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## Cryptocurrency and Forex in Islamic Ethics: Rethinking Opportunities and Challenges for a Meaningful Islamic Life

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ARTICLE INFO	ABSTRACT	
<p><b>Article History:</b> Received: 10 November 2024 Revised: 07 January 2025 Accepted: 07 February 2025</p>	<p><b>SUBJECT &amp; OBJECTIVES:</b> In recent years, cryptocurrency and forex markets have emerged as transformative financial platforms, drawing considerable global interest. This study aims to provide a comprehensive jurisprudential and ethical analysis of these markets through the lens of Islamic principles. It seeks to identify the main legal and moral challenges these systems pose, while also exploring the opportunities they may offer for Islamic finance.</p>	
<p><b>Key Words:</b></p> <p>Cryptocurrency Market</p> <p>Forex</p> <p>Islamic Jurisprudence</p> <p>Economic Ethics</p> <p>Islamic Principles</p>	<p><b>METHOD &amp; FINDING:</b> Using a descriptive-analytical approach, this article reviews classical and contemporary Islamic legal sources, along with scholarly opinions, to assess the permissibility of cryptocurrencies and forex trading. From a jurisprudential perspective, cryptocurrencies raise significant concerns related to <i>garar</i> (excessive uncertainty), <i>ribā</i> (usury), and the absence of intrinsic value. The scholarly discourse remains divided, with some jurists deeming these assets impermissible due to their speculative nature, while others permit their use under clearly defined conditions. Similarly, the forex market presents legal ambiguities involving <i>ribā</i>, speculative practices akin to gambling, and fictitious transactions. Ethically, both markets face criticisms concerning a lack of transparency, inadequate accountability mechanisms, and unequal access to market information. Nonetheless, these platforms also offer valuable prospects for enhancing financial inclusion and developing Shari'ah-compliant financial instruments.</p>	
<p><b>DOI:</b> <a href="https://doi.org/10.22034/imjpl.2025.11814">https://doi.org/10.22034/imjpl.2025.11814</a></p>	<p><b>CONCLUSION:</b> The article proposes practical frameworks to align these emerging markets with Islamic jurisprudential and ethical standards. It underscores the pivotal role of regulatory bodies and educational institutions in raising awareness and promoting compliance with Islamic norms. The findings contribute to scholarly and policy-oriented debates on the future of digital financial systems within an Islamic context.</p>	
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## Introduction

In recent decades, the global financial system has witnessed profound transformations, among the most prominent of which are the emergence of phenomena such as cryptocurrencies and the foreign exchange market (Forex). These developments have introduced novel opportunities for facilitating international exchanges and increasing financial circulation on a global scale. However, they have also posed new challenges to existing legal, jurisprudential, and ethical frameworks. The rapid rise of digital currencies such as Bitcoin, Ethereum, and other cryptocurrencies—alongside the widespread accessibility of Forex trading platforms—has fundamentally altered traditional models of exchange and investment.

In this context, the Islamic intellectual and jurisprudential tradition—founded on principles of justice, transparency, and accountability in economic relations—must engage in a coherent and scholarly manner with these developments. Many existing religious rulings are grounded in classical transactional models, while emerging financial markets now operate with concepts such as tokens, smart contracts, extreme volatility, leverage-based trading, and non-transparent activities. Under such circumstances, jurisprudential and ethical analyses become more critical than ever to enable Muslims to engage with these new

arenas from a position of religious awareness and economic insight, while also safeguarding themselves from potential religious and ethical violations.

Examining emerging financial markets through the lens of Islamic jurisprudence is not merely a theoretical endeavor but constitutes a real and strategic necessity for regulating economic behavior in Islamic societies. While certain aspects of transactions in the Forex market or the use of cryptocurrencies may raise jurisprudential concerns—such as potential involvement in *ribā* (usury), *ḡarar* (excessive uncertainty), or *maysir* (gambling)—the absence of a coherent analytical framework may lead to disorganized, risky, and potentially harmful economic conduct.

Moreover, Islamic ethics, as a foundational dimension of Islamic economics, places particular emphasis on intention, transparency, justice, and social responsibility in financial activities. Therefore, engaging with markets driven primarily by speculative motives, characterized by asymmetrical information and extreme instability, necessitates a rigorous assessment from the standpoint of Islamic economic ethics. Attention to moral principles such as avoidance of injustice, observance of fairness, and protection of the disadvantaged further intensifies the need for ethical analysis alongside jurisprudential inquiry.

This study considers the following hypotheses:

- In their current form, cryptocurrency and Forex markets involve jurisprudential concerns such as *ġarar*, *maysir*, and issues surrounding ownership validation. However, through the design of mechanisms based on Islamic contracts, e.g., *bay'* (sale contract/sales agreement), *ja'āla* (service-for-reward contract or commission-based contract), *salam* (forward sale contract/advance payment sale), a relative degree of religious legitimacy may be established for certain activities.
- Excessive risk-taking, opacity, and anonymity can give rise to ethical and social dilemmas that conflict with the Islamic principles of justice and transparency.
- Leveraging the capacities of Islamic regulatory and jurisprudential institutions can facilitate a Shari'ah-compliant environment for participation in these markets.

Hence, this research aims to answer the following questions:

1. To what extent are cryptocurrencies and transactions in the Forex market religiously legitimate from the perspective of Islamic jurisprudence?
2. What are the key ethical challenges in these markets, and how compatible are they with the principles of Islamic economic ethics?
3. How can the role of Islamic institutions in the regulation, oversight, and policymaking of these markets be conceptualized?
4. What mechanisms can be proposed for aligning these markets with Islamic jurisprudential and ethical principles?

