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The Existence of Riba in The Products of Cryptocurrency Exchange Companies

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Abstract

This paper intends to examine the existence of riba elements (interest) in the products of cryptocurrency exchange companies locally in Malaysia and the international. Two of the chosen international cryptocurrency exchange companies, namely Huobi and KuCoin, and one local company, Luno Malaysia Sdn. Bhd., were analyzed based on their websites and applications. It was found that riba exist in the products offered by international cryptocurrency exchange companies, specifically crypto loans, and lending. Meanwhile, the local one does not offer a product that generates riba. It can be concluded the two products that generate riba seem to be mirroring foreign exchange trading, which comprises leverage and margin in loans and lending. Hence, it is suggested not to subscribe to lending and loans products offered by international cryptocurrency exchange companies. This study implies for Muslim investors, who deal with cryptocurrency. It is recommended to do future research on awareness of riba in the products of cryptocurrency exchanges among Muslim investors.

Keywords: Cryptocurrency; Exchanges; Riba; KuCoin; Huobi

Introduction

Mining is a process to generate cryptocurrency (Vejecka, 2014). One of the methods used to mine cryptocurrency is called Proof-of-Stake (PoS). PoS in cryptocurrency is believed contains riba (interest) which is prohibited in Islam (Asif, 2018). The advancement of technology is contributing to the efficiency of the financial sector. The past few years have seen how the financial sector has been involved in technological innovations. One of the most famous technology-based innovations is cryptocurrency. It is a virtual currency that enables transactions between two parties and functions as a medium of exchange and one of a payment's method (Abu Bakar, 2017). The advancement of technology through the establishment of this virtual currency is intended to improve the efficiency of the traditional payment mechanism (Boshkov, 2019). Unlike traditional banks, digital currency operates in a decentralized structure. Hence, it does not need for a central authority to act as a middleman between two parties to transact between them (Berentsen & Schar, 2018; Zulhuda & Sayuti, 2017).

Blockchain technology, which runs cryptocurrency, records all transactions publicly and irreversibly and employs cryptography to safeguard transactions (Ishak, 2016). These distinctive qualities guard cryptocurrencies against forgeries. In 2008, a white paper authored by mysterious

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individuals identifying themselves as Satoshi Nakamoto unveiled Bitcoin, the first functioning cryptocurrency. An exclusive method of transferring electronic cash between two people without the need for a financial organization as a third party was proposed by Satoshi Nakamoto (Nakamoto, 2008). On the CoinMarketCap website, there are presently 8875 cryptocurrencies listed in addition to bitcoin ("Top 100," n.d.). All cryptocurrencies, according to Hern (2018), share a common foundation known as a blockchain platform, which is a public ledger that keeps track of every transaction. In addition, other cryptocurrencies have a special role, like Ethereum, which acts as a decentralized app store, while some have the same function as bitcoin, which is a payment system.

Malaysia's Finance Minister, Lim Guan Eng, declared in a statement from 2014 that the country does not recognize cryptocurrencies as legal cash. But in 2017, the Bank Negara of Malaysia (BNM) issued a policy mandating that operators of digital asset exchanges report their operations and that they will be designated as reporting institutions for the purposes of the Proceeds of Unlawful Activities Act 2001 (AMLA), the Anti-Money Laundering Act, and the Anti-Terrorism Financing Act (Idris, 2017).

These days, there are a lot of scams, fraud, and hacking incidents using cryptocurrencies. Although it is believed that cryptocurrencies cannot be hacked, wallets and exchanges that handle bitcoin can be compromised. Mt. Gox, a bitcoin exchange based in Tokyo, Japan, experienced an incident. The hacker was able to remove bitcoin from the wallet's address by stealing the user's private keys (Coin.my, 2018b). Apart from that, iCenter, a corporation that turned out to be a Ponzi scheme using bitcoin and litecoin as its modus operandi, was involved in one of the fraudulent and scam cases. Although this organization does not disclose its investment ideas, it nevertheless guarantees clients a daily return of 1.2 percent (Kshetri, 2019).

