

FREQUENTLY ASKED QUESTIONS ON DIGITAL ASSETS FROM SHARIAH PERSPECTIVE

No.	Question	Answer
1.	Why is digital currency recognised as <i>mal</i> (asset)?	Digital currency is recognised as <i>mal</i> from Shariah perspective because it fulfils the features of <i>mal</i> which include: (i) It must be valuable and accepted by the public wholly or partly; and (ii) It could be possessed in one way or another.
2.	Why is digital currency categorised as <i>`urudh</i> (goods)?	Digital currency is categorised as <i>`urudh</i> because it fulfils the essential features of <i>`urudh</i> rather than the features of currency from Shariah perspective.
3.	Why is digital currency based on technology without any underlying, not considered as currency from Shariah perspective even though it may be used as a medium of payment?	Although digital currency may be used as a medium of payment, it is not considered as currency from Shariah perspective because it does not fulfill the essential features of currency from Shariah perspective ¹ .
4.	Is the trading of digital currency backed by currency, gold or silver subject to the principle of <i>bai' al-sarf</i> (currency exchange)?	The trading of digital currency backed by currency, gold or silver is subject to the principle of <i>bai' al-sarf</i> as it is categorised as <i>ribawi</i> (usurious) item ² .

¹ Currency shall fulfil at least the following features:

- (i) Medium of payment;
- (ii) Store of value; and
- (iii) Unit of account/measurement.

² *Ribawi* items refer to six (6) items which are gold, silver, wheat, barley, dates and salt based on the following hadith related by 'Ubadah ibn al-Samit, narrated by Muslim:

"(Exchange of) gold for gold, silver for silver, wheat for wheat, barley for barley, dates for dates, salt for salt (shall be) in equal quantities and hand to hand (spot). If they differ in type, you may trade in them as you wish provided it is hand to hand (without deferment on either side)."

From the above hadith, *ribawi* items can be classified into two (2) main categories as follows:

(i) As a measure of value (*al-thaman*)

This refers to gold and silver which are used as currency to measure value of items valuable for sale and purchase. The modern currency (in the form of paper money) is classified as a *ribawi* item because it acts as a measure of value and medium of exchange.

5.	What are the Shariah requirements for trading of digital currency that is backed by <i>ribawi</i> items other than currency, gold or silver or non- <i>ribawi</i> items?	<p>The Shariah requirements for trading of <i>amwal ribawiah</i> (usurious items) are applicable for the trading of digital currency backed by <i>ribawi</i> items other than currency, gold or silver.</p> <p>Such requirements are not applicable for the trading of digital currency backed by non-<i>ribawi</i> items.</p>
6.	Why is digital token recognised as <i>mal</i> under the category of ' <i>urudh</i> '?	<p>Digital token is recognised as <i>mal</i> from Shariah perspective because it fulfils the features of <i>mal</i> which include:</p> <ul style="list-style-type: none"> (i) It must be valuable and accepted by the public wholly or partly; and (ii) It could be possessed in one way or another. <p>Digital token also falls under the category of '<i>urudh</i>' because it fulfills the essential features of '<i>urudh</i>' from Shariah perspective.</p>
7.	Is the trading of digital token backed by gold or silver subject to the principle of <i>bai` al- sarf</i> ?	The trading of digital token backed by gold or silver is subject to the principle of <i>bai` al-sarf</i> since it is categorised as <i>ribawi</i> item.
8.	Is utility token categorised as currency from Shariah perspective?	Utility token is not categorised as currency from Shariah perspective because it does not fulfill the essential features of currency.

(ii) Staple and storable foods

This is represented by wheat, barley, dates and salt which are used as staple and storable food. In the Malaysian context, rice would be included as a *ribawi* item as it is the main staple food in the country.