

Cryptocurrency Jurisprudence Study

Khabib Ali Saeed Salem Al-Arifi

Sultan Abdul Halim Mu'adzam Shah International Islamic University

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v14-i3/21062>

DOI:10.6007/IJARBSS/v14-i3/21062

Published Date: 15 March 2024

Abstract

Cryptocurrency is a new thing that descended on this world, as it began to be very popular and in demand. It has been circulated among societies since the past year or shortly before, although its establishment was announced in 2009 by an unknown party that called itself "Satoshi Nakamoto". The research problem lies in the emergence of these encrypted digital currencies the profit seekers hasten to acquire, promote, and sell them. The research attempts to answer six questions; Including: What is the truth about encrypted digital currencies? What is the current jurisprudential adaptation to it? This research aims to highlight its reality, the history of its emergence, its characteristics, and the provisions for dealing with it. on the descriptive analytical approach as well as the historical approach, and this research contains six demands; The first: what are the encrypted digital currencies, the second: is the importance of currencies in human life, the third: is the history of the emergence of encrypted digital currencies, the fourth: jurisprudential controls for the issuance of currencies, and the fifth: the characteristics of encrypted digital currencies. Sixth: the ruling on buying and selling digital currencies coded and, dealing with it, and these demands followed a conclusion that included its results, the most important of which are: currencies are the sovereign function of states, and encrypted digital currencies without state recognition is not valid relying on it because of the deception and dangers it entails, and Islam forbids that, and this ruling will be removed the adoption of countries for it, or at least the country of origin, and if its finances disappear, it is not correct to deal with it where it is correct dealing in paper currencies, and if its finance is proven, it is correct to deal with it, as it is correct to deal in paper currencies.

Keywords: Currencies, Digital, Encrypted

Introduction

In the year 2009 AD, encrypted digital currencies were invented by an unknown person or an unknown entity, and calls appeared to adopt them in transactions. Some countries did it and then apologized for the need for a more in-depth feasibility study. These encrypted digital currencies are marketed among the public and spread among young people seeking profit in buying and selling them and benefiting from the difference in that transaction in light of the sharp rise and fall in their values at close successive times with the call for a stable future.

Indeed, promising these currencies, many hastened to own them, so some of them profited from them, and others went bankrupt with them. This research is a brief jurisprudential study in which the researcher shows his vision of the rule of these currencies from the jurisprudential point of view as it was at the time of writing this research, please be guided by it.

Research Problem

The research problem lies in the emergence of encrypted digital currencies and the haste of those seeking profit by owning, promoting, and selling them, with many asking about the extent of their legitimacy and speculation in them.

Research Questions

This research attempts to answer the following questions:

1. What are cryptocurrencies?
2. What is the importance of currencies in human life?
3. How did cryptocurrency appear?
4. Does the issuance of currencies have legal controls?
5. What are the characteristics of encrypted digital currencies?
6. What is the ruling on buying and selling encrypted digital currencies and dealing with them?

Research Goals

This research aims to answer the research questions and highlight the meanings contained in the titles of his claims.

Research Importance

The importance of the research appears from its topic, as it discusses an emerging jurisprudential issue that many people need to know its provisions.

Research Method

The research relies on the descriptive and analytical approaches, as they are the two approaches for researching jurisprudential developments, as well as on the historical approach, indicating the history of the emergence of encrypted digital currencies.

The Nature of Encrypted Digital Currencies

work language: derived from the verb "work" it calls for one of two meanings

1. *One of them: is labor wages.*
2. *Second: criticism (A Group of Scholars of the Arabic Language Academy in Cairo, 2004).*

Specifically: In the last part of the stage of reviewing gold and silver, what was made from the first was called a dinar, and what was made from the second was called a dirham, then it was replaced by banknotes.

Digital: Concerning the number, the number, the writing, and the inscription, then the inscription in which the merchant numbers the clothes was called a sign of their price (Al-Barakati, 2003).

And the number in arithmetic: By inhabiting the Qaf, the symbol that was put for the numbers in abbreviation in the works Numerical numbers and their nine well-known origins are: "1, 2, 3, 4, 5, 6, 8, 8, 9" (Nakri, 2000).

Encryption language: the "encrypt" word refers to the accuracy, severity, or lack of something.

Termed: They are extremely complex algorithms and difficult computational operations, with which it is impossible to remove and hack these complexities.