The Securities Commission (SC) has highlighted the rules and guidelines for cryptocurrency exchanges to be acknowledged as Digital Asset Exchange Operators in Malaysia (Fong, 2019). Among the rules relating to the currency itself was that trading must be done with Ringgit Malaysia and other fiat currencies. Other than that, the trading had to occur on exchanges approved by the SC. Three local exchanges in Malaysia, Luno Malaysia Sdn. Bhd., Tokenize Technology (M) Sdn. Bhd., and SINEGY Technologies (M) Sdn. Bhd., received conditional approval in June 2019 to operate their businesses (Ching, 2019). This implies that DAX is unable to offer services that entail swapping one cryptocurrency for another. Because cryptocurrencies are legally allowed in Malaysia, users will be responsible for any losses or disputes they incur, despite the SC's best efforts (Idris, 2017).

Islamic scholars continue to hold different opinions about whether cryptocurrencies are permitted under Shariah law. Islamic experts continue to hold divergent opinions about whether cryptocurrencies are permitted under Shariah. There are scholars who are in favour of it and some who are against it. Mufti Muhammad Abu Bakar, Mufti Abdul Qadir Barakafullah, South Africa's Mufti, Professor Dr. Monzer Kahf, Dr. Mohd Daud Bakar, and Dr. Zaharuddin Abd Rahman are among the Muslim experts who endorse it. One of the arguments for permitting the use of cryptocurrency is that it should function as a payment mechanism. Furthermore, even though the value of cryptocurrency fluctuates, it is not prohibited, as the value of fiat money also fluctuates (Abubakar et al., 2018). In addition, cryptocurrency may

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be used as a legal currency if governments accept it.

Conversely, some Shariah scholars oppose it, including Sheikh Haitam al Haddad, Darul Ifta' of India, Wifaq Al-'Ulama, Sheikh Ali Qaradaghi, Fatwas of Kuwait, Turkey, Saudi Arabia, Dar Al-Ifta' Palestine, Majlis al Ulama of South Africa, Wifaqul Ulama of the United Kingdom, and Mufti of Egypt and Perak (Abubakar et al., 2018; Mahomed & Mohamad, 2017; Pejabat Mufti Wilayah Persekutuan, 2018). The Grand Mufti of Egypt cites a few reasons why bitcoin is not allowed, including the fact that it can only be used online, is intangible, and is easily utilised for illicit purposes. Moreover, the absence of a central authority to monitor transactions, creates room for money laundering and fraud (Abu-Bakar, 2017). The Turkish government hold the view that cryptocurrency involves excessive *gharar* (uncertainty). It is also not subject to the state surveillance or audits; hence, it can easily lead to illicit activities like money laundering (Abu-Bakar, 2017).

Contrariwise, little research has been done on the products supplied by cryptocurrency exchange companies, particularly those without a Shariah Committee, to ensure that the offerings made to Muslims customers comply with Shariah law. Apart from that, it was discovered that most of the international cryptocurrency exchanges provide lending or loan-related products (Kreng, 2023). The loan itself has caused the Muslim customer to question whether it is connected to riba, which is prohibited in Islam. Hence, the objective of this study is: to examine if riba is present in the local and global cryptocurrency exchange companies, across all their products.

Overview of Cryptocurrency

The concept of digital currency predates the introduction of bitcoin, which has been around since the early 1980s. In 1983, David Chaum was the first to write about digital currency. He also successfully constructed the first digital currency, called "DigiCash," in 1990. However, DigiCash's 1998 launch was a failure, and David Chaum's business was eventually declared bankrupt. In addition, DigiCash's destiny was shared by other digital currencies such as e-gold and Liberty Reserve Dollar (Coin.my, 2018c). In his white paper, Satoshi Nakamoto claims that by using proof-of-work (POW), bitcoin is resolving the double-spending problems that plagued earlier digital currencies (Nakamoto, 2008). However, the existence of Automated Teller Machines (ATMs) for the purchase of bitcoin in certain nations is evidence of the progress of this virtual currency (Vejacka, 2014).

According to Vejecka (2014), mining is a process to generate cryptocurrency, and it is performed by miners. To mine cryptocurrency, two common approaches are utilised: Proof of Work (PoW) and Proof of Stake (PoS). A miner who employs the proof of work approach must utilise a powerful computer to answer a mathematical puzzle, which uses a lot of electricity. However, this approach is incompetent from an ecological standpoint because it will have an adverse effect on the ecosystem and result in extremely high electricity costs. In addition, there is the 51% assault, which is the result of a group of miners attempting to control most of the network by spending their cryptocurrency twice on the blockchain (Coin.my, 2019b).