## Conceptual Framework

### 1. Cryptocurrency Market

The cryptocurrency market is a decentralized platform for the buying, selling, and exchanging of cryptographic assets such as Bitcoin, Ethereum, and other digital currencies. Utilizing blockchain technology, it aims to enhance security, transparency, and eliminate financial intermediaries. This market operates continuously, 24/7, enabling global users to conduct direct transactions without reliance on banks or centralized institutions (Narayanan et al., 2016, p.12). Cryptocurrency prices in this market are determined by supply and demand on digital exchanges and are characterized by high volatility. From an economic standpoint, the cryptocurrency market is considered an emerging financial asset class with capabilities for trading, value storage, and rapid fund transfer (Böhme et al., 2015, p. 214).

### 2. Forex Market

The foreign exchange (Forex) market is the largest financial market in the world, where currencies are traded in

pairs. It functions in a decentralized and continuous manner, driven by global supply and demand mechanisms (Hull, 2015, p. 22). Traders in this market seek to profit from fluctuations in exchange rates, utilizing tools such as leverage and contracts for difference (CFDs). With a daily turnover exceeding six trillion dollars, the forex market plays a critical role in stabilizing national currencies and regulating international trade (BIS, 2022, p. 16).

### 3. *Fiqh* (Islamic Jurisprudence)

Islamic jurisprudence is the science that, based on the Quran, *sunnah*, *ijmā'* (consensus), and *'aql* (reason), explains the divine rulings governing the behavior of accountable individuals in personal, social, economic, and political dimensions. It deals with human obligations in light of divine duties and seeks to organize life based on monotheistic and justice-oriented principles (Şadr, 2005, p. 42). Islamic jurisprudence is divided into acts of worship and transactions and provides religious frameworks for areas such as law, economics, commerce, and politics. Contemporary scholars highlight its high capacity for addressing emerging issues (Eyvazlou et al., 2019, p. 61).

### 4. Economic Ethics

Economic ethics is a branch of applied ethics that examines moral standards concerning the economic behavior of

individuals and institutions. It seeks to institutionalize justice, honesty, the avoidance of oppression, and the protection of public interest in economic activities (Beauchamp, 2001, p. 91). In the Islamic context, economic ethics is grounded in principles such as fairness, trustworthiness, the prohibition of *ribā*, *ġarar*, and hoarding, closely linked to the jurisprudence of transactions (Subhānī, 2018, Vol. 2, p. 142). It emphasizes economic conscience and social responsibility among market participants, playing a vital role in mitigating market deviations and preserving the integrity of the economic system (Frey & Pommerehne, 1993, p. 163).

### 5. Islamic Principles

Islamic principles are a set of foundational beliefs and values that guide the personal and social behavior of Muslims. These include *tawhīd* (monotheism), *nubuwwah* (prophethood), *ma'ād* (resurrection), *'adl* (justice), and *imāmate* in shi'a jurisprudence, and *tawhīd*, *nubuwwah*, and *ma'ād* in Sunni jurisprudence (Mutahhari, 2008, p. 51). These principles not only constitute the core theological foundations of Islam but also underpin the moral, legal, economic, and social systems of Islamic civilization. They play a decisive role in shaping jurisprudential rulings, defining

Islamic ethics, and regulating human relationships (Şadr, 2005, p. 21).

### Literature Review

Numerous studies have examined the jurisprudential and economic analysis of cryptocurrencies and foreign exchange (Forex). On the jurisprudential side, relevant works include:

- *An Analysis of the Forex Market and Its Functions from a Micro and Macro Jurisprudential Perspective*, by Ahmad Ameli and Mehdi Bahadori (2022).

The authors examined the Forex market and its functions from a jurisprudential perspective, focusing on both micro-level (transactional) and macro-level (broader economic) analyses. They highlighted Sharī'ah-related challenges in Forex trading, such as *ribā* and *ġarar*. Additionally, the study emphasizes the importance of regulatory and jurisprudential frameworks to guide economic behavior in this market.

- *Jurisprudential Review of Forex Transactions*, by Seyyed Morteza Khatami Sabzevari, Ali Zohairi, and Reza Andalibi (2023).

In this article, the authors provided a jurisprudential analysis of Forex market transactions, identifying key Sharī'ah compliance issues such as *ribā*, *ġarar*, and *maysir*. They examined how these principles apply to typical trading practices and contracts in the Forex market. The

study also highlighted the need for Islamic legal frameworks to ensure that trading activities adhere to Sharī'ah principles.

On cryptocurrencies, notable studies include:

- *Exploring Cryptocurrencies from Jurisprudential and Legal Perspectives*, by Zahra Khorsandi Kuchesfahani and Morteza Chitsazian (2021).

In this article, the authors examined cryptocurrencies from both jurisprudential and legal perspectives, analyzing the Sharī'ah compliance of transactions. They highlighted challenges such as *ribā*, *ġarar*, and contractual uncertainty, emphasizing the importance of transparency and adherence to Islamic principles. The study also underscored the role of legal and jurisprudential frameworks in ensuring the legitimacy of digital currency transactions.

- *Jurisprudential Rulings on Virtual Currency: A Case Study of Bitcoin*, by Sakineh Azari, Ruhollah Afzali Goruh, and Meysam Tarem (2021).

In this article, the authors examined the Sharī'ah rulings on virtual currencies, with a particular focus on Bitcoin. They analyzed the related jurisprudential challenges in transactions, including *ribā*, *ġarar*, and *maysir*. The study also emphasized the importance of adhering to Islamic principles and legal frameworks to

ensure the legitimacy of Bitcoin transactions.

- “*Bitcoin: Under the Hood*”, by Zohar (2015).

In this article, the author provided a *technical* analysis of Bitcoin, explaining its underlying blockchain architecture and transaction mechanisms. The study explored how Bitcoin ensures security, decentralization, and consensus without a central authority. Additionally, it highlighted the operational and structural features that differentiate Bitcoin from traditional financial systems.

