Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

The Legal Nature of Cryptocurrencies: Analyzing Potential Regulatory Approaches in the United Arab Emirates and the Kingdom Saudi Arabia

Ghaida Habadi[1], Tareck Alsamara[2]

Abstract

The classification and regulation of cryptocurrencies have been the subject of substantial legal and academic debates, particularly in the rapidly evolving contexts of the United Arab Emirates and Saudi Arabia. This article investigates the legal nature of cryptocurrencies by analyzing their fundamental attributes, classification as commodities or currencies, and the extent to which they are supported by tangible assets. This article examines the intrinsic properties of a variety of cryptocurrencies, and the extent to which they are supported by tangible assets. In addition, the article explores the jurisprudential debate within the United Arab Emirates and Saudi Arabia, emphasizing differences in viewpoints regarding the legal and economic ramifications of cryptocurrencies.The aim of this article is to provide a thorough understanding of the legal nature of cryptocurrencies and how their characteristics influence the regulation of these currencies in Saudi Arabia and the United Arab Emirates.

Keywords: *Cryptocurrencies, Blockchain Technology, Legal Framework.*

Introduction

The Definition of Cryptocurrencies

Cryptocurrencies are regarded as a form of unregulated, virtual money that is generated and generally regulated by its producers. They are used or accepted by the members of a specific digital community. These currencies are acknowledged as highly volatile, characterized by abrupt slumps and illusions, which is why they are of interest to risk-taking investors and financiers. The market capitalization of cryptocurrency, which reached 2.3 trillion USD, is indicative of its volatility. Additionally, bitcoin, Litecoin, and ripple experienced gains of 53%, 60%, and 61%, respectively. They are entirely virtual and operate on the principles of decentralization, in contrast to traditional physical commodities such as gold or silver. They are extremely volatile. Their distinctiveness is derived from the technology that underpins them and their mode of operation. In contrast to traditional currencies, cryptocurrencies are conducted digitally and rely on blockchain technology, a decentralized ledger system that guarantees security and transparency.

Cryptocurrencies are fundamentally dependent on blockchain technology. This system maintains a publicly disseminated ledger that is updated every 10 minutes, which records each transaction. A data block is formed by consolidating all completed transactions during this period. This block is subsequently connected to previous blocks, resulting in a continuous chain of data that is referred to as a blockchain. Nevertheless, mining is a rigorous validation process that must be completed before a new block is incorporated into the chain. Mining is executed by a network of computers that collaborate to verify and validate transactions, thereby guaranteeing their legitimacy.

Each miner in the network maintains a duplicate of the ledger and is involved in the verification process. By eradicating dependence on a central authority, such as banks or financial institutions, this decentralized structure prevents fraud. Miners verify transactions, update the blockchain, and guarantee the authenticity of each transaction. This process not only ensures the network's security but also eliminates the potential for double-spending.

[1] Prince Sultan University

[2] Prince Sultan University

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

The mining process provides a guarantee for individuals and institutions that are involved in cryptocurrency transactions. It guarantees that the transactions are conducted in a secure manner and without the use of fraudulent practices. Cryptographic techniques and consensus algorithms are employed to validate transactions across multiple computers in the network, thereby implementing this security mechanism. Consequently, cryptocurrencies are regarded as exceedingly secure; however, their value remains exceedingly volatile because of the market dynamics and speculative trading.

The decentralized nature of cryptocurrencies makes them distinct from traditional financial systems. Private and public keys facilitate transactions that are conducted directly between parties. This peer-to-peer system improves transaction speed, eliminates intermediaries, and reduces transaction fees. Moreover, cryptocurrencies provide a level of anonymity that traditional financial systems are unable to offer, which further draws in users who prioritize privacy issues.

Cryptocurrencies encounter obstacles regardless of their benefits. The lack of regulation in certain regions raises concerns about potential misuse in illicit activities, and their volatility makes them a risky investment. Nevertheless, cryptocurrencies are gaining momentum as a legitimate digital asset, with applications in finance, technology, and beyond.

