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Regulations Governing Dealings in Digital Currencies in Light of the Objectives of Islamic Sharia (Maqāṣid al-Sharīʿa) and Positive Law: Bitcoin as a Model

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Abstract

This study examines the emerging issue (*nāzila*) of virtual currencies, whose appearance has sparked considerable debate among Muslim jurists. It concludes that the functions of money and the Sharia conditions for valid currency are not fulfilled in virtual currencies, as they are inconsistent with the general principle of preserving wealth embodied in the objective of circulation and exchange (*al-rawāj wa al-tadāwul*). Accordingly, they are characterized as electronic commodities, and dealing in them in their current form should be suspended. Furthermore, the Algerian legislator has prohibited dealings in virtual currencies—including their sale, purchase, and investment—under Article 117 of the Finance Law for 2018.

Keywords: Digital currencies; Bitcoin; Objectives of Sharia (*Maqāṣid al-Sharīʿa*); Positive law.

Introduction

This study addresses one of the emerging topics that has attracted extensive discussion in recent times, particularly over the last decade: digital currencies, examined through a comparative study of Islamic jurisprudence and positive law. The study focuses on Bitcoin because it is the most widely circulated of these currencies; it is an international digital currency that emerged as an alternative to legal tender. Accordingly, the study seeks to clarify the concept of this currency, explain the economic and ethical risks associated with it, set out the position of Islamic Sharia on it, and propose a set of Sharia-based regulations governing its circulation.

First: Significance of the Study

- The topic of this study is one of the contemporary emerging issues (*nawāzil*) linked to the objective of preserving wealth (*ḥifẓ al-māl*). This issue therefore requires a statement of its Sharia and legal rulings, given its widespread diffusion in the absence of Sharia regulations governing it.

- Clarifying the nature of Bitcoin, how it is issued and traded, and depicting it from all its aspects, and then attempting to arrive at a Sharia perspective on this currency based on the Sharia rules and regulations governing money and currencies.

Second: Research Problem

The research problem lies in the extent to which encrypted digital currencies satisfy Sharia criteria and whether they can be employed by Islamic banks, or whether certain reservations must govern dealings in them—and, if so, what regulations should govern them. Given that digital currencies are an emerging topic that is gaining popularity among market participants, the main research question is as follows:

- What is the Sharia and legal characterization of these currencies, and what is their ruling?

Third: Research Plan

The study comprises an introduction, four sections, and a conclusion, as follows:

Introduction: covers the significance of the study, its problem, and its plan.

Section One: The Concept of Encrypted Digital Currencies.

Section Two: Risks of Encrypted Digital Currency to Financial Transactions.

Section Three: The Sharia Perspective on Digital Currencies and the Regulations Governing Dealings in Them.

Section Four: The Legal Characterization of Digital Currencies and Their Ruling.

Conclusion: includes the main findings and recommendations.

Section One: The Concept of Encrypted Digital Currencies

First: Encrypted Digital Currencies (Bitcoin)

Bitcoin is a recently emerged encrypted virtual currency that is traded exclusively over the internet in some countries of the world. It is regarded as the first decentralized payment network operating on a peer-to-peer basis among its users, without any central authority or intermediaries (Essam El-Din, 2014, p. 50).

Virtual currencies have been defined in several ways, the most important of which are the following:

1- "A virtual digital currency that has no tangible material entity or physical existence, produced by computer programs, and not subject to the control or management of a central bank or any official international authority. It is used via the internet for purchase and sale transactions or is converted into other currencies, and it enjoys voluntary acceptance among those who deal in it" (Benaouali & Belmechri, 2020, p. 165).

2- It has also been defined as "a virtual currency that operates outside the official monetary system; it is a digital representation of monetary value issued by an entity other than the central bank and credit institutions, and it derives its value from the trust inherent in its voluntary acceptance" (Al-Najjar, 2019, p. 32).

From these definitions, a comprehensive definition of digital currency may be derived as follows:

3- A practical application of cryptocurrencies, accepted as a means of payment within the custom of a given community and used to purchase products or settle debts; it adopts the concept of encryption in order to regulate itself (Zidane, 2017, p. 34).