- “*Bitcoin: Medium of Exchange or Speculative Asset?*”, by Baur, Hong, and Lee (2018).

In this *article*, the authors analyzed Bitcoin’s role as either a medium of exchange or a speculative asset. They examined its price volatility, market behavior, and adoption patterns to assess its suitability for transactional use. The study concluded that Bitcoin functions more as a speculative investment than as a stable currency for everyday transactions.

While these works reflect significant efforts in this field, a comprehensive approach that combines jurisprudential and ethical analyses in a comparative framework remains underexplored. This gap further justifies the present study.

Therefore, based on the cited sources, the studies by Ameli & Bahadri (2022) and Khatami Sabzevari et al. have examined the Forex market

from a jurisprudential perspective, while works like Khorsandi Kooche Safahani & Chitsazian (2021) and Azari et al. (2021) focused on the Sharī’ah and legal aspects of cryptocurrencies. Internationally, studies by Zohar (2015) and Baur et al. (2018) analyzed the technical structure and economic role of Bitcoin.

The distinct contribution of the present article lies in its integrated and comparative approach, combining both jurisprudential and ethical analyses across Forex and cryptocurrency markets. Unlike prior research, which largely considers either legal-fiqh aspects or economic-technical dimensions in isolation, this study provides a comprehensive framework that simultaneously addresses Sharī’ah compliance, ethical considerations (justice, transparency, avoidance of speculative behavior), and practical solutions such as smart contracts and blockchain-based mechanisms, thereby bridging gaps between theoretical jurisprudence and applied financial practice.

### **Research Methodology**

This research employs a descriptive-analytical methodology with a comparative jurisprudential approach. It begins by analyzing the permissibility of cryptocurrency and Forex transactions based on the foundational principles of Imami jurisprudence, both classical and contemporary, including

rulings on contracts, i.e., *bay'*, *ribā*, *ġarar*, *maysir*, ownership, and guarantee. Subsequently, it evaluates the structural features of these markets and their compatibility with the principles of Islamic economic ethics.

To achieve this, the study draws on Arabic, Persian, and English sources, including classical jurisprudential texts, peer-reviewed research articles, and international documents.

## 1. Digital Currency and Forex Market: Definition and Characteristics

### 1.1. Digital Currency Market

#### 1.1.1. Definition and Characteristics of Digital Currency

Digital currency, referred to in economic and legal literature as 'cryptocurrency' or 'virtual money,' is a type of intangible digital asset designed based on blockchain technology. It typically operates in a decentralized manner, without direct oversight by governmental or banking institutions (Eyvazlou et al., 2019, p. 61; Zohar, 2015). Digital currencies are generally generated and managed through mathematical algorithms and network consensus (Nakamoto, 2008).

More precisely, digital currency can be defined as a form of "decentralized cryptographic money", utilizing cryptographic algorithms and a distributed ledger system to execute and record transactions. This ensures transparency, security, and the

elimination of reliance on third-party trust (El-Gamal, 2006).

Cryptocurrencies are broadly categorized into two types:

- I. Decentralized digital currencies (cryptocurrencies) such as Bitcoin, Ethereum, and Litecoin.
- II. Centralized digital currencies (known as "central bank digital currencies" or CBDCs), issued by governments or central banks, such as the Digital Yuan or other national CBDC projects.

Key characteristics of digital currency include:

**A. Decentralization:** Most cryptocurrencies, like Bitcoin, are not controlled by any central authority, raising challenges in determining their legal-religious legitimacy under Islamic concepts of governance and authority (Bayaty & Javdan, 2023, p. 13; Ruḥaylī, 2019).

**B. Advanced Cryptography:** Transactions are conducted through public and private keys, making forgery or duplication highly difficult (Zohar, 2015).

**C. Transparency and Blockchain-Based Recording:** All transactions are publicly viewable on the blockchain, aligning with the Islamic legal principle of "knowledge of the transaction" (Eyvazlou et al., 2019, p. 72).

**D. Limited Supply:** For instance, Bitcoin's capped supply of 21

million units offers inflation resistance and may support its recognition as a Sharī'ah-compliant asset (Böhme et al., 2015).

**E. Relative Anonymity:** Users remain largely anonymous, presenting both opportunities and ethical/legal concerns.

**F. Programmability and Smart Contracts:** Especially prevalent on platforms like Ethereum.

**G. High Volatility:** Making them inherently high-risk for investment purposes (Böhme et al., 2015).

Applications of digital currencies range from simple payments and investment to decentralized finance (DeFi), crowdfunding, asset transfers, and value storage. However, their intangible nature, price volatility, and use in illegal activities necessitate rigorous legal and ethical analysis.

### 1.1.2. Types of Digital Currencies (e.g., Bitcoin, Ethereum, etc.)

Digital currencies are divided into multiple categories, each with distinct technical, economic, and jurisprudential implications. The most well-known examples include Bitcoin, Ethereum, Ripple, Litecoin, and stablecoins.

From an Islamic legal perspective, differentiating between these currencies is crucial, as some may involve elements of *ḡarar*, *ribā*, or *maysir*, while others may be conditionally permissible under specific structures.

### 1.1.3. Applications and Role of Digital Currencies in the Global Financial System

Backed by blockchain technology, digital currencies have emerged as tools for payment, investment, and automated contract execution, increasingly influencing the global economy, thereby necessitating a detailed Islamic jurisprudential analysis (Zohar, 2015; Böhme et al., 2015).

#### I. Means of International Payment:

Cryptocurrencies are accepted in many countries for cross-border payments, eliminating banking intermediaries and reducing transaction time and costs (Buterin, 2014). According to Imami jurisprudence, when socially accepted, these currencies can be considered "valuable property" (*māl mutaqaawwim*) (Eyvazlou et al., 2019, p. 75).