These currencies represent a significant transformation in the manner in which transactions are executed. A secure, decentralized, and transparent system for transmitting value is provided through the mining process and blockchain technology. Cryptocurrencies are on the brink of assuming a more substantial position in the global financial ecosystem as the world continues to adopt digital solutions.

Blockchains can be classified into two categories: permissioned and permissionless ledgers, which are determined by the number of entities that are permitted to serve as validators. Permissioned blockchains are characterized by an established group of validators that have been authorized by a regulating body or consortium. On the other hand, permissionless blockchains lack a predetermined set of validators. In addition, blockchains can be classified as either private (restricted) or public ledgers. Privatized blockchains restrict access to authorized parties, while public blockchains are accessible to all. Typically, permissioned blockchains are private, while permissionless blockchains are public.

There is no need for substantial modifications to the current financial regulatory framework in order to supervise permissioned blockchain-based cryptocurrencies. Regulators may enforce existing regulations by targeting the entities with validation authority or the proprietors of the ledger. As a consequence, traditional centralized regulatory strategies can be implemented to achieve regulatory objectives for cryptocurrencies that operate on restricted distributed ledgers.

Regulating decentralized, permissionless blockchain-based cryptocurrencies, which lack a central authority for regulators to target, is the primary challenge. Designing an effective regulatory framework is significantly impeded by the borderless, online nature of cryptocurrencies such as Bitcoin, which are not affiliated with any particular institution. A significant number of cryptocurrencies lack identifiable issuing entities, developers, or corporate organizations. In addition, the regulation is further complicated by the anonymity of developers and miners. Consequently, the implementation of a conventional, top-down regulatory approach for decentralized permissionless cryptocurrencies would likely be ineffective.

Conventional command-and-control regulation, which concentrates on developers, miners, or protocols, is untenable in this context due to the decentralized and anonymous nature of such cryptocurrencies.

Types of Crypto Currencies

What is a cryptocurrency? Does it exist as a tangible possession? Is it connected to actual assets?

A thorough examination of the many kinds and characteristics of cryptocurrencies is necessary to answer these queries. To comprehend the legal, economic, and technological aspects of cryptocurrencies, Dr. Mishal bin Saleh Al-Samhan, a professor of commercial law at Al-Majmaah University, provided a thorough

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

classification of cryptocurrencies according to its project and underlying asset. as follows into eight distinct types:

Bitcoin (BTC)

Bitcoin is unique since it was the first cryptocurrency. It operates independently of a particular sector, is decentralized, and is not supported by a project. With a 21-million-coin ceiling guaranteeing its finite supply, Bitcoin's value is solely based on demand and scarcity. Being a trailblazer, Bitcoin sets the standard for new cryptocurrencies, sometimes known as "altcoins."

Company-Associated Cryptocurrencies

Certain businesses, including San Francisco's Ripple, are associated with cryptocurrencies like XRP. The ecology and claims of the company define the value of these currencies. The company claims that this currency has value, if a person owns this currency. When someone has XRP, they are effectively in possession of a digital code that may be exchanged inside the Ripple's system.

Payment Service Cryptocurrencies

Certain Cryptocurrencies created as a payment service for a specific company, where products and services of that company can only be used through this currency. Typically, there is a limited number for the service of the company, and it is sold on the black market, with its value changing according to demand.

Project-Based Cryptocurrencies

Some cryptocurrencies are associated with ongoing projects. Demand, the state of the market, and the project's success all affect their value. However, the value and dependability of digital currencies may be compromised due to hacking or other cyberthreats.

Gold-Backed Cryptocurrencies

Gold-backed cryptocurrency, where each coin represents a specific amount of grams of gold. When these currencies are listed on the platform, the gold is sold by the seller based on a specific number of grams along with a specific number of coins.

Interest-Based Cryptocurrencies

These cryptocurrencies are designed with lending and borrowing in mind. By enabling people to receive loans in return for consistent interest payments, these tokens contribute to the development of a decentralized financial system, where when someone needs a certain amount, the owner of the currency gives them this currency in exchange for regular interest payments.