Second: Characteristics of Virtual Currencies

In general, virtual currencies are distinguished by a number of characteristics, the most important of which are the following:

1- They are not backed by a central authority, unlike electronic money, which is subject to central banks.

2- They derive their value from individuals' acceptance of them as a medium of exchange, a payment mechanism, a store of value, and an instrument for discharging obligations.

3- The supply of digital money is determined by computer protocols, and their networks are not operated by any specific party or institution.

4- Value is transferred from payer to payee on a peer-to-peer basis without recourse to an intermediary, which reduces transaction costs and makes transactions faster and easier, while also making it possible to circumvent all forms of centralized legal and regulatory oversight.

5- The value of digital currencies is determined by the law of supply and demand, yet their intrinsic value is nil.

6- The operational infrastructure of digital currencies relies on blockchain and distributed consensus technology, which is regarded as the most important technological innovation since the internet and is expected to bring about a new revolution in the business world (Zidane, 2017, pp. 36–37).

Third: How Bitcoin Is Obtained

Bitcoin is not issued by a decision of the ruler or his deputy; rather, it is issued through a process called mining. Bitcoin mining is not restricted to a central body or to specific individuals; it is open to everyone. Mining, however, requires time and a fast, high-specification computer capable of running the mining software, which is provided free of charge. Using this software, a number of algorithms—referred to as puzzles—are solved by the person performing the mining, who is called a miner. Once these algorithms, which are sets of sequential mathematical and logical steps required to solve a given problem, have been solved, the software issues bitcoins and adds them to the miner's wallet, known as the electronic wallet. Bitcoin can also be obtained through automated teller machines (ATMs) manufactured specifically for virtual currencies (Essam El-Din, 2014, p. 51).

Section Two: Risks of Encrypted Digital Currency to Financial Transactions

First: Disadvantages of Virtual Currencies

1- Violation of laws and facilitation of terrorist financing and money laundering.

2- Tax evasion: It becomes difficult for the government bodies responsible for tax collection to assess taxes, because transactions are conducted covertly through internet networks. Fictitious purchase and sale transactions may also take place, and virtual currencies are regarded as a means of smuggling funds abroad (Al-Bahouth, 2017, p. 890).

3- Hacking and theft:

Since virtual currency is a digital currency stored in a digital wallet, it is vulnerable to hacking if it is not adequately protected on hard drives. When funds are stolen from a user's account, the user cannot recover them, because anonymity is a defining feature of this network, and no legal action can be taken to pursue the thieves.

4- Lack of official recognition by governments and banks:

Virtual currencies are not affiliated with any central bank or monetary authority; they are therefore devoid of guarantees and backing, which deprives them of full trust. These currencies have obtained only partial recognition, granted by some countries to certain currencies, as in the case of Venezuela (Al-Bahouth, 2017, pp. 889–890; Al-Kubaisi, 2018, p. 608).

Second: Economic Effects of Virtual Money

Should virtual currencies succeed and spread, they are expected to have a tangible impact on economic variables. Trading in digital currencies has produced several effects, among which are the following:

1- Total money supply at the international level:

Virtual currencies provide additional means of exchange at the international level, alongside those already in existence and issued by the world's states in the form of circulating paper currencies; this may contribute to higher rates of global inflation.

2- Money creation: The ability of each country's banking system to create money will be affected, since the nature of virtual money and its exchange mechanism (being purely digital) does not allow for money creation; the existing quantity of money is merely transferred from one owner to another and from one wallet to another.

3- The volume of money in the economy in its narrow sense:

The volume of money circulating outside the banking system increases. Because this money is not included in the central bank's measures of the money supply, it leads to an increase in the total money supply within the economy that is not taken into account when monetary policies are formulated. It may also lead to a decline in demand for legal tender (traditional paper money), since many commercial transactions are completed online using virtual money (Al-Bahouth, 2017, pp. 903–904).

