

6. No exchange of counter-values –Whilst there is not a delay of exchange generally (as is the case with Futures and Forwards which push the date of exchange to the future and therefore are invalid) there is still no physical exchange of counter-values in spot-transactions at all.

This completely violates the Prophet's ﷺ statement as mentioned above that: *"Trade Gold for Gold, hand to hand and without delay..."*

7. 2-day settlement period- A trade will take 2 days to settle and therefore the profit of your trade (if any) only enters into your margin account after 2 business days. As such, the exchange is not hand to hand and has a delay.

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Conclusion:

The above points hopefully show that whilst Islam permits currency exchange in origin, it does so on the basis of adherence to the rules of the Sharia. The current Forex market does not appear to adhere to these at all and violates not only the rules of Sarf but also of Riba in terms of its structuring. Therefore, it should be avoided at all costs.

Today, many of us feel that we have no way of making money because everything has Riba involved or is violating some principles of Sharia. In fact, many of us may feel that Ulama are in love with the word 'Haram'. However, we should remember that this is system was not designed to be in line with the laws of Allah (swt) or his Prophet ﷺ. So we should not assume that things will be easy for us. In terms of focus, our efforts should be based on making money in the real economy.

"That nothing belongs to man except what he strives for, and that he will soon be shown his endeavor, then he will be rewarded for it with the fullest reward." [Quran 53:39-41]

3. You buy and sell through the platform of the custody service/broker - you do not take possession of the money and you are not allowed to do so. Rather you are able to trade with the money for a period of time of trading and for a specific purpose. This gives rise to the issue of selling that which you do not own and the issue of not ever taking possession of what you have traded. Having ownership in Islam means that you have freedom and all legal rights to dispose and deal with something as you wish (according to the Sharia). However, you do not own the money as required by the Sharia in the case of forex generally.

This violates the hadith narrated that Hakeem ibn Hizaam (ra) said: "I came to the Messenger of Allah (swt) and said: A man may come to me wanting to buy something that I do not possess; should I buy it for him from the marketplace then sell it to him? He said: "Do not sell that which you do not possess."" [at-Tirmidhi]

4. Margin call - There are various structures and ratios but essentially you need to maintain your margin and if you fall below it, your position is closed automatically or a 'margin call' is made to tell you to put more money in to meet the ratio (and your position is closed if you do not). Why? Because the broker does not want to lose money.
5. Loan and Sale transaction together- the custody service/broker is selling you the service of use of the platform (sale) but is also providing you with leverage to use during a period of time for trading (loan). This gives rise to the issue of 'two contracts in one'. This leverage is given on the condition that you will trade through their platform. Note: from my analysis and discussions, the money is not loaned to you in the sense of a traditional loan but rather what is loaned to you is the use of the money to trade only.

This violates the hadith: "The Messenger of Allah ﷺ prohibited two contracts in one." [Ahmad]

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