Cryptocurrencies generally fall into two categories: tokens and alternative cryptocurrency coins (Altcoins) ("Understanding," 2019b). According to Simser (2015), Bitcoin is recognised as the pioneer cryptocurrency that facilitates peer-to-peer transactions through the use of an irreversible, open-source software platform called blockchain. Regardless of its tiny value, the protocol facilitates transactions

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between nations more quickly than the wire transfer approach that banks have been employing (Smart, 2016; Balcilar et al., 2017). In the interim, every bitcoin transaction will be captured by the blockchain and logged as a block that will eventually be linked to every hub on the network (Bouri et al., 2017; Kapil, 2014).

Although altcoins are referred to as a "better alternative to bitcoin," they are not inferior to it. Although the majority of altcoins are constructed using the same structure as bitcoin, each system is often unique due to its creation to support different applications and goals ("Understanding," 2019b). Litecoin (LTC), Namecoin (NMC), Dash (DASH), Ripple (XRP), Dogecoin (DOGE), and other well-known altcoins are among them. Coins can be used for two things, according to popular belief: sending money to someone else and paying system transaction fees. If it is capable of more, then it is a token (Adam, 2018).

Tokens are released through an Initial Coin Offering (ICO), which is akin to a stock offering, in contrast to altcoins ("Understanding," 2019a). Work tokens, utility tokens, asset-backed tokens, revenue tokens, equity tokens, and buy-backed tokens are the six main categories of tokens (Kruger, 2017). Each of them has a very different purpose and design.

A cryptocurrency wallet is a wallet that the user uses to store or hold their digital currencies, similar to traditional wallets where users save their cash. An address is assigned to each cryptocurrency wallet, and this address is akin to a bank account number. If one knows the address of another's wallet, they can send funds to each other. But being aware of a cryptocurrency wallet address does not reveal the owner's true identity ("What is a Cryptocurrency Wallet," n.d.). A cryptocurrency wallet has a public key and a private key. The hash version of the private key serves as an additional security measure to keep hackers out of the wallet. It is sometimes referred to as the wallet password. Hot and cold storage wallets are the two primary categories of bitcoin wallets. According to Mearian (2019), cold storage wallets are stored offline on devices like USB drives or smartphones, whereas hot storage wallets are linked online through services like Coinbase.

Just like fiat money, customers can choose which of the currency exchange platforms they want to use to perform the buying and selling of it; cryptocurrency also works like that. The currency exchanged in the context of cryptocurrencies is virtual, or non-physical, currency. Additionally, fiat money and digital assets can be exchanged, as well as digital assets with digital assets, through cryptocurrency exchanges. Fong (2019) claims that SC has emphasized the conditions that must be met in order for cryptocurrency exchanges to function in Malaysia as Digital Asset Exchange Operators. One of the conditions pertaining to the currency itself was that the cryptocurrencies traded on the exchanges had to be approved by the SC, and trading could only be done with Ringgit Malaysia and other fiat currencies.

Research on Cryptocurrency

Recent studies on cryptocurrency have been conducted, including a paper written by Shahzad et al. (2018) that focuses on the adoption of cryptocurrencies, particularly Bitcoin, among the people of mainland China. It was found that the factors influencing the adoption of Bitcoin in China illustrate the differences and similarities of international adoption. Other than that, Bashir et al. (2016) investigate what motivates people to use bitcoin. This paper uses exploratory surveys to ask bitcoin users and non-users about their opinions and how it is related to cultural

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and personal values in bitcoin adoption. Research conducted by Olivia et al. (2019) in Spain with the college students has discovered that the key factors from the perspective of consumer behaviour for the successful development of cryptocurrency is the performance expectancy of cryptocurrency itself.