Section Three: The Sharia Perspective on Digital Currencies and the Regulations Governing Dealings in Them

The question of digital currencies is one of the contemporary emerging issues. Since, according to the juristic maxim, "a ruling on a matter is derived from its conception," it is necessary to conceptualize the issue and understand it from all angles in order to issue the appropriate Sharia ruling on it.

First: Jurists' Criteria and Determinants for the Acceptance of Money

1- General custom and convention regarding money:

Money has passed through multiple stages and numerous changes. The role of jurists has been to endorse each new form of money on the basis of people's customary recognition and acceptance of it, while establishing the Sharia regulations that govern dealings in it, since custom is authoritative (*al-ʿāda muḥakkama*) in Islamic Sharia. Thus, Mālik ibn Anas (may God have mercy on him) stated: "If people were to accept leather among themselves to the point that it acquired a minted stamp and became currency, I would dislike its being sold for gold and silver on deferred terms" (Malik ibn Anas, 1994, Vol. 3, p. 5).

Ibn Taymiyya (may God have mercy on him) stated: “As for the dirham and the dinar, no natural or legal definition of them is known; rather, their reference is custom and convention. This is because, in principle, the purpose is not tied to them in themselves; rather, the aim is for them to serve as a standard for what people transact with. Dirhams and dinars are not sought for their own sake; rather, they are a means to transacting” (Ibn Taymiyya, 2004, Vol. 19, p. 251).

Money therefore possesses an inviolability founded on custom and habit; it is not easy to replace old money with new money unless people have first become accustomed to it.

2- Issuance of money by the ruler (the state).

Minting dirhams is permissible only in the mint and with the permission of the sovereign, because if people were given license to do so, they would commit grave abuses. Al-Qāḍī stated in *al-Aḥkām al-Sulṭāniyya* that minting without the sovereign’s permission was prohibited because it constitutes an encroachment upon his authority (Ibn Muflih, 2003, Vol. 4, p. 133).

Al-Nawawī stated: “Our colleagues said: It is also disliked for anyone other than the imam to mint dirhams and dinars, even if they are pure, because this is the prerogative of the imam, and because fraud and corruption cannot be ruled out therein. Al-Qāḍī Abū al-Ṭayyib said: Our colleagues said: Whoever owns adulterated dirhams …” (al-Nawawi, 1925, Vol. 6, p. 11).

The performance of this function by the state or the sovereign removes harm from people in cases of dispute and serves the interest of safeguarding people’s rights, in accordance with the maxim: “The ruler’s conduct towards his subjects is contingent upon public interest.”

3- Stability and constancy of money

Ibn al-Qayyim stated:

> Dirhams and dinars are the prices of goods sold, and the price is the standard by which the value of properties is known. It must therefore be fixed and precisely determined, neither rising nor falling; for if the price rose and fell like commodities, we would have no price by which to evaluate goods—rather, everything would be a commodity. People’s need for a price by which to evaluate goods is a general and necessary need, and this is possible only through a rate by which value is known, which in turn is possible only through a price by which things are valued, which remains in one constant state, and which is not itself valued by something else; otherwise, it would become a commodity that rises and falls, people’s transactions would be corrupted, disputes would arise, and harm would intensify—as you have seen of the corruption of their transactions and the harm that befell them when *fulūs* (copper coins) were taken as a commodity traded for profit, so that harm became widespread and injustice occurred. Had they been made a single price that neither increases nor decreases, by which things are valued but which is not itself valued by something else, people’s affairs would have been set right. (Ibn Qayyim al-Jawziyya, 1991, Vol. 2, p. 105)

"In order for money to perform the functions entrusted to it—serving as a fair medium of exchange, an instrument for settling debts and deferred obligations, a measure of the value of different things, a store of wealth and savings, and an instrument of states' monetary policy—it must be characterized by constancy and stability, because sharp fluctuations in money undermine all of these functions" (see Al-Sabhani, 2012, p. 69; see also Amer, 2019, p. 278).