#### II. Investment and Asset Storage:

Cryptocurrencies like Bitcoin are viewed as stores of value; if devoid of *ribā* and *ḡarar*, their transactions may be evaluated under Islamic law (Böhme et al., 2015).

**III. Smart Contracts:** Blockchain technology facilitates the automatic execution of digital contracts, and if compliant with the conditions of a valid contract under Islamic law, such contracts may be permissible (El-Gamal, 2006; ; Ruḡaylī, 2019).

#### IV. Facilitating Decentralized Finance

**(DeFi):** Cryptocurrencies have enabled decentralized lending, insurance, and other financial services, which, if governed within Islamic parameters, can avoid common pitfalls such as *ribā* or *ja'āla* (Eyvazlou et al., 2019, p. 123).

##### 1.2. Forex Market

###### 1.2.1. Definition and Functioning of the Forex Market

The foreign exchange (Forex) market is the largest financial market in the world, where currencies are traded in pairs such as EUR/USD. It operates in a decentralized and global manner, with trillions of dollars exchanged daily. Forex trading occurs 24 hours a day, five days a week. Key participants include central banks, financial institutions, multinational corporations, speculators, and retail traders (Hull, 2015). The market primarily serves the purpose of currency exchange and profit generation from exchange rate fluctuations.

The Forex market operates globally and in a decentralized structure, primarily through trading currency pairs of economic and commercial significance, such as EUR/USD, GBP/USD, and USD/JPY. Traders use brokers and online platforms to buy and sell currencies.

Exchange rates are influenced by various economic, political, and social factors, including interest rates,

inflation, and monetary policies (BIS, 2022, p. 15). Moreover, the use of financial leverage allows traders to control larger trade volumes with smaller capital inputs.

###### 1.2.2. Characteristics and Features of the Forex Market: Trade Volume, Volatility, and Its Role in the Global Economy

**I. High Trading Volume:** With average daily transactions ranging from \$6.6 to \$7.5 trillion, Forex is considered the most liquid and expansive financial market globally (BIS, 2022). Currencies are exchanged by banks, governments, corporations, and individual traders, with USD, EUR, and JPY dominating the trade volume. The significant involvement of financial institutions underpins the market's high activity and liquidity, playing a vital role in facilitating international trade and currency exchanges.

**II. Decentralized Operation:** Unlike stock markets, Forex functions through a global network of banks, financial entities, and brokers without centralized exchanges (Geromichalos & Jung, 2018; Hasbrouck & Levich, 2021; Chaboud et al., 2023).

**III. 24-Hour Trading:** The market opens at 22:00 GMT on Sunday and closes at 22:00 GMT on Friday, allowing

traders worldwide continuous access (Investopedia, 2021, p. 28).

**IV. High Liquidity:** Forex is known for its unparalleled liquidity, enabling transactions at almost any time with minimal price spreads (Frost & Saville, 2017, p. 92).

**V. Market Volatility:** Influenced by monetary policy, interest rates, and economic conditions, Forex rates are also affected by global events and financial crises, leading to rapid and significant fluctuations. These fluctuations present both profit opportunities and considerable risks. Thus, traders require complex strategies, and analysts rely on advanced statistical models and algorithms for forecasting. (Lioudis, 2024; Zitis, 2024; Chi, 2025).

## 2. Jurisprudential Challenges in the Digital Currency and Forex Markets

### 2.1. Jurisprudential Challenges in Forex Transactions

#### 2.1.1. Assessing the Compliance of Forex Transactions with the Principles of Imami Jurisprudence (e.g., *ribā*, *ḡarar*, and *maysir*)

Islamic jurisprudence, in its pursuit of justice, the prevention of harm, and the promotion of public interest, has established fundamental principles governing financial transactions. The analysis of emerging markets, such as digital currencies and Forex, must be conducted in light of these principles.

#### I. Principle of *Lā Ḍarar* (No Harm):

Based on the *ḥadīth* "Lā ḍarar wa lā ḍirār fī al-Islām" (Ibn Mājah, 1998, *Ḥadīth* 2340), no transaction should result in unilateral harm or cause individual or societal injury. In highly volatile markets such as cryptocurrencies and Forex, uninformed traders have often suffered heavy and abrupt losses, which may be considered a form of *ḍarar*. Thus, trading structures must be designed to prevent the imposition of such one-sided damages.

#### II. Principle of *Ḡarar* (Excessive Uncertainty):

*Ḡarar* refers to ambiguity or lack of transparency regarding the subject or outcome of a transaction. The Prophet Muhammad stated, "The Prophet forbade *ḡarar*-based sales" (Muslim, 1998, *Hadīth* 1513). In cryptocurrency transactions lacking backing or clear information, and in leveraged Forex trades dependent on uncertain forecasts, the issue of *ḡarar* arises. According to Imami jurisprudence, *ḡarar* is considered a form of fraud where one party cannot properly estimate the true value of the transaction (Ibn Qudāmah, 1982, p.251). In Forex, high volatility and uncertainty may render trades invalid due to *ḡarar*, unless both parties are fully informed of market conditions (Miṣbāḥī Moghaddam, 2007).

**III. Principle of *Ribā* (Usury):** *Ribā* is one of the most severely prohibited financial practices in Islam and can manifest as either *ribā al-qarḍ* (loan-based) or *ribā al-mu'āmalah* (transactional). Many derivative contracts in Forex offer fixed interest on loans, which, if not structured through Sharī'ah-compliant contracts, fall under the prohibition of *ribā*. Some brokers offer 'swap-free accounts' to address this concern, though their compliance remains debated. In Imami jurisprudence, any interest accrued on a loan—even in currency exchanges—is considered *ribā* and renders the transaction void. Some jurists maintain that currency exchanges without interest and conducted on the spot may be permissible (Khan, 2009; Maqbool, 2018; Wahed, 2020).