A paper entitled 'Understanding the Blockchain Technology Adoption in Supply Chains-Indian Context' has highlighted a few variables that influence cryptocurrency adoption, including perceived usefulness, attitude, and perceived behavioural control. Meanwhile, subjective norms have shown a negative impact on behavioural intention (Kamble et al., 2018). Lee (2018), in his paper, 'Understanding Consumer Acceptance of Fintech Service: An Extension of The Tam Model to Understand Bitcoin' has discussed factors that influences bitcoin acceptance. Results indicated that perceived usefulness and perceived security mainly affected behavioural intentions to use bitcoin, while perceived ease of use indirectly influenced the intention. Another study on the intention to use cryptocurrency has found that trust and awareness have a major influence on attitudes that influence the desire to use cryptocurrencies. Additionally, customer happiness with cryptocurrency services encouraged the adoption of cryptocurrency (Alaeddin & Altounjy, 2018).

Several factors influence the adoption of bitcoin as an online payment mechanism, according to a conceptual paper by Almarashdeh (2018) that aimed to identify the fundamental reasons motivating non-bitcoin users to adopt bitcoin. These elements include perceived trust and self-efficacy, security and control, transaction processing, and self-efficacy, all of which affected the behavioural intention of non-bitcoin users to embrace bitcoin as an online payment method. In addition, Gunawan and Novendra (2017) looked into what factors contributed to Indonesia's acceptance of bitcoin. The outcome suggests that the primary elements influencing a user's intention to utilise bitcoin are performance expectations and enabling conditions. The other component, social influence, has a negligible but positively correlated impact on behavioural intention. Walton and Johnston's (2018) study, which investigated the variables influencing bitcoin adoption in South Africa, discovered that respondents' behavioural intention was directly influenced by their attitude, subjective norm, perceived behavioural control, and perceived gain.

Furthermore, in their research, Mazambani and Mutambara (2019) discovered that Africans' behavioural intention to adopt cryptocurrencies is favourably influenced by their attitude and perception of behavioural control. In addition, an empirical study by Murko and Vrhovec (2019) discovered that the variables influencing behaviour intention between bitcoin users and non-users are perceived utility, perceived ease of use, subjective norm, and trust. Anser et al. (2019) have carried out an empirical investigation to examine people's intentions for adopting bitcoin through their behaviour. The findings indicate that social media has a substantial mediating role in the adoption of bitcoin through attitude, subjective norm, and perceived behavioural control. The study conducted by Ayedh et al. (2020) indicates that favourable circumstances, cognizance, and suitability positively impact Malaysian Muslims' intentions to engage in bitcoin.

By calculating its perceived utility, bitcoin, according to Hileman (2015), has the largest potential for adoption, representing one of the cryptocurrency's highest values. Accordingly, this study has defined the perceived utility of cryptocurrencies in

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terms of their ownership, investment potential, and use as a substitute form of payment (Walton & Johnston, 2018; Shahzad et al., 2018). Additionally, this study has established that the usability of a cryptocurrency determines how it is used. Therefore, a predictor of the behavioural intention of both users and non-users of cryptocurrencies is the perceived ease of use of the technology.

Research on the rise of decentralized cryptocurrency exchanges discovered that the role of airdrops and governance tokens has both been promoted in expanding and strengthening networks (Makridis et al., 2023). A paper entitled 'Wash Trading at Cryptocurrency Exchanges' written by Pennec et al. (2021) revealed that cryptocurrency markets are vulnerable to manipulation because of their laid-back regulation. These markets need to have liquidity since it is one of the areas where manipulation can have a significant negative impact on investors' profits.

Research conducted by Abozaid (2020) has highlighted the validity of cryptocurrencies as money. The fact that they are not supported by actual assets and that their holders must deal with value volatility are among the significant concerns brought up in this study. Furthermore, there are certain harmful effects that could occur in the market, such as money laundering and other illicit activities.

In addition, Aloui et al. (2021) examined the differences between conventional and Islamic gold-backed cryptocurrencies in terms of their permissibility. The study indicated that conventional cryptocurrencies are not linked to gold, whereas Islamic gold-backed cryptocurrencies are related to the yellow metal. Aside from that, Siswantoro et al. (2020) assessed if cryptocurrency is meeting the characteristics and features of money from an Islamic standpoint. The outcome indicated that cryptocurrency is used for speculation, which is against Shariah and highly volatile. Additionally, the study suggests that the use of cryptocurrencies as money would not take off in Muslim nations due to reluctance among Muslims.

