitcoin?
- 3- What's the stand of Islamic economy on using virtual currencies, including (Bitcoin)?

The Study's Objectives:

The present study aims to:

- 1- Identify the meaning of the expression (virtual currencies).
- 2- Identify the meaning of term (Bitcoin). The present study aims to identify the most important characteristics of Bitcoin and the way it's exchanged.
- 3- Review the opinions of the ones specialized in Fiqh about the Hukum of using (Bitcoin)
- 4- Identifying the Hukum of using (Bitcoin), provided that this Hukum is consistent with the principles and foundations of Islamic economy

The previous studies

There are various studies that shed a light on virtual currencies, including (Bitcoin). However, there are few studies that shed a light on the stand of Islamic economy on the use of (Bitcoin). Hence, the present study is considered significant and distinguished from other studies. Through this part, the researchers aim at reviewing the relevant studies in this regard.

- 1) Emran (2014) conducted a study titled: (Electronic money and the stand of law and Shariah on the use of such money).

The latter study aims to identify the impacts of using electronic money. It also aims to identify the permissibility of using such money under the law. It aims to identify the Hukum of using such money. It was found that it's difficult to set legal controls for regulating the use of electronic money. It was found that the mechanisms adopted for using electronic money violates the provisions of Shariah. The latter study doesn't address any issue related to Bitcoin.

- 2) Al-Raseely (2016) conducted a study titled (Ahkam related to the use of electronic currencies)

The latter study aimed to shed a light on several Ahkam related to the use of electronic currencies. It was found that it's difficult to set one fixed Hukum in this regard. Therefore, further studies must be conducted about this matter in

order to set the right Hukum. This Hukum must be based on the opinions of jurists in each school of Fiqh. The latter study doesn't address any issue related to Bitcoin.

- 3) Al-Bahooth (2017) conducted a study titled (Virtual money: meaning, type and economic impacts). The latter study aims to identify the meaning and types of virtual money. It aims to identify the economic impacts of using virtual money during the contemporary and future period of time. It aims to shed a light on the economic impacts of using virtual money in case their use spread more. The latter researcher adopted an inductive analytical approach. It was found that virtual money may cause major economic problems. Such problems may include: the difficulty faced by the central bank in managing the monetary policy that aims at regulating the use and management of virtual money. The latter researcher recommends having international coordination for protecting the ones who use virtual money.
- 4) Al-Saleh (2018) conducted a study titled (Electronic money under the provisions of Shriah). The latter study aims to explore the nature of electronic money and the stand of Shariah on the use of electronic money. It was found that conducting more research is needed by the ones specialized in Shariah for issuing Hukum about the use of electronic money. The latter researcher suggests that there must be attempts for issuing electronic currencies in a manner that is consistent with the provisions of Shariah.

The scientific contribution of the present study

Most of the previous studies shed a light on electronic money and its significance and the Ahkam of using it. Some researchers didn't distinguish between electronic money and virtual money. As for the studies that shed a light on virtual currencies, they don't shed a light on the Hukum of using (Bitcoin). However, Bitcoin is the most known virtual currency today. Therefore, the present study is distinguished from other studies, because it sheds a light on the Hukum of using virtual currencies in general and Bitcoin in particular.

The Study's Approach:

The researchers adopted the inductive descriptive approach. This approach suits the nature of the present study. It's adopted in order to explore the relevant Ahkam of using Bitcoin. It should be noted that the opinion of the researchers of the present study is not considered an official Fatwa⁶.

The Study's Structure:

To meet the study's goals, the present study is divided into four main parts:

- The first part: The study's general framework
- The second part: Virtual currencies: Definition, development, types and characteristics
- The third part: Bitcoin: Definition, characteristics, merits and demerits
- The fourth part: The Hukum of using virtual currencies
- Results, conclusion and recommendations

The second part: Virtual currencies: Definition, development, types and characteristics

Virtual money is considered one of the developments that occurred to money. It has become widely used due to its merits and characteristics. For instance, it can meet its users' needs fast. Through this part, the researchers shed a light on the development, types and characteristics of virtual currencies.