**IV. Principle of Gambling *Maysir*** (gambling) in Imamiyah jurisprudence refers to any transaction where wealth is exposed to loss based on chance, which the Quran condemns as a Satanic act (Quran, 5:90). In high-risk, short-term Forex trades lacking an analytical basis and driven by speculation, this resemblance to gambling becomes apparent (Tūsi, 1983). According to Imami scholars, if a party enters a trade without sufficient knowledge and solely in the hope of speculative

gain, it is considered *maysir* and is invalid (Mākarim Shīrāzī, 2013). High leverage, when used without real economic analysis, may also render a transaction akin to gambling (Ja'farī Langarūdī, 2008). Therefore, the validity of financial trades in modern markets depends on the presence of genuine analysis and the exclusion of chance.

**V. Principle of *Maṣlaḥat al-Ummah* (Public Interest):** Beyond individual ethics, Islamic jurisprudence gives due weight to the collective interest of the Muslim community. If a financial phenomenon poses macroeconomic threats—such as undermining economic security, widening inequality, or enabling financial corruption—it may be rejected on grounds of public interest (Qaraḍāwī, 2010). For example, the widespread use of cryptocurrencies for money laundering or tax evasion can undermine their Sharī'ah legitimacy.

#### **The Role of The Mentioned Principles in Evaluating Financial Legitimacy**

The aforementioned principles are foundational in assessing the jurisprudential and ethical validity of emerging markets. Any new financial tool or market—even if innovative and seemingly profitable—cannot be deemed Islamically legitimate without evaluation through these principles. Upholding these guidelines is essential not only for safeguarding individual

transactions but also for ensuring social justice and preventing structural inequities in the broader Islamic society.

## 2.2. Jurisprudential Challenges in Digital Currency

### 2.2.1. Assessing the Legitimacy of Digital Currency Transactions from the Perspective of Imami Jurisprudence

With the growing application of blockchain technology, the legitimacy of digital currency transactions within Imami jurisprudence has become a matter of debate. The most significant jurisprudential concerns involve the recognition of *mālīyāt* (monetary value), the validity of *'aqd al-bay'* (contract of sale), the prohibition of *ribā*, and the avoidance of *ḡarar* and *maysir*.

#### I. Monetary Value and Ownership:

In Imamiyah jurisprudence, a valid transaction requires the object of sale to have *mālīyāt* (Sharī'ah-recognized value) and to be legally ownable. Scholars such as Ayatollah Mākarim Shīrāzī argue that if a digital currency is regarded as a valuable asset by a rational society and has economic utility, then its *maliyat* is acceptable. Otherwise, due to its speculative nature, such transactions may be void as they resemble gambling (Mākarim Shīrāzī, 2018). Some scholars classify these assets as fungible in Imamiyah economic jurisprudence, capable of legal ownership if customary conditions are met.

**II. Validity of the Contract of Sale:** A valid *'aqd al-bay'* requires clear knowledge of the item sold and its price, the ability to deliver, and the absence of ambiguity (Najafī, 1991, Vol. 22, p. 5). If in digital currency transactions, the type, amount, price, and settlement time are explicitly defined, the contract is valid. However, if pricing is ambiguous, the counterparty is anonymous, or the trading platform is decentralized, the transaction may be subject to *ḡarar* and thus legally questionable.

**III. Avoidance of *Ribā*:** If a digital currency is exchanged for another of the same type on a deferred basis or with additional payment, it may fall under *ribā al-mu'āmalah* (Subhānī, 2018, Vol. 2, p. 110). According to Ayatollah Sīstānī, the exchange of heterogeneous goods—even with inequality—is not considered *ribā*; therefore, trading Bitcoin for fiat currency like the Iranian Rial would not constitute *ribā*. However, if both parties exchange the same cryptocurrency (e.g., BTC for BTC), the transaction must ensure simultaneity and equality to avoid *ribā* (Sīstānī, 2024).

**IV. *ḡarar* and *Maysir*:** Transactions involving excessive risk, ambiguity regarding outcomes, or reliance on chance fall under *ḡarar* or *maysir* and are invalid in Imami jurisprudence (Najafī, 1991, Vol. 2, p. 31).

Therefore, some cryptocurrency transactions—especially those involving leverage or betting on price movements without solid economic analysis or full awareness—may be deemed prohibited.

In conclusion, the Sharī'ah compliance of cryptocurrency transactions within Imami jurisprudence depends on four essential conditions: (1) establishing *mālīyāt* (monetary value), (2) ensuring the validity of the contract of sale, (3) avoiding *ribā*, and (4) eliminating *ḡarar* and *maysir*. If these criteria are met, certain types of digital currency transactions may be considered legitimate; otherwise, they lack Sharī'ah validity (Modarresī Yazdī, 2025; Pūrmolā et al., 2024; Sulṭānī Fard, 2024).

### 3. Ethical Challenges in Digital Currency and Forex Markets

#### 3.1. Ethical Issues in Forex

##### 3.1.1. Ethical Considerations in Forex Trading (Risk-Taking, Social and Economic Impacts)

The Forex market, as one of the largest financial markets in the world, has created significant opportunities for investors due to its high volatility and the potential for short-term profits. However, from an Islamic ethical perspective, this market faces serious challenges, as individuals often engage in high-risk trades without sufficient knowledge or real backing, leading to financial losses

and emotional behavior (El-Gamal, 2006, p. 82). In Shia jurisprudence, such transactions contradict principles like the 'no harm' rule and the 'prohibition of asset wastage.' Scholars emphasize that risk-taking is only permissible when it is based on knowledge, transparency, and responsibility (Mākarim Shīrāzī, 2018, p. 81).