Digital currencies: It is a group of intangible digital tokens that act as a mediator for the value of exchange and use the encryption process to secure and control their transactions, based on blockchain technology to create, and create currency units (Saleh, 2021).

The US Department of the Treasury defined it as an RA financial catch electronically recorded on a stored value card or other device (Al-Laham, 2009). A person owns this encrypted digital currency by purchasing it from real legal money, and the producer of this money is an unknown person disguised under fictitious names.

The Importance of Currencies in Human Life

The presence of currencies in the life of mankind is a necessity of human life, as life is not straight unless their importance and their importance is summarized as follows:

one of them: A measure of the values of goods and services and a mediator for obtaining them.

Second: It is a tool for preserving wealth and a store of value.

Third: The original contract of thanks and speculation.

Fourth: it contains the evaluation of the parents' estates, inheritance, bequest, and debt collection.

Fifth: Because some acts of worship take place in it, such as performing some penances, and like the zakat in some of its members, like the zakat of trad.

The Date Of The Emergence Of The Encrypted Digital Currency

Thinking about virtual currency began in 2007 AD with a programmer who called himself "Satoshi Kamoto" and it is said he lives in Japan, putting forward the idea of a digital currency called "Bitcoin". Research paper entitled "Bitcoin is a currency system electronic peer-to-peer" he put forward the idea of using an encrypted digital currency and described it as an electronic money system that relies on direct financial transactions between one user and another without the presence of an intermediary to dispense with and move away from central banks monitored.

In the year 2009 AD, "Satoshi" produced the first "Bitcoin" currency by mining method, and the first peer-to-peer transfer of "Bitcoin" currencies took place between "Satoshi" and "Hal Finney", the actual programmer of the "Bitcoin" system, and the first trading price was published between these currencies and the dollar, and one bitcoin is "0.001" dollars.

The spread of the "Bitcoin" currency began in the year 2010 AD when a platform for the exchange of trading cards and an electronic market for the exchange of the Bitcoin currency was established. Then, transactions continued for the purchase of goods and services, or the

transfer and storage of money and currency exchange across many websites, after which virtual currencies started to appear and innovate.

The digital currency idea is based on a system that depends on the open-source of the source, through which it can be reviewed by the barrier at any time and from any person and this system depends on two principles:

the first: the first -to -judge to control Pick.

The second: is preventing the use of the same currency in more than one purchase, through what is called peer-to-peer technology, to protect the seller (Awdah, 2019).

Jurisprudential Controls for The Issuance of Currencies

The jurists talked about this issue and made the issuance of currency controls so that injustice does not prevail and cheating and tampering with the values of individuals, among those controls that the jurists talked about:

First Condition: The issuance of no money is only from the guardian or whom the guardian authorizes to do so to preserve people's rights (Al-Mardawi,2003), And the one who meditates on the history of money will find that mankind has followed up in working on the fact that money cannot be minted except by the authority or whom the authority authorizes to do so.

The Second Condition: is that they are of relatively stable values so that property estimation is used, wastes are evaluated, trade is carried out, and debts are extracted. For this reason, the jurists have said that the basis for property estimation and value for waste is gold and silver, and for this reason, He practiced usury on both, and they needed to pay the zakat, and that is because Allah Almighty has placed in them a value in themselves (Qudamah, 2003).

The Third Condition: is that the purpose of its issuance is not profit, and that is that its issuance is in response to the nation's need and interest because the expansion of the issuance of money involves corruption for it as its value decreases and people underestimate their rights due to its low price.

The characteristics of encrypted digital currencies

Digital currencies have characteristics that distinguish them from other currencies, and these characteristics are divided into two parts:

Positive Characteristics

The positive characteristics of cryptocurrencies can be summed up in five characteristics:

One of them: is the protection of privacy, as the transfer process takes place without an intermediary and this process is recorded in a unified record without specifying the identity of the sender and the receiver, but the public key of the electronic wallet for each of them is mentioned in the unified record.

Second: It is not subject to fraud, because its complex encryption methods make it difficult to penetrate.

Third: Transfer fees are very low or non-existent.

Fourth: The speed of transfer and receipt, as the transfer and exchange process takes place in a very fast and amazing time, as the time for that process ranges between fifteen seconds and

ten minutes, and does not exceed ten minutes, regardless of its size. (www.bitcoin.com)

Fifth: It facilitates global trade, as commercial transactions are not subject to exchange rates or transaction fees and the like.

