



E-Money as a Shariah Compliant Payment Instrument



The Shariah Advisory Council (SAC) of Bank Negara Malaysia has made a ruling that electronic money (e-money) is a permissible payment instrument provided that the e-money is structured based on appropriate Shariah contract(s) to preserve the rights and obligations of the contracting parties.

Appropriate Shariah contracts to govern the contractual relationship between the contracting parties and operation of approved issuer

Contracting parties



User



Approved issuer



Merchant

Applicable Shariah Contracts

Contractual relationship

Wakalah:
Fund placement by user to approved issuer & subsequent payment by approved issuer on behalf

Qard:
Usage of fund by approved issuer including provision of rewards to user

Ijarah al khadamat / Ju'alah:
Imposition of fee to merchant

SAC considerations:



Role of approved issuer:

- Issue e-money as payment instrument & intermediate payment
- Invest funds placed in a trust account/dedicated deposit account & generate returns



Fund placement:

- Intended for payment purposes
- Kept in a trust account/dedicated deposit account that is managed by the approved issuer

Does usage of *qard* trigger Shariah issue on *qard jarra naf'an* when approved issuer offers reward to user?

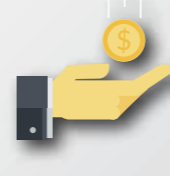
SAC considerations:



Qard is only a supplementary contract



No inter-conditionality between the funds placed by the user and rewards and it is temporary



Explicit prohibition (e-money guideline) on issuance of e-money at a monetary value that is greater than the amount received



Different custom ('urf) between approved issuer & banks on deposit taking activities and modus operandi.

No issue of *qard jarra naf'an* (loan that benefits the lender)

Are users allowed to transact with Shariah non-compliant merchants?



Approved issuers of e-money under the Financial Services Act

- User is responsible for e-money utilisation
- Status of e-money as a Shariah-compliant payment instrument is not affected

SAC considerations:

- E-money is neutral, similar to cash, except that the monetary value is stored electronically
- No control over the user's usage



Approved issuers of Shariah compliant e-money under the Islamic Financial Services Act

In general, it is not permissible. In exceptional cases, user's permissibility to transact with Shariah non-compliant merchant is subject to conditions specified by the qualified Shariah advisor of an approved issuer.

SAC considerations:

- Need to ensure end-to-end Shariah compliance in the Shariah compliant issuer's operation
- Non-permissibility of offering product bundling or cross-selling involving Shariah non-compliant products



For more information on the ruling, access the full statement here:

https://www.bnm.gov.my/documents/SAC/O3_SAC201_Statement_eMoney_en.pdf