Furthermore, the use of tools like high leverage allows for substantial profits without creating real value, leading to speculative behavior, price bubbles, and market instability—issues that contradict the principle of economic justice in Islam.

Islamic jurisprudence does not evaluate transactions solely based on their outward validity; fairness, avoidance of deception, and the upholding of justice are also essential in their ethical and jurisprudential evaluation. For instance, Imam Khomeini asserts that even if a transaction appears valid, if it leads to injustice or deceit, it is deemed problematic from an Islamic perspective (Khomeini, 1988, Vol. 1, p. 482).

In conclusion, participation in the Forex market without adherence to ethical and jurisprudential principles can lead to significant social and economic harm. To mitigate these risks, it is crucial to integrate Islamic rules such as "no harm," avoidance of *ḡarar* (uncertainty), and financial

transparency into policy-making and market oversight.

### 3.1.2. Ethical Questions in Financial Transactions and Their Impact on Islamic Societies

In Islamic economic systems, the legitimacy of transactions is not based solely on profitability but also on ethical and jurisprudential criteria. A central concern in Islamic jurisprudence is the distinction between "right" and "wrong" transactions, where those based on fairness, mutual consent, and free from deception or harm are considered legitimate.

In Shia jurisprudence, principles such as transparency, asset ownership, and the absence of *gārar* and deception are essential for the validity of transactions. Any transaction that leads to harm or injustice, according to the principle of "no harm and no harming in Islam, is considered void in Shia jurisprudence (Khomeini, 1988, Vol. 1, p. 467).

Unjust transactions, such as those based on usury or profit without production, undermine public trust, increase social inequality, and create ethical crises in Islamic societies (Qaraḍāwī, 2010, p. 227; Iqbal & Mirakhor, 2007, p. 97). Islamic teachings stress the importance of honesty, integrity, and fairness in economic relations. In *Nahj al-Balagha*, Imam Ali (a.s), in his letter to Malik Ashtar, considers economic

justice and kindness towards the people as the ruler's duties (cf. Sharīf al-Raḍī, 2008, Letter No. 193). Furthermore, the Prophet Muhammad (PBUH) equates honest merchants with martyrs (Bukhārī, 2001, Vol. 3, p. 127). Therefore, reforming market structures based on ethical and jurisprudential principles is essential for achieving justice and economic integrity in Islamic societies.

## 3.2. Ethical Issues in Digital Currencies

### 3.2.1. Ethical and Social Impacts of Digital Currency Use in Everyday Life

The rise of blockchain technology and digital currencies such as Bitcoin and Ethereum has led to major transformations in financial systems and payment methods. This technology offers significant benefits, including enhanced transparency, reduced transaction costs, and easier access to financial services, leading to fundamental changes in transaction practices (Agerskov et al., 2023).

However, the widespread use of digital currencies, particularly within the decentralized blockchain environment, introduces new ethical and social challenges. One of the main concerns is the strengthening of economic individualism, where individuals transact without the oversight of central institutions, leading to reduced social responsibility and increased illegal activities such as

money laundering and tax evasion (Agerskov et al., 2023).

The anonymity feature of some digital currencies, such as Monero and Zcash, while protecting user privacy, can facilitate economic corruption and evasion of legal and social responsibilities if not coupled with ethical and legal oversight. This feature conflicts with the principles of transparency and ownership proof in transactions, which are emphasized in Islamic jurisprudence and many legal systems (Agerskov et al., 2023). Additionally, the widespread adoption of digital currencies may promote a culture of speculation and weaken the culture of work and production, an issue that requires reconsideration from an Islamic ethical perspective (Agerskov et al., 2023).

In conclusion, despite the significant advantages of blockchain technology, its ethical and social challenges cannot be overlooked. To optimally benefit from this technology, it is essential to develop ethical frameworks based on Islamic jurisprudence and implement structural oversight (Agerskov et al., 2023).

### **3.2.2. Ethical Challenges in the Use of Digital Currencies for Illicit Purposes (Money Laundering, Economic Terrorism, etc.)**

The ethical challenges surrounding the use of digital currencies for illicit purposes—such as money laundering, financing terrorism, tax evasion, and

other unlawful activities—have become a major concern in the modern world. Due to their specific features, including anonymity, lack of traceability, and decentralization, digital currencies have become convenient tools for conducting illegal operations (Narayanan et al., 2016, p. 133). One of the main concerns is the use of these technologies for money laundering and the financing of terrorism. Numerous reports, including those by the Financial Action Task Force (FATF) and the United Nations Office on Drugs and Crime (UNODC), have issued warnings regarding the misuse of digital currencies for these purposes (FATF, 2021; UNODC, 2020).

A defining feature of cryptocurrencies such as Bitcoin and Ethereum is the anonymity they offer in transactions. This allows users to conduct exchanges without revealing their identities, which can lead to violations of legal and ethical norms in many countries (Narayanan et al., 2016, p. 155). The lack of oversight—especially within decentralized systems—makes these currencies attractive to individuals seeking to engage in unlawful conduct.

Globally, digital currencies are increasingly used on the dark web to buy and sell illegal goods, such as narcotics and firearms. According to UNODC reports, the value of funds laundered through digital currencies in recent years has exceeded \$2 billion (UNODC, 2020, p. 19). This figure underscores the scale

of illicit use, which poses a serious threat to the economic and social security of various countries.

### 3.2.3. Concealment and Lack of Transparency in Transactions

From an ethical standpoint, the use of digital currencies for illegal ends is not only morally wrong but also fosters financial and social corruption. Concealment in transactions—especially when it enables money laundering, terrorist financing, or tax evasion—can erode public trust and undermine economic stability. In Islam, transparency in trade and the prevention of fraud and corruption are foundational principles (Quran, 2: 282; cf. Sharīf al-Raḍī, 2008, Sermon 193).