Fluctuations in the value of money and its instability contradict the rulings of Islamic Sharia. Consequently, the state, represented by its financial and monetary institutions, must pursue policies that keep the value of money relatively stable so that economic and social justice among people may be achieved (Adam, 1993, p. 269).

Second: The Extent to Which These Criteria Apply to Virtual Currencies

None of the three criteria is fulfilled in virtual currencies, for the following reasons:

1- General custom has not settled on regarding virtual currency as money; it remains a subject of hesitation. A condition for acting upon custom is its consistency (*iṭṭirād*), and such consistency is lacking, particularly since many countries have banned trading in virtual currencies within their monetary and banking systems (Al-Bahouth, 2017, p. 885).

2- There is no financial authority backing them and no central leadership that regulates their issuance, controls their supply, monitors and protects their prices, and enables them to make the changes required to keep pace with technological developments and market challenges, or to take decisive and rapid decisions in the face of crises. Jurists have agreed that the issuance of money is the exclusive prerogative of the state, in order to protect currency from fraud, to safeguard people's interests, and to preserve and protect their wealth (Mohamadi, 2019, p. 626).

3- The source of Bitcoin is unknown, and "if the object of sale or the price is unknown in a way that leads to dispute, the sale is invalid" (Al-Salus, 2008); moreover, Bitcoin is volatile and unstable.

Second: The Objective of Sharia in Preserving Wealth and Its Implications for Bitcoin

The texts of the Holy Qur'an and the Prophetic Sunnah indicate that the Lawgiver has taken into account a set of objectives in the preservation and management of wealth, which may be summarized as follows:

1- The objective of preserving wealth from the side of existence (*jānib al-wujūd*)

The Sharia objectives relating to the preservation of wealth from the side of existence are numerous; this study confines itself to only some of them:

- Investing and developing wealth: This is achieved through lawful means and methods such as trade, *murābaḥa*, *muḍāraba*, and others. The Lawgiver also prohibited encroachment upon the property of others and made the person who damages another's property liable for

compensation—a clear indication of the care given to the preservation of others' property and of the importance of not neglecting it.

- The objective of justice: God Almighty says: "Indeed, God commands justice, excellence, and giving to relatives, and forbids indecency, wrongdoing, and transgression. He admonishes you so that you may take heed" (Qur'an 16:90). Justice is the foundation of financial transactions; Islamic Sharia commands justice, which requires avoiding injustice. God Almighty says: "And God does not love the wrongdoers" (Qur'an 3:57). Through justice, wealth grows and lands prosper, and nothing is quicker to ruin the earth or more corrupting of people's consciences than injustice and oppression (al-Mawardi, 1986, p. 139).

- The objective of circulation and exchange (*al-rawāj wa al-tadāwul*): This refers to the rightful circulation of wealth among as many people as possible, as understood from God's words: "so that it does not circulate only among the rich among you" (Qur'an 59:7). It is therefore not permissible for the circulation of wealth to be confined to one particular group of society to the exclusion of others (Ben Zaghiba, 2001, p. 209).

2- The objective of preserving wealth from the side of non-existence (*jānib al-ʿadam*).

Preserving wealth from the side of non-existence means warding off whatever could disrupt it by prohibiting all forms of harm and corruption associated with it. Islamic Sharia has therefore established the removal of harm in all its types and forms; hence the legal maxim "Harm must be removed" (al-Subki, 1991, Vol. 1, p. 41). Harm to wealth takes many forms; accordingly, Sharia prohibits every transaction that leads to uncertainty (*gharar*), ignorance (*jahāla*), and harm. Forms of *gharar* include selling what does not exist, what is unknown, and what cannot be delivered. For this reason, Islamic Sharia prohibited usury (*ribā*) because it is contrary to justice, and it prohibited all transactions involving harm, *gharar*, and usurious stratagems—for example, a sale made conditional upon a contingency and the combination of two contracts in one. The common denominator among all of these is injustice.

From the foregoing, it may be concluded that the issuance of encrypted electronic currencies leads to a real, certain, and grave harm (*mafsada*) compared with the benefit (*maṣlaḥa*) expected from them, given their connection to the public affairs of society, including the preservation of religion and life; for the *gharar* in them is blatant and the ignorance certain, owing to the harm and danger they pose to the individual and society.