First: The meaning of (virtual currency):

Before shedding a light on virtual money, the term (money) must be defined in general. Money is defined as a medium of exchange and a standard of worth (Ismat, 2011). Money has various types. Such types may include the following: 1)- commodities, 2)-coins, 3)-paper money and 4)- electronic money (Al-Saleh, 2018).

As for the term (virtual money), there is no clear definition for this term. That's attributed to the complex nature of virtual money. It's also attributed to the constant changes occurring to virtual money. Through this part, the researchers aim to shed a light on the term (virtual money). Virtual money is defined as a medium of exchange that

⁶ It's A non-binding judgment about an issue. It's provided by a religious authority. This judgment is based on Islamic law. The plural is Fatawi

is similar to any other currency. However, it doesn't have the characteristics that other types of money have (Shami, 2016). It is a currency that is exchanged between people and carries a specific code (Al-Meqhem, 2015). Some researchers define virtual currency as a digital representation of the physical money issued by the central bank. Virtual currency gains its value from people's trust in it and extent of using it by people. It's exchanged through using virtual platforms (Al-Hadithi, 2016). It's defined as a digital asset that serves as a medium of exchange. A code is used for ensuring that the virtual currency is used with enjoying much security. There are people responsible for ensuring the survival of virtual currency (Abed Al-Hameed, 2017).

In the light of the aforementioned, virtual currency is a currency that doesn't have physical presence. It's not issued by an official body. In fact, it's issued by advanced computer programs. It's not linked with any other physical currency. In fact, it can be bought, sold, or exchanged through using electronic platforms without having any governmental control or supervision on that.

Second: The development of (virtual money)

(Bitcoin) is considered the first virtual currency. After introducing (Bitcoin), other virtual currencies were introduced. (Bitcoin) was introduced in 2008 by a person called (Satoshi Nakamoto). The latter person published a research about using Bitcoin. Through this research, Nakamoto identifies the goals sought from using Bitcoin. He also suggests that Bitcoin can be used as a medium of exchange. He suggests that the development of Bitcoin eliminates the need for having a broker when conducting business transactions. Bitcoin enables the parties in a transaction to avoid dealing with banks and brokers. However, many people have concerns about the use of Bitcoin. Such people suggest that there are undeclared reasons behind the development of Bitcoin. In 2009, Nakamoto issued an initial model of Bitcoin. However, Bitcoin was used for the first time in 2010. To be specific, in 2010, a person bought Pizza in exchange for 10000 units of Bitcoin. During the latter year, 1 USD used to equal 1309.03 units of Bitcoin. The latter worth is determined based on the cost of the electricity needed for producing this currency (Abed Al-Hameed, 2017). In 2010, the first electronic market was established for exchanging Bitcoin with other currencies. In 2012, the European Union (EU) granted an authorization for establishing a bank that is affiliated with a European institution for exchanging Bitcoin. After that, a court in Texas issued a decision indicating that it's permitted to invest in Bitcoin. The same is recognized by the courts in Germany and Switzerland. In 2016, the first agency was established in the United States for exchanging Bitcoin into Dollar. The nominal value of the Bitcoin units that were available during 2018 is 167 billion dollars (Al-Saleh, 2018).

Third: The types of virtual currencies

There are many types of virtual currencies which are exchanged on the international level. These types differ from one another in terms of how known they are and the extent of using them. In fact, the other types of virtual currencies serve as a copy or an imitation of Bitcoin. In other words, there aren't major differences – in terms of the methods of exchanging and mining, and the algorithms used for encryption- between Bitcoin and the other types of virtual currencies. The researchers of the present study present below five virtual currencies that are considered the most known ones: (Al-Raseely, 2016):

- 1) Bitcoin: It's considered the most known virtual currency. It's considered a coded virtual currency. It was issued in 2009 by an unknown person called (Satoshi Nakamoto). It's produced through a method called (mining⁷). The details in this regard are presented through the third part of the present study.
- 2) Bitcoin Cash: It's a virtual currency that is derived from Bitcoin. It was developed in 2017. It was developed because financial transactions are processed slowly by Bitcoin. It was developed because the transfer fees are high when using Bitcoin
- 3) Ripple: It's used and exchanged through an open payment network. It was developed in 2012. It's ranked second among virtual currencies in terms of the extent of use. Many banks use this currency, such as: Abu Dhabi Bank, and CIBC Bank. The transactions that were conducted during 2017 through using this currency worth about 10 billion USD. This currency is the only virtual currency that doesn't use the unit-based system. In fact, it uses a special global network that is similar to Blockchain. Regarding the transaction made through using this currency, its validity and authenticity must be assured by the consensus of the parties of the transaction. The goal sought