An article entitled 'Cryptocurrencies from Islamic Perspectives: The Case of Bitcoin' investigated the acceptance of bitcoin as one kind of money and how that affected Islamic finance (Meera, 2018). This study comes to the conclusion that cryptocurrencies do not comply with Shariah if they are not backed by actual assets. Hence, cryptocurrencies backed by gold are said to be compliant with maqasid Shariah; fiat cryptocurrencies are not. Many Islamic scholars are therefore inclined to support bitcoin on a *maslahah* basis. Bitcoin according to Adam (2017), is wealth (mal) that has a legal value (*taqawwum*) but lacks the function as a currency (*thamaniyyah*). Additionally, it concludes that investing in bitcoin would be legal and comply with Shariah principles. In the meantime, a study conducted by Nurhisam (2017) has focused on the question of whether using bitcoin leads to more advantages or disadvantages.

Methodology

A quantitative method and library research were applied for this paper. Individual Muslims in Malaysia who utilize cryptocurrencies are the intended respondents of this study. The selection of Muslim consumers as the target audience seems fair, since this study wants to investigate the presence of riba, which is prohibited according to Shariah principles. A survey was distributed using several online media platforms, such as WhatsApp, Telegram, and Twitter. On the other hand, one local cryptocurrency exchanges, Luno Malaysia Sdn. Bhd. and two international cryptocurrency exchanges, namely Huobi

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and KuCoin, are selected in order to analyse the presence of riba in their products based on their applications and websites. The permissibility of the products offered by them is analysed according to the Shariah principles referring to journal articles, books, the Securities Commission and Central Bank of Malaysia' s websites.

Results and Discussion

A total of 222 questionnaires were collected through an online media platform. The questions that were asked include age, employment sector, income level and which of the cryptocurrency exchanges were used by the respondents. The result showed 188 questions were answered by male respondents, while 34 were answered by female respondents. The results indicated a significant gap in numbers in terms of gender, revealing that women were less interested in using cryptocurrency compared to men. Table 1 below represent the demographic characteristics of cryptocurrency users among respondents.

Table 1: Demographic characteristics of cryptocurrency users among respondents

Variables	Details	Frequency (N=222)	Percentage (%)
Gender	Male	188	84.7
	Female	34	15.3
Age	18 - 20 years old	66	29.7
	21 – 30 years old	88	39.6
	31 – 40 years old	55	24.8
	41 – 50 years old	10	4.5
	51 years old and above	3	1.4
Employment Sector	Professional Service	7	3.2
	Government	17	7.7
	Private	67	30.2
	Self-Employed	44	19.8
	Student	87	39.2
Income Level	RM2000 and below	114	51.4
	RM2001 – RM4000	43	19.4
	RM4001 – RM6000	36	16.2
	RM6001 – RM10000	17	7.7
	RM10001 and above	12	5.4

Looking at the age question, 66 respondents are between 18 and 20 years old, 88 respondents are between 21 and 30 years old, 55 respondents are between 31 and 40 years old, ten respondents are between 41 and 50 years old and finally, three respondents are 51 years old and above. This result indicated that the users of cryptocurrency predominantly ranged between 21 and 30 years old.

In response to the question of income level, there are 114 respondents who are waged at two thousand ringgit and below. 43 respondents are waged between two thousand and one to four thousand ringgits; 36 respondents are waged between four thousand and one to six thousand ringgits; 17 respondents are waged between six thousand and one to ten thousand ringgits; and lastly, 12 respondents are waged of ten thousand and one and above. The results have shown that most of the respondents are waged at two thousand ringgits and below. It can be concluded that people with low wages seek to grow their wealth by investing in cryptocurrency.

Table 2 below concluded that Muslim consumers in Malaysia used services from international cryptocurrency exchanges. 55 respondents used services from Binance, 38 respondents used Huobi, 34 respondents used KuCoin, 12 respondents used MexC, five respondents used Bybit, four respondents used Gate.io, three respondents

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used Pionex, two respondents used Hotbit and FTX, and the rest of the exchanges were used by one respondent each.