Third: The Juristic Classification (*Takhrīj Fiqhī*) of Bitcoin

Researchers have differed regarding the juristic classification of Bitcoin: some have classified it by analogy with *fulūs* (non-precious coinage), while others have regarded it as an independent currency like other currencies.

The most preferable view is that Bitcoin is a commercial commodity (*ʿarḍ min ʿurūḍ al-tijāra*) and not *fulūs*. In countries that have recognized it, however, it constitutes an independent currency like other currencies and takes the ruling of gold and silver with respect to currency

exchange (*ṣarf*), usury (*ribā*), and the obligation of zakat. This classification is based on the fact that most countries of the world do not recognize it; should this change and Bitcoin come to be recognized, its ruling and classification would change accordingly, since a ruling revolves around its effective cause (*ʿilla*), in both its presence and its absence (Bin Najm al-Din, 2020, p. 96).

Bitcoin transactions have no real, tangible underlying assets; moreover, its value is not subject to the law of supply and demand, and it does not perform the functions that jurists have recognized for money. Consequently, dealing in it leads to *gharar* and *jahāla*.

Fifth: Regulations Governing Dealings in Bitcoin

1- It must be issued by a known higher authority (such as the government and the state's financial policies) that guarantees it.

2- Mining must be open to all its participants and not restricted to a particular person, so that no one's effort and money are lost.

3- Lawful (Sharia-compliant) alternatives to current virtual currencies should be sought that fulfill all the functions and conditions of money and are supervised by a Sharia board.

4- Appropriate laws and legislation on virtual currencies should be enacted by the governments of Muslim countries in the event of their adoption.

Section Four: The Legal Characterization of Digital Currencies and Their Ruling

This section addresses the legal characterization of official digital money and its legal ruling.

First: The Legal Characterization of Official Digital Currencies and Examples Thereof

1 The legal characterization of official digital money.

Proponents of this view hold that official digital currencies are characterized as currency because they are issued by banks and are subject to their oversight and supervision (see Ibrahim, 2021, p. 178). They are currencies that perform all the functions of money, including serving as a medium of exchange and a measure of value (see Ben Haddou, 2022, p. 51). It may be concluded that the Sharia characterization of official digital currencies differs, in general, from their legal characterization, although both agree that such a currency performs the functions of money if it is issued by, and subject to the supervision of, an authority under certain conditions.

2 Examples of official digital currencies

1) The Aber project model

The Aber project is a bank-issued currency initiative resulting from joint cooperation between the Saudi Central Bank and the Central Bank of the United Arab Emirates. The project aims to issue a joint digital currency between the two countries that is subject to, and under the authority of, the banks (see Saleh, 2021, p. 24).

2) The Chinese digital yuan model.

In 2014, the People's Bank of China began an attempt to launch a central bank digital currency, an effort that lasted five years. In 2020, the so-called Chinese digital yuan was issued, marking an initial qualitative step for China in the field of central bank digital currencies. This digital yuan was made available for circulation among individuals in order to support the digital payment system in China (Saleh, 2021, p. 28).

3) The Nigerian naira model

Nigerian President Muhammadu Buhari launched an official digital currency for circulation known as the "eNaira." At the official launch ceremony, Buhari affirmed that Nigeria was the first country in Africa to issue a digital currency to its citizens. Nigeria has also prohibited dealings in cryptocurrencies within the financial institutions operating in the country, and it partnered with Bitt Inc. in issuing its digital currency, known as the electronic naira (Al Arabiya, n.d.).

Second: The Legal Characterization of Central Currencies and Their Ruling

This part addresses the legal characterization of electronic money and its ruling, presenting the views of legal scholars thereon.

1) The legal characterization of electronic money.