⁷ It refers to the process carried out for creating Bitcoin units. This process is carried out through Blockchain applications.

from using this currency is different than the goal sought from using Bitcoin. The Ripple is considered as a real-time gross settlement system that can be used for exchanging any currency into another currency. It can be used for doing 1000 transactions per second, whereas the Bitcoin can be used for doing 3-7 transactions per second. The Ripple can be used for making service, business and financial transactions.

- 4) Ethereum: It's a virtual currency and a decentralized platform. It was introduced by Vitalik in 2015. It is a smart platform for concluding contracts. It uses the Blockchain system. It provides a high level of security. It's used for concluding smart contracts. Unlike Bitcoin, the creators of Ethereum are known. Ethereum is used for making any type of financial transactions, including sales and purchasing transactions.
- 5) Litecoin: This currency was introduced in 2011 by Charlie Lee. It is a licensed currency that can be exchanged through using an online open platform. There is no costs incurred when exchanging this currency. That's what characterizes this currency. This currency can be used in a manner that is faster than Bitcoin. Issuing and exchanging Litecoin require the use of Seqwit system. This currency is created through the mining method. In 2017, it was ranked among the best five virtual currencies in terms of market capitalization. *"If Bitcoin is gold, then Litecoin is silver"*. The latter statement is widely known among the experts in this field.

In this regard, it should be noted that the ranking of each virtual currency -in terms of the extent of exchanging and spread- changes constantly. The change of such ranking is attributed to the changes that occur in this field. The latter changes may include: the rise and drop of the exchange rate of the concerned virtual currency and the change in the extent of using it.

Fourth: The characteristics of virtual currencies:

Virtual currencies have several characteristics, such as: (Al-Hadithi, 2016):

- 1- Virtual currency is a digital currency that doesn't have a physical presence.
- 2- Virtual currency is not an official currency. For instance, it is not issued by an official body, such as: the central bank or a monetary authority within the state
- 3- Anyone can practice virtual currency mining, provided that he/she has the required technical skills for that. Virtual currency is used online only.
- 4- The monetary authorities can't control the exchange rate of any virtual currency. They can't control the extent of using any virtual currency.
- 5- A virtual currency can be exchanged with any other virtual or physical currency.
- 6- Virtual currencies are exchanged among people without having to deal with a broker. Therefore, there isn't any control enforced on the processes of issuing and exchanging virtual currencies

The third part: Bitcoin: Definition, characteristics, merits and demerits.

First: the Definition of Bitcoin

The term (Bitcoin) consists from two words; Bit and coin. The word Bit refers to any small item, whereas coin refers to money made from metal (Al-Najar, 2017). Bitcoin can be defined as: a digital representation of value. Bitcoin is issued by special developers and used in units. It can be obtained and saved through using electronic means. It can be used for making a transaction, provided that both parties agree on using it (Mansour, 2016). It is a digital representation of physical money. It is not issued by a central bank nor a public body. It is not linked with any physical currency. However, natural and legal persons recognize the use of virtual currencies as a payment method. Virtual currencies can be saved, exchanged and transferred through using electronic means (Shami, 2016). A virtual currency may be defined as digital currency that is not issued by an official body. In fact, it is used by software developer (Al- Meqhem, 2015).

In the light of the aforementioned definitions, Bitcoin can be defined as an encrypted virtual unit that has a financial value. It doesn't have any physical presence. It was created by an unknown person. It is not issued by an official body. It is managed through using electronic means without resorting to a broker or a control authority. Today, the supply limit of Bitcoin units is represented in 21 million units.

Bitcoin units can be bought through using a Bitcoin trading platform. Such platforms include: Gdax and Bitstamp. Bitcoin units can be also bought directly from the ones who have them. Bitcoin was used for the first time in Amman, Jordan for buying something from a restaurant (Mansour, 2016). Table (1) shows the differences between virtual currency and paper currency.

