

## Shariah Pronouncement – Adab Token

By Mufti Faraz Adam and Mufti Muhammad Abu Bakar

Adab Token is a Utility Token which is based on the ERC20 standard and is subject to automatic executing upon the occurrence of pre-specified conditions. It is structured and based on the following criterion of Shariah and Islamic law.

There are various types of crypto-assets such as coins, equity tokens, utility tokens, commodity tokens etc. The Shariah treatment varies depending on the nature and features of the particular crypto-asset. Since the Adab token is regarded as a utility token, our review focuses on utility tokens. Before delving on the particulars of the Adab token as a utility token, it is imperative to appreciate that tokens qualify as lawful property from an Islamic commercial law perspective.

There is a difference of opinion among scholars with regard to the definition of *Mal* (wealth / property). This is primarily due to the Holy Qur'an and the Sunnah of the Prophet (peace be upon him) being silent on the matter. Hence, as per the dictates of Islamic law, *Urf* or customary practice is considered an important source in determining something as *Mal*. Scholar have opined that anything which has the following attributes can be considered as *Mal*:

- a) It has commercial value according to customary practice or naturally desirable,
- b) It is capable of being stored for the time of necessity,
- c) It is capable of being possessed and owned.

In order to use something as *Mal*, it is also necessary after fulfilling this basic criterion that it should be *Mutaqawwim*. *Mutaqawwim* refers to something which is lawful in Shariah and has permissible uses. For instance, alcohol fulfills the basic criterion of *Mal*, but it is not

classified as *Mutaqawwim* as it is not permissible according to Islamic law.

Taking into consideration this criteria of *Mal Mutaqawwim*, we are of the view that the Adab token fulfills this criteria. The Adab token has commercial value as each token is backed by permissible services and products offered on Islamic Cryptocurrency Exchange. Further, these tokens can be possessed through digital wallets. The Adab token is *Mutaqawwim* as it provides access to only Shariah compliant services and products.

Since the Adab token is a utility token, it is of benefit to discuss utility tokens. Utility tokens are crypto-assets which derive their value from future utility. Such tokens are commonly used to raise funds for a particular project. The tokens promise certain benefits, services or rights to token holders. The Adab token functions as a utility token. It will be issued through an ICO to raise funds for the development and scaling of the Islamic Crypto Exchange. The token will be the property of its owner (token-holder) and hence token holders will be entitled to get access to the products and services of the Islamic Crypto Exchange.

#### **Underlying Platform:**

The Adab tokens give access to permissible services and products on Islamic Cryptocurrency Exchange (FICE). The proposed structure of Islamic Cryptocurrency Exchange does not allow any Shariah non-compliant securities to be traded such as conventional bonds, derivatives etc. Likewise, any Shariah non-compliant investment strategy or contract such as short-selling, margin trading and roll-over etc are also strictly profited on the platform. To ensure Shariah compliance of each facility on Adab FICE, there will be an ongoing review and audit of Adab by Shariah Supervisory Board in conjunction with the Internal Shariah Compliance Officer, Mufti Faraz Adam.

To best of our knowledge on the basis of above justification, we are of the view that participation in Adab ICO and its secondary trading is permissible.

Allah (swt) knows best.

Mufti Faraz Adam and Mufti Muhammad Abu Bakar  
Shariah Advisors at Adab Solutions