



## **STREET FATWA - LEO**

**On this July 9th, 13th night of Muharram, 538th night of the Age of Aquarius, 1447 years after the Hijra of Muhammad ibn Abdullah (Sallallahu Ailayhi was Salaam), Yawmul Malikul Muhaymin.**

**RE: Are Bitcoin, NFT's and blockchain technology permissible under Shariah Law?**



**Sheikh of Hip Hop Answered:**

## **Yes. Bitcoin, NFTs, and Blockchain are Permissible Under Islamic Law**

New technologies like Bitcoin, cryptocurrencies, and Non-Fungible Tokens (NFTs) have prompted many Muslims to ask whether these digital assets violate Islamic principles. Critics have raised concerns about volatility, uncertainty, and lack of physical backing. However, a growing number of **Islamic scholars and fatwa councils** have examined these issues in detail and concluded that **Bitcoin, NFTs, and blockchain-based tokens are *permissible (halal)***, so long as they are used in a Shariah-compliant manner. In other words, there is nothing inherently haram about this technology or form of property, provided Islamic guidelines (like avoiding interest, fraud, and gambling) are respected. Below we summarize the evidence and scholarly opinions that support the permissibility of these innovations under Islamic law.

### **Bitcoin and Cryptocurrency: Halal by Scholarly Consensus**

**Bitcoin** is the original decentralized digital currency, and it operates on a peer-to-peer network (the blockchain) without central banks. The primary Islamic concern was whether such a currency, which isn't backed by a physical commodity or government, can be considered valid *wealth* or *money* (**maal**) in Shariah. According to many contemporary scholars, the answer is yes – Bitcoin and similar cryptocurrencies qualify as wealth and a medium of exchange by convention and social acceptance. Islam **does not require a currency to have intrinsic tangible value (like gold or silver)**; it only requires that people recognize it as valuable and use it in transactions. Therefore, once a digital token is widely accepted and holds market value, it can be treated as **currency or property in Islam**, so long as it doesn't entail prohibited elements. For example, *trading Bitcoin is permissible as long as the exchange is done on the spot (hand-to-hand, fulfilling the conditions of sarf) and no interest-based lending or speculative derivatives are involved*. In essence, if one buys, sells, or uses cryptocurrencies in a straightforward manner – without **riba** (interest), excessive uncertainty, or **maysir** (gambling) – then those transactions are halal.

Over the past several years, numerous Islamic authorities across different schools of thought (*madhahib*) have issued fatwas and statements **affirming the permissibility of cryptocurrencies**. Some notable examples include:

- **Mufti Muhammad Abu-Bakar (2018)** – After a detailed analysis, this Shariah researcher concluded that Bitcoin and other cryptocurrencies should be *deemed halal and permissible* under Shariah. He argued that while cryptocurrencies are volatile, **all fiat currencies also involve speculation**, so volatility alone doesn't make it haram. Since conventional paper money itself isn't backed by gold anymore and derives value from acceptance, Bitcoin too can be considered valuable property. Mufti Abu-Bakar's report noted that **nothing in Shariah prohibits using cryptocurrency as a medium of exchange**, and Muslims may invest and transact in it just as they do with other lawful currencies.
- **Shariah Review Bureau (Bahrain, 2018)** – A panel of scholars in Bahrain's Shariah Review Bureau examined popular cryptocurrencies and declared that **investing in digital coins such as Bitcoin and Ethereum is permissible**. They reasoned that Bitcoin can be considered **maal (wealth/property)** under Islamic law and contains *no element of interest (riba)*, making it fundamentally halal. This ruling treats crypto tokens as digital assets or commodities that can be owned and traded, similar to any other halal goods.
- **Fiqh Council of North America (2021)** – The Fiqh Council (a body of senior Islamic scholars in the U.S.) reached a *unanimous decision* that **Bitcoin is permissible (halal)** in Islam. Their declaration adds a significant voice of scholarly consensus in favor of cryptocurrency's halal status. Likewise, Malaysia's Shariah Advisory Council (the advisory board to the Securities Commission) announced that **trading and investing in cryptocurrencies is allowed** according to Shariah, and even that Muslims may pay

**zakat** with digital currencies as they would with cash. These official endorsements show that crypto has been accepted in practice by Islamic financial authorities.

- **Darul Uloom Zakariyya (South Africa)** – The fatwa department of this well-known Islamic seminary issued a ruling that cryptocurrencies (particularly Bitcoin) **qualify as wealth in Shariah and are therefore permissible**. In their view, society’s recognition of Bitcoin’s value means it can serve as currency, and nothing in Islamic law outright forbids it. This fatwa (reflecting a **Hanafi** juristic perspective) again underscores that *mediums of exchange are not limited to gold/silver or state-issued money* – anything that people mutually accept as money can be used, as long as transactions adhere to Islamic ethics.

## NFTs and Digital Tokens: A Shariah Perspective

**Non-Fungible Tokens (NFTs)** are unique digital assets recorded on a blockchain (often representing art, collectibles, certification of ownership, etc.). The question of NFTs’ permissibility boils down to what the NFT represents and how it’s used. Islamic law regarding commerce is built on a general principle: **“Everything is permissible by default, unless there is proof of it being haram.”** According to Mufti Ismail Desai, by this principle an NFT is **halal in itself as a technology, so long as the underlying asset or content is halal**. In other words, **an NFT is essentially a digital certificate of ownership**, and there is nothing Islamically objectionable about that concept. If the thing being bought/sold via the NFT is permissible (for example, digital art or a membership token for a halal service), then the NFT transaction is permissible. **Sheikh Joe Bradford** shares a similar view – there is no inherent prohibition on NFTs, and they should be treated like any other property trade, evaluated for Shariah compliance based on what is being traded.