Table 2: International Cryptocurrency Exchange Companies used among the respondents

International Cryptocurrency Exchange Companies	Number
Binance	56
Huobi	38
KuCoin	34
MexC	12
Mexc Pro	1
Gateio	4
Bybit	5
FTX	2
Pionex	3
BingX	1
Poocoin	1
Hotbit	2
Metamask	1
Gemini	1

Meanwhile, Table 3 indicates local cryptocurrency exchange companies used among the respondents. A total of 140 respondents are using services from Luno Malaysia Sdn. Bhd. 27 respondents are using MX Global Sdn. Bhd., eight respondents are using Tokenize Malaysia Sdn. Bhd. and three respondents are using Sinegy Technologies M Sdn. Bhd.

Table 3: Local Cryptocurrency Exchange Companies used among the respondents

Local Cryptocurrency Exchange Companies	Number
Luno Malaysia Sdn. Bhd.	140
MX Global Sdn. Bhd.	27
Tokenize Malaysia Sdn. Bhd.	8
Sinegy Technologies M Sdn. Bhd.	3

Based on the table above, it can be concluded that Muslim users preferred to use local cryptocurrency exchange companies over international ones. While looking into local products, there are definite differences from the international ones. Luno Malaysia does not offer a product of loan and lending, which is particularly a riba-based product (Luno Malaysia, n.d.). Meanwhile, the other three licensing exchanges in Malaysia are also not offering riba-based products.

On the other hand, international exchanges are primarily offering riba-based products. One of them, Huobi, has provided its clients with cryptocurrency loans. The loan duration is broken down into three equal periods of 30, 40, and 90 days. There is no premium charged for early repayment. 30 of the loan are charged with a daily interest rate of 0.01% and an annual interest rate of 3.65%; 45 and 90 days of the loan are charged with a daily interest rate of 0.02% and an annual interest rate of 7.3%. The debtor must provide 22 cryptocurrencies as upfront security, while the loan amount is

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represented by 44 cryptocurrencies, including USDT, XRP, XLM, UNI, SHIB, and many more. In addition, Huobi provides over-the-counter loans with daily interest accumulated (Huobi, n.d.).

Other than that, gate.io, is one of the cryptocurrency exchanges that offers lending services, namely Lend & Earn (gate.io, n.d.). To enable users' lent assets to create passive income, Lend & Earn gives lenders flexibility and improved capital efficiency by automatically settling interest at an hourly updated execution interest rate based on market conditions, as opposed to a fixed interest rate for the term of the loan (gate.io, n.d.).

The literal meaning of the word riba is to increase, grow, exceed, usury, or interest. Islamic legal term defines riba as an increase that is void of compensation according to an Islamic legal measure and conditioned for one of two contracting parties in a commutative (*al-mu'awaḍah*) contract (Amanullah, 2018). This increase is identified as riba *al-nasiah*, which is a delayed payment, or it could be an increase void of a delayed payment, known as riba *al-faḍl*. In Islam, both are prohibited.

In Islam, when it comes to benevolent loans *(al-qarḍ al-ḥasan*), the original judgment states that the borrower must return the exact loan replacement to the lender without any conditions attached. In the event that the lender places a condition on an increase, this increase refers to interest (riba), which is prohibited in Islam (Amanullah, 2018). Riba can be found in two situations; in debt or on loan and in buying and selling, which are known as riba *al-qardh* and riba *al-buyu'* (Jalil, 2017). These two kinds of loans offered by international cryptocurrency exchanges are associated with riba on loans (*al-qardh*). The increment (interest) is required to be paid when returning the loan. In addition, another global exchange referred to as KuCoin, provides its clients with cryptocurrency loans, charging a priority rate equivalent to 0.02% of the daily interest rate (KuCoin, n.d.).

According to a hadith, any kind of increase in interest from loans is forbidden in Islam since it is seen as usury (riba).

كُلُّ قَرْضٍ جَرَّ مَنْفَعَةً فَهُوَ وَجْهٌ مِنْ وُجُوْهِ الرِّبَا

"Every loan that provides profit to the lender is a form of usury." (Sunan Al-Baihaqi) (Amanullah, 2018)

Said bin Burdah narrated from his father, who said: "I came to Madinah and met Abdullah bin Salam, who told me: Will you come with me, so that I can feed you *sawiq* (a kind of mush made of wheat or barley) and dates, and you will enter my house. Subsequently, he declared: You come from a country (Iraq) where usury is widespread; any debt you owe a man who gives you a load of barley, straw, or *qatt* (a type of grain) as a gift is considered usury (Hassan, 2007).