From the perspective of Islamic jurisprudence, using digital currencies for illegitimate or harmful purposes—particularly those that cause societal harm or promote corruption—is considered prohibited (*ḥarām*). The principle of "no harm" (*lā ḍarar*), which clearly prohibits actions that cause harm to others, applies directly to concealed transactions that result in public harm. Imami jurisprudence stresses that all transactions must be transparent and adhere to ethical standards. Any form of concealment—especially of income derived from unlawful sources—must be legally and morally rejected (Subhānī, 2018, Vol. 4, p. 109; Khomeini, 1988, Vol. 2, p. 455).

At the international level, organizations like the FATF have proposed regulatory and ethical frameworks to combat the misuse of digital currencies—frameworks that Islamic countries in particular should consider implementing (Iqbal & Mirakhor, 2007, p. 121). In response, Islamic states are working to develop a body of *fiqh ramzārīz* (jurisprudence of cryptocurrencies) to define Sharī'ah-compliant guidelines for their lawful use.

From a political and strategic analysis standpoint, the United States, as a global power, may employ various tools to advance its interests internationally. Among these tools is support for opposition groups or adversaries of specific governments. Historically, the U.S. has provided support—both directly and indirectly—to opposition movements in countries such as Venezuela, Syria, Libya, and Iran. This support has included financial aid, military equipment, training, or humanitarian assistance.

With the rise of digital currencies and blockchain technology, some analysts argue that such tools can facilitate covert support for opposition groups. Due to the anonymous nature of digital currencies and the absence of centralized oversight, they can be used to transfer funds to such groups without leaving a clear or traceable footprint. This is especially relevant in situations where economic sanctions

or international restrictions are in place, making it easier to bypass traditional financial systems and provide needed resources.

Therefore, while the United States may not officially declare the use of digital currencies to fund opposition groups, it remains a possibility within strategic frameworks aimed at advancing political or security objectives. These operations may fall under cyber warfare, covert action, or targeted sanctions. However, such use of digital currencies is fraught with ethical, legal, and political challenges—particularly when the funding supports opposition groups or armed entities.

#### 4. Islamic Solutions to Address Challenges and Opportunities

##### 4.1. Ethical Solutions:

##### 4.1.1. Reforming Economic Behaviors in Forex and Digital Currency Markets Based on Islamic Ethical Principles

Forex and digital currency markets, due to their distinctive features such as high price volatility and borderless transactions, present numerous investment opportunities. However, they also face significant ethical and jurisprudential challenges, particularly in Islamic jurisprudence, which addresses concepts like *ribā* (usury), *ḡarar* (excessive uncertainty), and *maysir* (gambling). Therefore, there is a need for

ethical solutions to reform economic behaviors within these markets.

#### I. Emphasis on Justice and Fairness:

Justice is one of the fundamental principles in Islamic economics. In Forex and digital currency markets, given their high volatility, establishing transparency in pricing and trading conditions is essential. Islamic contracts, such as *bay' al-mu'ata'ah* (mutual exchange), can serve as a suitable model for ensuring fairness in transactions, where transparency and equality of rights between parties are prioritized.

#### II. Counteracting Irrational Risk-Taking:

In these markets, irrational risk-taking can lead to significant financial losses. Islam emphasizes that transactions should be based on accurate information and logical analysis. In this regard, *ḡarar* (excessive uncertainty) and *maysir* (gambling, or chance-based transactions) should not be present in any transaction.

#### III. Strengthening Transparency in Transactions:

Transparency is a key principle in Islamic transactions. In Forex and digital currency markets, financial platforms must establish clear and precise rules and conditions to prevent fraud and exploitation. This transparency helps traders avoid

unfair conditions and hidden information.

**IV. Protecting Public Interests and Preventing Fraud:** Islam places great emphasis on safeguarding public welfare. In Forex and digital currency markets, fraudulent activities such as money laundering and exploitation of price volatility may occur. Therefore, regulatory bodies must strengthen anti-fraud regulations and prevent illegal activities such as money laundering. Monitoring transactions and providing public information are key strategies for addressing these challenges (Najafi, 1991, p. 57).

In general, Islamic solutions for reforming economic behaviors in these markets include justice, transparency, ensuring complete information, and preventing illegal activities, all of which aim to create an economic system aligned with Islamic ethical principles.

#### 4.2. Practical Suggestions for Reforming Economic Behaviors in Forex and Digital Currency Markets

**I. Establishing Shari'ah-Compliant Laws and Regulations:** Based on Islamic jurisprudence, it is recommended that financial and regulatory institutions create specific laws to align Forex and digital currency transactions with Shari'ah principles. These laws should address *ribā*, *ġarar*, and

*maysir*, ensuring transparency in all transactions.

**II. Education and Awareness Programs for Investors:** Investors should be educated through training programs on how to follow Islamic ethical principles in their transactions and avoid irrational and unethical risks.

**III. Creating Ethical Markets:** Financial platforms for digital currency and Forex trading should be designed to adhere to Islamic ethical principles, enabling traders to engage in transparent and fair transactions.

Forex and digital currency markets are rapidly expanding in today's world. However, this expansion must be accompanied by adherence to Islamic ethical principles. The use of Islamic contracts, enhanced transparency, attention to justice and public welfare, and the reform of unethical economic behaviors are essential strategies for improving these markets. These solutions not only contribute to better economic behaviors but also provide social and economic benefits for Islamic communities.