Leading Islamic fintech scholars have started outlining criteria to ensure NFT-related investments remain halal. For example, Mufti **Faraz Adam** (of Amanah Advisors) has identified a few key Shariah conditions for NFTs to be considered compliant:

1. **Presence of *Maliyyah* (value)** – The NFT should represent something that has recognized *value* to people. In Islamic law, an item must be considered valuable property (*maal*) that people would pay for and benefit from. If an NFT is attached to an asset that society deems valuable and it can be stored or retrieved when needed, this condition is met. (This could be a piece of digital art, a collectible, or any asset that is not worthless or purely speculative hype.)
2. **Presence of *Taqawwum* (lawful utility)** – The asset linked to the NFT must have a lawful benefit or utility in Shariah terms. That is, the NFT cannot represent something haram in itself. If the token embodies ownership of something permissible and useful (for instance, an educational certificate, a halal piece of media, or a property deed recorded

as an NFT), then it has taqawwum. Essentially, *the NFT's content and purpose must comply with halal standards* (no NFTs of alcohol, usury contracts, pornography, etc.).

3. **Positive Purpose (Maslahah)** – Mufti Faraz emphasizes that the NFT should not be promoting wastefulness or harm. It should have a positive or at least neutral purpose, not sheer extravagance or an unethical aim. This means evaluating whether buying the NFT is a sensible, beneficial investment or activity, as opposed to an irresponsible gamble or a frivolous waste of money. This condition is somewhat subjective, but it aligns with Islamic values of avoiding extravagance and harm. Each NFT use-case should be weighed on its merits, but the general idea is that *NFTs should ideally contribute something meaningful or at least not lead the buyer into financial ruin or sinful activity.*

When these conditions are fulfilled, scholars agree that **NFTs are halal** as a form of digital asset. In fact, the overall scholarly stance so far is that **NFTs are permissible so long as they do not involve anything that contravenes Shariah**. For instance, creating or trading an NFT of a permissible artwork is allowed, but minting an NFT that represents a share in a casino or an interest-bearing bond would obviously be impermissible. The technology itself – using blockchain to establish unique ownership – is simply a modern tool. It can be used in halal ways or haram ways depending on the content. **As a default, NFTs and other digital tokens are considered halal assets**, and Muslims are free to invest in or utilize them, provided they stay within ethical boundaries and wise judgment.

## Blockchain Technology and ERC-20 Tokens

**Blockchain** is the underlying distributed ledger technology that powers cryptocurrencies and NFTs. In Islamic thought, technology is generally deemed permissible unless it's used for something explicitly haram. Blockchain's characteristics of transparency, security, and decentralization have even been highlighted as positive features – it creates a tamper-proof record, which aligns with the Islamic emphasis on honest record-keeping and trust in trade. There is nothing religiously objectionable about using a blockchain; on the contrary, its ability to prevent fraud and verify transactions can be seen as upholding justice and clarity in business dealings.

**ERC-20 tokens** refer to a common standard for crypto-tokens on the Ethereum blockchain. These tokens can represent a variety of assets or utilities – from digital coins used as currency, to tokens representing shares in a project, or vouchers for services. The **Islamic ruling for ERC-20 tokens follows the same principle as for Bitcoin or NFTs**: the token itself is just a digital unit of account, so we evaluate what it stands for and how it's used. If an ERC-20 token is used as a currency or utility token in a halal project, then the token is halal. Many Islamic scholars who permit cryptocurrency also implicitly permit tokens like ERC-20, since they are essentially another type of cryptocurrency. In fact, the scholars in Bahrain's Shariah Review

Bureau explicitly mentioned **Ethereum** (the platform that popularized ERC-20 tokens) as being permissible to invest in. Ethereum's native token (ETH) and the tokens built on it are considered types of **maal (property)** that can be owned and exchanged. As long as the specific token is not linked to a haram enterprise (for example, a token whose value comes from an alcohol company would be problematic), buying and selling ERC-20 tokens is **halal**. This view is reinforced by Malaysia's Securities Commission Shariah Advisory, which green-lit cryptocurrency trading in general – a category that includes utility tokens and other blockchain-based coins.

It's worth noting that **Islamic finance principles apply to how these tokens are transacted**. For instance, currency exchange rules (bay' al-ṣarf) require that cryptocurrencies be exchanged hand-to-hand (which, in a digital context, means in the same sitting/transaction without delay) if they are of the same category. This is why spot trading of crypto is allowed. Similarly, earning yield on tokens through **lending with interest (yield farming on interest-bearing platforms)** would be riba and thus haram, whereas **staking** tokens in a Shariah-compliant protocol (where no interest is involved) has been deemed permissible by Muslim analysts. In summary, **blockchain tokens and technologies are halal tools** – it's the usage and surrounding terms that must be Shariah-compliant, just as with any other financial asset.

#### Sources:

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- Shazia Hussain, *Is Bitcoin Halal: Sharia Rules and Interpretation* (Qardus, 2021) – summary of scholarly positions
- Islamic Finance Guru – *Scholars who say cryptocurrency is halal* (I. Khan, 2023)
- Islamic Finance Guru – *Cryptocurrency: Definitive Guide* (I. Khan, 2021)
- Zoya Finance – *Are NFTs Your Next Halal Investment?* (2022)

**Allah knows best.**

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WITNESS MY NOBLE SEAL, Upper

WITNESS MY NOBLE SEAL, Lower



Sheikh of Hip Hop