Table (1): The differences between virtual currency and paper currency

No.	Aspect of comparison	Paper currency	Virtual currency
1.	Physical presence	It has a physical presence	It doesn't have any physical presence
2.	Control	There is a central body responsible for enforcing control over the use of this type of currency	There isn't any central body responsible for enforcing control over the use of this type of currency
3.	Issuance	It is issued by a public body (i.e. the central bank)	It is issued through the mining process which may be carried out by legal person or legal entity
4.	Way of gaining value	Its value is affected by the extent of supply and demand.	It's value is affected by the extent of supply and demand
5.	Self-value	None	None
6.	International recognition	It is recognized internationally	It is recognized partially on the international level
7.	Extent of spread	High	Moderate
8.	Difficulty to forge	The difficulty to forge it ranges between moderate to high	The extent of exchanging it is low. It's advanced in technical means.
9.	Technology	It doesn't require using technology much	It requires the use of technology
10.	Cost of issuance	Low	High
11.	The target users	The government and the members of the society	Online users
12.	Stability of price	The prices are partially instable	The prices are partially unstable

*Source: It's developed by the researcher himself based on the study of Abed Al-Salam (2019).

Second: The merits and characteristics of Bitcoin:

Bitcoin has several characteristics. Some of these characteristics are listed below (Ja'dat, 2017):

- 1- Bitcoin is a digital currency: That means that Bitcoin doesn't have any physical presence. Bitcoin is a virtual method of payment that requires the use of electronic devices. It's recognized within a specific community. Its recognition has been increasing. Its value is not stable, because it's used for making speculations
- 2- Bitcoin is an encrypted currency: It's encrypted in order to protect it. It's encrypted through using advanced modern technology that aims at protecting it and detecting any breach. The encryption can't be decrypted, unless one knows the number known by the other party (i.e. the general key). The efficiency of the encryption system has been proved. Thus, governments, public bodies and banking institutions use Bitcoin.
- 3- There aren't many Bitcoin units available. Obtaining Bitcoin units requires paying an amount of money or exerting physical effort.
- 4- It's a durable currency: For instance, it can be used for a long period of time.
- 5- It can be transferred: It can be transferred to any place in the world within a short period of time. Transferring it doesn't require much cost. It can be transferred without having to deal with a broker.
- 6- It can be broken down into several amounts of money which may be small or moderate amounts.
- 7- The validity of Bitcoin can be checked in order to ensure that there isn't any electronic forgery. The forgery of Bitcoin requires having advanced skills which are difficult to obtain
- 8- Bitcoin can be exchanged with any conventional or electronic currency.

- 9- The use of Bitcoin has been widely spreading worldwide.
- 10- The Bitcoin can be saved in secure places, such as: the Blockchain.
- 11- Mining can be practiced on Bitcoin. Bitcoin mining refers to the process of issuing Bitcoin. It's a complex process that requires much electrical power. The miner is responsible for solving mathematical equations. When bitcoin was first mined, mining one block would enable one to earn 50 BTC. The rewards gained for bitcoin mining are reduced every four years.
- 12- The supply of Bitcoin is limited: Today, the supply limit of Bitcoin units is represented in 21 million units.

Third: The demerits of Bitcoin:

Bitcoin has some demerits, such as: (Demyati, 2017):

- 1) There isn't any central body responsible for regulating the use of this currency. In case a dispute a Bitcoin-related dispute occurred, there is no body that can be sought for filling a claim.
- 2) The legislators in many countries do not recognize the use of Bitcoin.
- 3) There aren't regulations regulating the use of this currency.
- 4) The use of Bitcoin has been spreading much. That negatively influenced the management of the monetary policies. Thus, public bodies became incapable to manage such policies.
- 5) It's possible to experience a breach leading to the theft of money from the electronic wallet. However, it's not likely to experience such a breach.
- 6) In case an electronic attack occurred, the exchange of Bitcoin may be hindered. Such an attack may lead to the loss of money.
- 7) It's possible to lose the money in case the user made an error when transferring the money. It's possible to lose the money in case the user forgot the password of the electronic wallet.
- 8) The mining process require much electricity. Much electricity is needed for producing a limited amount of Bitcoin units. It was found that the average amount of the electrical power needed for carrying out 400 thousand mining operations per day is 32 Wat. This amount of the electrical power is needed for operating one network. It is similar to the amount of electricity that is consumed by a whole country, such as Denmark.
- 9) There is a need to procure advanced technologies (i.e. advanced computers) in order the carry out the mining processes.
- 10) Bitcoin may be used by criminals, smugglers and terrorists for transferring and saving money for illegitimate goals.