The views of legal scholars on the characterization of electronic money are presented below.

a) Electronic money as an advanced form of ordinary money

Proponents of this view hold that electronic money differs from ordinary money in form but is consistent with it in substance, since electronic money performs all the functions of ordinary money: it can serve as a means of payment and as an instrument for discharging obligations (see Al-Shafei, 2003).

b) Electronic money as an intangible form of paper money

Proponents of this view hold that electronic money is the intangible form of paper money—that is, a substitute for paper money. It is subject to the bank's oversight and supervision, because when a customer uses electronic money to meet obligations towards a merchant, the customer transfers it to the merchant's account, and the merchant can convert it into paper money at any time. This characterization is the appropriate one for electronic money (see Sarhan, 2003, pp. 285–286).

c) The preferred view

The preferred view is that electronic money represents the intangible form of paper money, because it is subject to the bank's oversight and can revert to its original paper form at any time. In other words, electronic money is stored paper money that fulfills the functions of money.

Third: The Legal Ruling on Electronic Money

Article 27 of the Electronic Commerce Law provides:

> Payment in electronic commercial transactions shall be made either remotely or upon delivery of the product, through payment instruments authorized under the legislation in force. Where payment is electronic, it shall be made through payment platforms dedicated to this purpose, established and operated exclusively by banks approved by the Bank of Algeria and by Algérie Poste, and connected to any type of electronic payment terminal via the network of the public telecommunications operator. Payment in cross-border commercial transactions shall be made exclusively remotely, through electronic communications. (Law No. 18-05, 2018, Art. 27, p. 8)

Likewise, Article 21 of the Jordanian law provides:

> (a) The transfer of funds by electronic means shall be deemed an acceptable means of effecting payment. (b) The Central Bank of Jordan shall determine, pursuant to a regulation issued for this purpose, the following:
>
> 1. The operating procedures of electronic payment systems and their technical requirements, the requirements for issuing electronic money and the conditions for dealing in it, and the settlement of disputes arising between the parties to an electronic funds transfer transaction.
>
> 2. The conditions, procedures, and technical requirements for electronic cheques, and the specifications of the electronic system applicable to the presentation, display, and electronic clearing of cheques. (Electronic Transactions Law No. 15 of 2015, 2015, Art. 21)

From the two foregoing articles, it may be concluded that dealing in electronic money is permissible under positive law. Accordingly, the Sharia ruling on dealing in electronic money is consistent with its legal ruling, subject to certain regulations with respect to the Sharia ruling.

Fourth: The Legal Ruling on Virtual Currencies

This part presents the positions of some countries that have prohibited dealings in virtual currencies and of some countries that have adopted them, together with their legal ruling.

1) Countries that have prohibited dealings in virtual currencies

a) The position of the Algerian legislator on virtual currencies.

The Algerian legislator prohibited dealings in virtual currencies under Article 117 of the Finance Law for 2018, which provides:

> The purchase, sale, use, and possession of virtual currency are prohibited. Virtual currency is that which is used by internet users via the internet, and it is characterized by the absence of physical support such as coins and banknotes, and of payment by

cheque or bank card. Any violation of this provision shall be punished in accordance with the laws and regulations in force. (Law No. 17-11, 2017, Art. 117, p. 54)

This article thus imposes an absolute prohibition on dealings in virtual currencies. Algeria banned these currencies because they are not subject to the oversight or authority of any state or of anyone acting on its behalf. Algeria relied on several justifications for prohibiting the circulation of currencies such as Bitcoin, among them the need to place such exchanges under control and to build a state characterized by security and stability, since these currencies open wide the door to drug trafficking, money laundering, tax evasion, and terrorist financing (see Amdah & Boubechiche, 2019, pp. 339–340).

b) The position of Jordan on virtual currencies

The Central Bank of Jordan has moved to prohibit virtual digital currencies. In 2014, it issued its first circular prohibiting banks and other institutions under its supervision and oversight from dealing in virtual currencies in any form, whether by selling or buying them, because these currencies are not considered legal tender. In 2018, the Central Bank of Jordan issued a second circular extending the prohibition on virtual currencies to all banks and financial institutions under its control and oversight, whether directly or indirectly, including selling, buying, exchanging, trading them through futures contracts, or investing in them. In 2019, the Central Bank issued a further circular confirming the two previous circulars; this circular was issued in response to the spread and escalation of the promotion of the currency known as DagCoin (see Central Bank of Jordan, 2020, pp. 40–41).

c) The position of Palestine on virtual currencies.