#### 4.3. Practical Suggestions for Islamic Activities in Forex and Digital Currency Markets:

**I. Establishing Islamic Digital Markets and Shari'ah Supervision:** Forex and digital currency markets,

due to their rapid growth, present numerous economic, social, and jurisprudential challenges and opportunities. According to Islamic jurisprudence, these markets must be regulated based on Islamic laws and principles to prevent *ribā*, *ġarar* (excessive uncertainty), and *ghishh* (fraud). Various practical suggestions for aligning economic activities in these markets with Shia jurisprudence have been proposed, such as the creation of Islamic digital markets and Sharī'ah supervision. These proposals can significantly help increase the trust and participation of Muslims in these markets.

**II. Establishing Islamic Digital Markets:** Creating Islamic digital markets is a solution for aligning Forex and digital currency transactions with Islamic jurisprudence. These markets must avoid *ribā*, *ġarar*, and suspicious transactions. The use of interest-free contracts and the elimination of margin trading are necessary. Transparency, ensured through blockchain technology, must be guaranteed. Additionally, Islamic contracts such as *bay' ʿ*, *salam*, and *ju'ālah* should replace usurious instruments to ensure lawful and reliable transactions.

**III. Sharī'ah Supervision of Digital Currency and Forex Markets:** Sharī'ah supervision plays a key role

in aligning digital currency and Forex markets with Islamic jurisprudence. For this purpose, Sharī'ah-compliant supervisory bodies consisting of Islamic scholars and financial experts should be established. These bodies would be responsible for analyzing transactions and issuing jurisprudential reports. Issuing up-to-date fatwas by credible religious authorities will help clarify Sharī'ah uncertainties. Furthermore, the establishment of Sharī'ah committees on digital platforms can prevent ethical and jurisprudential deviations.

#### **IV. Developing Islamic Financial Instruments in Digital Markets:**

Islamic financial instruments can offer a reliable means for Muslim participation in Forex and digital currency markets. *muḍārabah* (interest-free partnership contracts) and *mushārah* (profit-sharing contracts) are suitable alternatives to usurious methods. Islamic digital currencies, when aligned with Sharī'ah principles, can serve as legitimate tools for payments. Sharī'ah-compliant digital markets, under Islamic supervision, can prevent suspicious transactions. These structures ensure Sharī'ah and ethical security in the market. Ultimately, the development of Islamic financial tools will open the way for clean and legitimate digital markets.

#### **Conclusion**

Forex and digital currency markets face numerous challenges from economic, jurisprudential, and ethical perspectives. Due to the unique complexities of these markets, there is a need for deep and comprehensive analysis. Given the novelty of these markets and their significant impact on societies, examining and analyzing them from the viewpoint of Islamic jurisprudence and ethical principles is of great importance.

### **1. Jurisprudential Challenges in Forex and Digital Currency Markets:**

Initially, the main challenges in these markets are issues related to *ribā* and *ġarar*. In Forex, transactions involving credit and long settlement periods can resemble *ribā*, which is prohibited in Islam. Moreover, in digital currencies, the extreme price fluctuations and the complex nature of transactions may lead to *ġarar*, which contradicts Islamic jurisprudential principles. Additionally, certain gambling-like transactions in these markets raise jurisprudential concerns. If these markets are not regulated according to Islamic Sharī'ah principles, they can lead to significant problems.

### **2. Ethical Challenges in These Markets:**

Forex and digital currency markets also face ethical issues. Often, excessive risk-taking in transactions and the gambling nature of many activities in these markets contribute to social and economic problems.

Many individuals who enter these markets may lose their assets due to short-term profit-seeking and high-risk activities. Such financial behaviors lead to social and economic injustice in communities.

### **3. Jurisprudential and Ethical Proposals:**

To address these issues, there are various jurisprudential solutions. The use of Islamic contracts such as *bay'*, *ju'ālah*, and *salam* as alternative transaction methods can help reduce jurisprudential problems. Furthermore, establishing Islamic digital markets regulated by Sharī'ah can benefit all involved parties. Islamic institutions must play a central role in creating and supervising these markets to prevent fraud and money laundering while ensuring economic justice in these markets.

### **4. Practical Solutions for Islamic Activities in These Markets:**

To create favorable conditions for Islamic activities in Forex and digital currency markets, various practical measures can be considered. Sharī'ah supervision and collaboration with religious authorities to align financial and economic principles with jurisprudential guidelines are essential. Additionally, using transparent and reliable technologies, such as blockchain, can significantly contribute to creating a secure and trustworthy environment in these markets.

### **5. Role of Islamic Institutions and**

### **Governments in Supervision:**

Finally, Islamic institutions and governments must act more effectively and precisely in regulating and supervising digital currency and Forex markets. In addition to supervision, efforts should be made to raise public awareness regarding the jurisprudential and ethical challenges these markets pose. This can be done through training courses and jurisprudential workshops aimed at educating society.

Given the significance and complexity of Forex and digital currency markets, it is necessary to thoroughly and systematically examine these markets from both jurisprudential and ethical perspectives. By aligning Islamic contracts, enhancing supervision, and creating Islamic digital markets, these problems can be greatly reduced. Economic justice, transparency, and the protection of individual rights are fundamental principles that must be considered in the design and regulation of these markets.

### **Suggestions for Future Research on Jurisprudential and Economic Aspects of Digital Currency and Forex:**

- Comparative jurisprudential analysis of digital currency and Forex markets in relation to Islamic law.
- Research on Islamic solutions for creating Islamic digital currency

markets.

- Investigating the social and economic impacts of Forex and digital currency on Islamic societies. Given the dynamism and expansion of Forex and digital currency markets, future research should explore various aspects of these markets from jurisprudential, ethical, and economic viewpoints. Developing jurisprudential methods to align these markets with Islamic principles, enhancing transparency and supervision, and identifying effective solutions for existing challenges can contribute to improving the economic situation of Islamic societies.

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The authors declare that there is no conflict of interest regarding the publication of this manuscript.

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