Fourth: The Hukum of using virtual currency:

The Hukum of using Bitcoin applies to the use of any virtual currency. That's because virtual currencies do not differ much from one another. In fact, there are few technical differences between virtual currencies.

In this regard, the researchers of the present study present below four official Fatawi about the use of Bitcoin:

- 1- Fatwa issued by the Directorate of Religious Affairs in Turkey: The latter directorate suggests that it's not accepted religiously⁸ to use Bitcoin under the provisions of Shariah. That's attributed to several reasons. For instance, there isn't any central authority responsible for enforcing control over the issuance of Bitcoin. In addition, Bitcoin may be used for speculations and carrying out money laundry operations (Abed Al-Salam, 2019).
- 2- Fatwa issued by Dar al-Ifta in Egypt: The latter institution suggests that Bitcoin doesn't meet the requirements met by by legitimate money. It suggests that Bitcoin is used for gambling. Thus, it suggests that it's Haram⁹ to use this currency (Hadad, 2019).
- 3- Another Fatwa was issued by Dar al-Ifta in Egypt: The latter institution suggests that it's Haram to exchange this currency because there are negative economic impacts of such exchange. It's because there is no legal protection granted to the users of this currency. It's also because the public authorities are the only ones responsible for issuing money (Hadad, 2019).

⁸ It's not clear whether it's Makrouh (i.e. not preferred under the provisions of Shariah) or Haram (i.e. prohibited under the provisions of Shariah)

⁹ It's prohibited under the provisions of Shariah

- 4- Fatwa issued by the General Authority of Islamic Affairs & Endowments in Dubai: The latter institution suggests that Bitcoin doesn't meet the legal and Shariah requirements of the legitimate currency. Therefore, it suggests that it's Haram to use this currency (Abed Al-Salam, 2019).

Regarding the Fatawi issued about the use of virtual currencies in general, they are still scarce and brief. When reviewing such Fatawi, it can be noticed that there are two streams of Fatawi about the use of Bitcoin (Al-Ghanim, 2018). These streams are listed below:

*First: Some Fatawi suggest that it's Halal¹⁰ to use Bitcoin. The ones who issued such Fatawi base their opinion on the following reasons (Abed Al-Hamid, 2017):

- 1- Under the rules of Shariah, things should be considered Halal, unless one discovers information about them making them Haram.
- 2- Bitcoin carries out the functions of paper money. It serves as a medium of exchange and a standard for value. Thus, the Hukum that applies to paper money applies to Bitcoin.
- 3- Bitcoin is considered a currency that enables one to purchase services, and commodities. It can be exchanged with any other currency.
- 4- Bitcoin is a currency which value is determined based on the market conditions. Thus, it's similar to gold and silver in this regard. A verse in the Holy Quran states the following: "They said: "We miss the great beaker of the king; for him who produces it, is (the reward of) a camel load; I will be bound by it" (Joseph, verse. 72). According to some experts, it's Halal to practice Bitcoin mining as being a work that one shall receive a specific amount of money for.

Second: Some Fatawi suggest that it's not permitted to use Bitcoin¹¹. They are based on the following reason (Demyati, 2017):

- 1- Bitcoin doesn't perform the functions performed by paper money. The use of this currency is not broadly accepted.
- 2- The main goal sought from issuing Bitcoin is represented in preventing central banks from enforcing control over this currency. Hence, Bitcoin is associated with many risks that negatively affect individuals and society.
- 3- Bitcoin doesn't have a real physical presence. Thus, one can't put his full trust in this currency
- 4- Under some Ahkam, it's Haram to use Bitcoin. Thus, one should avoid using the thing that there is a debate about whether it's Halal or Haram.
- 5- Using Bitcoin is associated with many risks, such as:
 - There are many fluctuations in the exchange rate of this currency.
 - This currency may be used in illegal transactions, such as: the trade of illegal commodities. It may be used in money laundry operations and tax evasion
 - The accounts of Bitcoin users may be breached. That may lead to the loss or theft of the Bitcoin units
 - Bitcoin is associated with gambling. To illustrate more, each 10 minutes, one person practicing Bitcoin mining succeed in that. As for the other people practicing Bitcoin mining, they fail and lose their money and efforts.
- 6- Most of the countries do not recognize the use of this currency. That affects the value of this currency.

