



Currencies-related Issues

📅 27 June. 1993 | Fiqh of Financial Transactions, Currencies

In the Name of Allāh,

the Entirely Merciful, the Especially Merciful

Praise is due to Allāh, Lord of the worlds, may the blessings and peace be upon our master Muḥammad, the last of prophets, on his family, and all his companions.

Resolution No. 75 (6/8) Currencies-related Issues

The Council of the International Islamic Fiqh Academy of the Organization of the Islamic Conference, holding its 8th session in Bandar Seri Begawan, Brunei Darussalam, on 1-7 Muḥarram 1414h (21-27 June 1993),

Having examined the research papers submitted to the Academy concerning *Currency-related Issues*,

Having listened to the discussions on the subject,

Resolves

First: It is permissible that professional statutes, bylaws, and regulations, and employment contracts, which include the definition of remuneration in currency figures, provided these are duly indexed, and that the indexation should not be prejudicial to the national economy.

Indexation in this context means periodic adjustment of salaries in line with the progression of the living cost as may be assessed by experts and competent authorities. Such adjustment aims at protecting the workers' cash payments against any decline in the purchasing power that the wages afford due to currency inflation and any consequent increase in the general cost of commodities and services.

Hence, the primary ruling regarding contracts' conditions is permissibility, except those that permit something prohibited (ḥarām) and prohibit something permissible (ḥalāl).

In case of overdue salaries, or if they become accumulated debt, they are therefore subject to Shariah rulings applicable to debts as stipulated in the Academy resolution no. 42 (4/5).

Second: It is permissible for the creditor and debtor to agree on the day of settlement - but not before - to the debt settlement in a currency other than the one specified for the debt, provided the exchange rate applied is that applicable on the settlement date. Similarly, for debts due in installments in a specific currency, it is permissible for the parties to agree on the settlement day of any installment, to have it effected, in full, in a different currency at the prevailing

exchange rate on the date of settlement. A conditional requirement in all cases is that no part of the amount subject of the currency exchange should remain outstanding, with due

consideration to the Academy resolution no. 50 (1/6) re- garding Qabḍ (taking possession).

Third: It is permissible for both parties of the contract, at the time of con- tracting, to agree on the settlement of the deferred cost or salary in a specific currency to be settled in single payment or in several well-defined installments in a variety of currencies or against a given amount of gold. The settlement shall be made in accordance with the agreement, and it is also permissible for it to be made as indicated in the above article.

Fourth: It is not permissible to agree on recording the debt resulted from a specific currency against the debtor in its counter-value in gold or other curren- cies because such a practice would make it compulsory to the debtor to settle the debt in gold or the other currency, as agreed upon for the settlement.

Fifth: Reiterating the Academy resolution no. 42 (4/5) concerning *The Changing Value of Currency* (rates fluctuations).

Recommendations

The Secretariat General of the Academy shall assign competent Shariah and economics researchers renowned for their commitment to Islamic thought, to conduct an in-depth study on other issues related to currencies, to be submitted for consideration at future sessions.

These issues may include:

1. The possibility of using legal currencies such as the Islamic Dinar, and particularly as regards the Islamic Development Bank's transactions, for the extension and settlement of loans, as well as for the fixation of term-loans to be settled at the equational rate between the legal currency in question and the foreign currency in which the settlement is to be affected, such as US Dollars.
2. Alternative Shariah-based methods for indexing deferred remunerations to the standard average price index.
3. The concept of banknotes stagnation and its effect on defining deferred rights and dues.
4. Inflation thresholds at which banknotes are considered

Indeed, Allāh is All-Knowing.