The Palestine Monetary Authority has prohibited all banks under its supervision from dealing in virtual currencies in any form—whether by exchanging them for other currencies, opening accounts for customers, or conducting other transactions—pursuant to the circular issued by the Monetary Authority on April 4, 2017. It also issued public announcements urging people not to deal in, invest in, or save in these currencies. It adopted this prohibition as a precaution against potential losses and to protect people from the risks of these currencies. In addition, the Palestinian Authority is working actively to issue a national currency and to establish its own digital currency (see Financial Stability Working Group in Arab Countries, n.d., p. 18).

d) The position of China on virtual digital currencies.

China is considered the most complex country with respect to dealings in virtual currencies. It has prohibited dealings in virtual currencies and Bitcoin in its legislation, and in 2017 it banned cryptocurrency exchange operations (see Al-Khouri, n.d., p. 140).

2) Countries that have permitted and adopted certain decentralized (virtual) digital currencies.

Some of the countries that have adopted virtual currencies are presented below.

a) The position of El Salvador on virtual digital currencies.

El Salvador was the first country to permit the circulation of virtual currencies such as Bitcoin within its territory, making it legal tender. Businesses are required to accept payment in Bitcoin and similar currencies alongside the US dollar, which is the official currency of El Salvador (Alhurra, 2021). These virtual currencies will remain legal tender in El Salvador, and the country's adoption of them has contributed to its development and advancement, particularly in the context of the global technological transformation (Tech3arabi, 2021).

b) The position of the Philippines on virtual currencies

Dealing in encrypted virtual currencies is permitted in the Philippines, which is among the first countries to adopt and accept this type of currency. It has a cryptocurrency trading platform called PDAX, through which any individual in the country can trade and use these currencies. Some websites have indicated that seven million Filipinos own this currency (Al Arabiya, n.d.).

c) The position of Indonesia on virtual currencies

Indonesia is among the countries that have accepted and adopted dealings in virtual currencies and crypto-assets; a range of crypto-assets are traded in Indonesia, including Bitcoin, Ether, Cardano, and Polkadot (Al Arabiya, n.d.).

3) Countries that have refrained from taking a decision on virtual currencies

Among the countries that have not taken a decision regarding virtual currencies is Tunisia, which has not issued any virtual currency but has instead adopted a wait-and-see stance. The Central Bank of Tunisia continues to observe from a distance the remarkable growth in the issuance of and dealings in these currencies, remaining vigilant and watchful in anticipation of the potential risks and challenges posed by virtual currencies (Financial Stability Working Group in Arab Countries, n.d., p. 17).

It may be concluded from the foregoing that legal positions on virtual currencies fall into three categories: countries that have prohibited them, countries that have adopted them, and countries that have refrained from deciding while awaiting the outcomes of dealing in them.

Conclusion

First: Findings

- Sharia jurists have differed regarding the ruling on dealing in virtual currencies: some prohibit it, some permit it, and others suspend judgment.

- Virtual currencies do not fulfill the functions or the conditions of money; consequently, it is recommended that dealing in them in their current, unregulated form be suspended.

- This transaction is impermissible because it does not meet the conditions of Sharia-valid currency and does not achieve the general principle of preserving wealth embodied in the objective of circulation and exchange.

- Virtual currencies are juristically characterized as electronic commodities.

- The Algerian legislator prohibited dealings in virtual currencies—including their sale, purchase, and investment—under Article 117 of the Finance Law for 2018.

Second: Recommendations

- Calling for cooperation among specialists in Sharia, law, and economics to conduct an in-depth study of virtual currencies, and for the intervention of the governments of Muslim countries to enact appropriate laws governing such transactions and to propose acceptable Sharia-compliant alternatives that are more consistent with the Sharia regulations of money.

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