Third: An opinion made through diligence

Having changes is something natural. The development of virtual currencies is considered one of those changes. However, the use of such currencies involve violations for several rules in Shariah. In the light of the aforementioned Fatawi about the use of Bitcoin, the researchers of the present study believe that people must stop using virtual currencies in general and Bitcoin in particular. That's because the rules of Shariah suggest that things should be considered Halal, unless one discovers information about them making them Haram. In the case of virtual currencies, it was found that using virtual currencies has negative impacts on individuals and society. The rules of Shariah aim at preventing and prohibiting the transactions causing damages.

The researchers of the present study base their opinion about the use of Bitcoin on the following reasons:

¹⁰ It's permitted under the provisions of Shariah

¹¹ More information about that is included in the following reference:

Al-Shamrani, Abed Al-Rahman (2017). Shedding a light on some issue about digital currencies in Shariah. 1st edition. Taiba publication and distribution house. Cairo, 36-76

- 1- Virtual money do not perform all of the functions performed by the physical money. Therefore, the use of virtual money is still limited.
- 2- The exchange rate of Bitcoin keeps changing in a constant and fast manner. The goals of the ones who created Bitcoin aren't clear. Therefore, the use of Bitcoin may negatively affect the interests of individuals and society.
- 3- The issuance of Bitcoin in this manner may involve an infringement for the rights of the public agencies. That's because public agencies are the ones responsible for issuing currency. Such an infringement mustn't be made in order to ensure compliance with the monetary, banking and cash systems in the country (Aboud, 2001). The issuance of Bitcoin in this manner has a negative impact on the central bank's capability to manage the state's monetary policy.
- 4- Bitcoin is used for speculation to achieve financial gains. That leads to major changes in the exchange rate of the Bitcoin. However, currencies should be used as a standard of value, not for trading goals
- 5- There isn't any control enforced on the use of Bitcoin. There aren't regulations regulating the use of Bitcoin. Thus, the rights and duties of all the parties engaged in using Bitcoin aren't protected.
- 6- Bitcoin may be used for tax evasion, money laundry and terrorism

The Accounting and Auditing Organization for Islamic Financial Institutions issued Shariah-based standards that aim at identifying the legitimacy of transactions. For instance, standard No. 1 of those standards sheds a light on currency trading. It aims at identifying the conditions and the Shariah-based provisions for paying off things directly or indirectly. It aims at shedding a light on the Hukum of agreeing to exchange a currency with another on a specific postponed date. It aims at shedding a light on the postponement of delivery when exchanging currencies. It aims at shedding a light on postponing the delivery of any currency. Standard No. 38 sheds a light on online financial transactions. It identifies the Ahkam of concluding online financial contracts and the way of concluding them. It identifies the way in which the well-established Shariah rules are enforced on the conclusion of such contracts.

Fourth: The stand of Islamic economy:

In this regard, using virtual currencies has several negative economic impacts. Due to such impacts, the researchers believe that people mustn't use such currencies. Such impacts include the following:

1- Instability

It should be noted that Bitcoin's exchange rate experiences fluctuations constantly. Such fluctuations made some experts consider them as a (financial bubble). At some point, the exchange rate of this currency become very high. In fact, it was higher than the gold prices at that time. After a while, it dropped dramatically. That made individuals experience major financial losses. The fluctuation of Bitcoin exchange rates is represented in 130%. As for the fluctuations of the exchange rates of paper currencies, they are within the range of 2-12%. The Bitcoin experience many fluctuations, because this currency is used for speculations (Al-Zayed, 2016). Thus, there are many concerns about the use of this currency. Such concerns are related to the stability of the exchange rate. In other words, the exchange rate of Bitcoin isn't stable. Thus, people can't use Bitcoin as a medium of exchange when making business transactions.