Negative Properties

Cryptocurrency is not devoid of negative characteristics that can be summed up in six characteristics:

First: its source is unknown until now, and restrictions are imposed on its circulation by many countries.

Second: It does not have stable values, as it fluctuates in price, because its price is determined by supply and demand, and by companies and governments accepting or rejecting it.

Third: It is not subject to governmental supervision and control, and for this reason, it has become a safe path for money launderers as well as network hackers and ransomware owners.

Fourth: It has no financial backing, that is, it is not linked to traditional currencies, such as the dollar, gold, silver, and the like.

Fifth: It does not have real operating assets, but its benefits are represented in making a profit from resale if its price goes up.

Sixth: the possibility of electronic attacks on it, and no electronic breaches of its encryption strength have been recorded yet, but it is possible to access it in the future.

The Ruling on Buying and Selling Encrypted Digital Currencies and Dealing in Them

Contemporary scholars differed regarding the ruling on dealing in cryptocurrency, to three sayings:

The first saying: It is forbidden to deal with them, and this is the opinion of the Egyptian Dar Al Iftaa (Shawqi, 2017). The second saying is that it is permissible to deal with them, which is the fatwa issued by the Islamic Economic Forum in Dubai (Mishaal, 2018). The Third saying: This is the opinion of the Islamic Fiqh Academy. Because of the negative characteristics, at this time it is difficult to say that it is permissible to buy, sell, and deal with these digital cryptocurrencies, due to the ignorance and deceit they contain that are forbidden by Islam, and because their acceptance It is a kind of infringement on the sovereignty of the government, which leads to the loss of rights and the seizure of property, and because the request for it is with The harm and ignorance in it is a kind of gambling that Islam has forbidden, but if a cryptocurrency appears that is guaranteed by the countries that produce it, then those countries should take care of its possession and dealing with it, and it becomes a matter like paper currencies or currency. Save it electronically, and if other countries recognize it, then there is no objection to Possession and dealing with it, buying, and selling, to remove the damage from it. And if the money is higher than it, then it is not valid to use it, as it is permissible to use paper money, such as zakat, endowment, mortgage, and the like, and if the conditions of finance are met with the recognition and guarantee of states for it, then it is valid to use its paper money was used and its provisions were taken.

Conclusion

The research concludes by mentioning the results of its claims in the following points:

First: Multiplying currencies is a sovereign function of countries. Second: Currency insignificance Vicoa is the value of things and the origin of trade. Third: Thinking about encrypted digital currencies began in 2007 AD by a programmer who called himself “Satoshi Nakamoto” and its first production was in 2009 AD and its first sale in 2010 AD. Fourth: It is not valid to buy or sell encrypted digital currencies because of the ignorance, harm, deceit, and gambling that Islam has mercy on them, because states did not issue them and did not recognize them until now. Commodities were introduced and the paper currencies in circulation today were taken into consideration.

References

- Al-Mardawi, A. (2003). The Branches and with it the Correction of the Branches. Dar Risalah.
- Al-Nawawi. (n.d). Al-Majmoo'a Sharah Muhdhab. Beirut: Dar Al-Fikr.
- Al-Maqdisi, M. (1968). Al-Mughni. Cairo Library.
- Al-Sarkhasi, S. (1993). Al-Mabsout. Beirut: Dar Al-Maarefa.
- Al-Aqeel, A. (n.d). Jurisprudential Provisions Related to Electronic Currencies. the Islamic University of Madinah.
- Al-Khulaifi, M. (2021). Innovation in Digital Currency Engineering. The Author.
- Al-Marsawy, N. (2021). Jurisprudential Provisions Related to Digital Currencies "A Comparative Jurisprudential Study". Al-Zahraa Magazine. Issue 31.
- Ahmed, M. A. H. (2008). A Dictionary of Contemporary Arabic. World Of Books.
- Salih, A. (2021). The Reality of Digital Currencies. Arab Monetary Fund – UAE.
- Nakri, J. (2000). Collector of Science in the Terminology of Arts. Beirut: Dar Al-Kotob.
- Al-Barakati, M. (2003). Jurisprudential Definitions. Dar Al-Kotob Al-Ilmiyah.
- Al-Barati, M. A. (2003). Jurisprudential Definitions. Dar Al-Kotob Al-Ilmiyah.
- Muhammad, Z. (n.d) An Introduction to Money and Banking. Dar Al-Nahda Al- Arabiya.
- Al- Mazandarani, M. (1988). The History of Islamic Numismatics. Beirut: Dar Al-Uloom.