Hadith narrated by Yahya bin Ishaq al-Han'i who said: I asked Anas bin Malik: What is the Shariah ruling for a man from us who lends his wealth or money to his brother, then he the borrower gives a gift to the lender? Anas responded by quoting the Messenger of Allah (pbuh) as saying, "If any of you lend money to someone and the borrower gives the lender a gift or wants to ride him on his animal, then he should neither ride the animal nor accept the gift, unless their previous arrangement was in place" (Hasan, 2007).

Apart from that, there is also a promised threat of hellfire for money dealers who do usury transactions based on the hadith narrated by Al-Qasim Ibn 'Abd Al-Warraq, "I saw Abdullah Ibn Abu Awfa in the market at the place of money exchange, and he said: "O all ṣayarifah (money/currency dealers)! Receive the good news! They said: May God give you the good news of

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heaven! What good news do you want to tell us, O Abu Muhammad? He said: The Messenger of Allah said: Accept the good news with the fire of hell (if you do illegal things in buying and selling) (Jalil, 2017). (Imam) al-Tabarani has narrated this hadith with an acceptable chain of transmission. As a Muslim, various threats have been promised by Allah to those who eat usury, including those who take loan based on usury.

Allah has mentioned the prohibition of riba in al-Quran. Among them, in Surah ar-Ruum verse 39: And something riba (extra) that you give so that it increases in human wealth, then usury does not add to Allah's side. And what you give in the form of zakat you mean to achieve Allah's pleasure, then (those who do thus) those are the ones who multiply (the reward) (Pardiansyah, 2022).

Prohibition on taking interest (riba) is something that needs to be taken seriously, as it is one of the major sins. Abu Hurairah R.A. narrated from the Messenger of Allah SAW said, “Stay away from seven things that destroy!” The companions asked, “What are those seven things, O Messenger of Allah?” He replied, “Associating partners with Allah, sorcery, killing the soul forbidden by Allah except for a just cause, consuming usury, eating the property of orphans, running away from the field war, and accusing chaste, believing women of adultery (*Muttafaqun Alaih*) (Pardiansyah, 2022).

Therefore, it seems logical that the SC's decision to encourage Malaysian investors to use the services of local digital asset exchanges for trading. While the non-reporting entities, particularly the international ones, lack a Shariah board to adhere to the Shariah parameter in order to avoid offering products that contain prohibited elements, the reporting entities are required to comply with all requirements outlined by the SC and their Shariah committee.

Meanwhile, Securities Commission-registered Digital Asset Exchanges do not provide loans or lending cash to their clients. This measure really shields them from involvement in the riba issue associated with loans provided to the clients. As a result, it is not advisable to use any goods or services other than those that are reported under the SC. It is particularly concerning if Muslim clients are unaware that Islamic law forbids these kinds of interest-bearing loans.

Conclusion

While looking at the benefits to the ummah, cryptocurrency appears to be beneficial in the remittance area. Therefore, the decision made by the SC seems reliable by asserting conditions that only allowed the trading and investment of stable cryptocurrencies including Bitcoin, Bitcoin Cash, Litecoin, Ethereum, Ripple, Chainlink, Uniswap, Solana, and Cardano on the registered DAX platform, Luno Malaysia Sdn. Bhd., Tokenize Technology Sdn. Bhd., MX Global Sdn. Bhd. and SINEGY Technologies Sdn. Bhd. To lower the risks involved with cryptocurrencies, one should educate themselves instead of blindly following the advice from unregistered businesses because riba was discovered to exist in products provided by international cryptocurrency exchanges, such as crypto loans and lending by Huobi and KuCoin. The presence of a central authority that can monitor cryptocurrency will ensure the users’ safety and rights. Thus, it is not advised for people who wish to engage in cryptocurrency trading to deal with foreign cryptocurrency exchanges or make any cryptocurrency investments that promise a high rate of return. This study implies for Muslim investors, who deal with cryptocurrency. It is recommended to do future research on awareness of riba in the

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products of cryptocurrency exchanges among Muslim investors.

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