2- The monetary policy:

It can be clear that the spread of the use Bitcoin shall negatively affect the central bank's capability to manage the monetary policy. Such spread shall negatively affect the central bank's capability to control the open market operations. Issuing money is directly connected with the state's monetary policy. In the case of Bitcoin, this currency is issued without having any supervision by the state. Thus, the state can't enforce control over the supply of Bitcoin to achieve an economic stability and collect taxes.

The ones responsible for issuing Bitcoin suggest that the issuance of this currency shall stop in 2140 (i.e. when having 21 million Bitcoin units issued) (Jawdat, 2017). The process of issuing this currency is slowing down with time. In this regard, one may ask: (Are the processes of issuing this currency connected with the changes that occur in the international financial system?). One may also ask: (How are the monetary policies adjusted in accordance with the changes of the market demands)?

3- The wide gap between the actual economy and the financial economy

The number of transactions made through using virtual currency has been increasing. That led to increasing the gap between the actual economy and the financial economy that is based on speculations only. Most of the transactions made through using virtual currency are made based on speculations. That increases the probabilities of experiencing successive financial crises.

4- Threats to the banks' interests:

The increasing use of virtual currencies negatively affects the interests of the banking sector. That's because one can exchange a virtual currency without having to seek a broker. It's because a virtual currency can be kept through using an electronic wallet. Thus, the users of a virtual currency do not use banks to save their money. That led to the occurrence of major changes to the global financial system.

When addressing the Ahkam of using Bitcoin, it should be noted that this currency is made from nothing. In other words, one can create Bitcoin (i.e. money) without using resources. That reminds people of the year 1971 when President Nixon suspended the connection between the dollars' exchange rate and the prices of gold and silver.

Thus, it should be noted that virtual currencies can be used for generating profits without resorting to people or companies for investing funds. Thus, the presence of virtual currencies allows skilled people to generate profits through utilizing the changes occurring to the exchange rate of such currencies. When analyzing the rules of Shariah, it can be noticed that such rules suggest that people must comply with two main principles when making transactions. These principles are listed below:

- 1- The exchange must occur simultaneously between the buyer and the seller: That's because Prophet Mohammad said: *(Gold should be exchanged with gold, silver should be exchanged with silver, wheat grain should be exchanged with wheat grain, barley should be exchanged with barley, dates should be exchanged with dates, salt should be exchanged with salt, and etc...That applies, provided that the exchange must occur simultaneously between the buyer and the seller. In case other items emerged, you can sell the way you want. However, the exchange must occur simultaneously between the buyer and the seller)* (Muslim, 1988). That prevents the creation of money by one's self (Subhi, 2011).
- 2- Reba must be avoided: Reba and creation of money by one's self are connected with one another. Many experts in economy suggest that Reba and creation of money by one's self are the main reasons behind the occurrence of economic crises (Al-Abd Al-Qader, 2012).

Results:

After reviewing the relevant literature, the researchers concluded the following results:

- 1- Virtual currencies don't have physical presence. In fact, they refer to encrypted computer files that can be used for purchasing services and commodities
- 2- Virtual currencies do not perform all of the functions performed by the physical currencies. Therefore, they can't be considered as actual currencies
- 3- The source of virtual currencies. Thus, they are associated with legal and economic risks.
- 4- It's not Halal to use virtual currencies because they do not meet the requirements that must be met by physical currencies. It's also because the use of virtual currencies involve violations for several rules in Shariah

Recommendations:

The researchers recommend the following:

- 1- Conducting more studies about virtual currencies. These studies must be conducted by the councils specialized in Fiqh in order provide Fatwa about the use of such currencies
- 2- Having international cooperation in order to enforce more control on virtual currencies. That's needed to avoid using virtual currencies for money laundry operations and criminal acts.
- 3- Promoting awareness in society about the risks associated with using virtual currencies. That must be done to protect people's money
- 4- Enacting international laws and regulations that regulate the issuance and exchange of virtual currencies. That must be done to protect the interests of governments and individuals

- 5- Investigating the capacity of issuing virtual currency by a central agency, provided that the value of such a currency shall be based on the prices of gold and silver

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