Stablecoins

They are designed to keep a consistent value by being linked to a reference asset, such as a fiat currency, commodity, or another cryptocurrency. Their primary objective is to mitigate the inherent risks of cryptocurrencies such as Bitcoin and Ethereum, thereby rendering them more appropriate for daily transactions, trading, and as a store of value. Their objective is to preserve a consistent value, frequently set at a 1:1 ratio with its reference asset. For instance, 1 USDT (Tether) is equivalent to 1 US dollar. Such a widespread use in trading and payments enables users to avoid the price fluctuations that are characteristic of traditional cryptocurrencies.

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

Bitcoin-Supporting Cryptocurrencies

These currencies are connect to digital assets that operate in conjunction with, enhance, or complement Bitcoin within the broader cryptocurrency ecosystem. These cryptocurrencies can provide scalability solutions, interoperability, or additional functionality while adhering to the decentralization and security principles of Bitcoin. hey provide new features to Bitcoin, such as tokenization, smart contracts, and enhanced scalability.

Are Cryptocurrencies Backed by Real Assets?

Not every cryptocurrency has a physical asset associated with it. With a variety of linkages to physical resources, cryptocurrencies are primarily digital assets. Most cryptocurrencies get their value from market factors like demand, scarcity, and perceived utility, however some are supported by tangible assets like gold or fiat money.

Bitcoin: The leading cryptocurrency has no inherent value and no physical support. The market's demand and the 21 million coins' restricted supply are the only factors influencing its price.Stablecoins: These provide stability since they are based on fiat money or other assets.

Stablecoins: They are linked to tangible things, such commodities or fiat currencies (like the USD-backed Tether), are intended to keep their value steady. This connection gives them some stability compared to more erratic cryptocurrencies.The market's acceptance and the project's success determine the value of project-based cryptocurrencies.

Gold-Backed Cryptocurrencies: A certain amount of gold is represented by each token in certain digital currencies that are directly linked to actual gold deposits. These give investors a combination of precious metal stability and blockchain efficiency.

Project-Based Cryptocurrencies: The success of the related projects or platforms determines how much they are worth. For instance, Ethereum's ability to facilitate smart contracts and decentralized applications contributes to its value.

The market's acceptance and the project's success determine the value of project-based cryptocurrencies.

The majority of cryptocurrencies lack inherent value, which has sparked discussions on whether they should be categorized as assets or speculative instruments.

The legality and stability of cryptocurrencies has been brought into question by their digital existence. Critics contend that they are speculative and unstable due to their lack of inherent worth and physical presence. However, promoters point to its decentralized structure and potential for financial inclusion as two of their main advantages.

Are Cryptocurrencies Considered Currencies or Commodities?

Since Bitcoin was first introduced in 2009, cryptocurrencies have completely changed the banking industry. They have brought up important issues regarding their classification and legal status due to their quick growth and broad usage. Should cryptocurrencies be classified as commodities or as a new type of money like traditional currencies? to investigate the different viewpoints on this matter by utilizing financial theories, legal frameworks, and the real-world use of cryptocurrencies in the economy. Additionally, evaluate the reasons in favor of each position, look at pertinent legislation in important jurisdictions in both Saudi Arabia and the United Arab Emirates, and think about how these classifications may affect the development of digital currencies in the future.

Although Bitcoin is the most well-known cryptocurrency, there are thousands more, each with its own blockchain and special characteristics, including Ethereum, Litecoin, and Ripple. Cryptocurrencies are most

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

linked to their speculative value, even if they can be used for a variety of things, such as investments and online shopping. Additionally, a number of industries, such as gaming, remittances, and the larger financial system, employ cryptocurrencies.

Cryptocurrencies as Currencies

Medium of Exchange

Being a medium of exchange is one of money's main purposes. Cryptocurrencies and conventional currencies are similar in this regard. For instance, both online and in certain physical establishments, Bitcoin and other cryptocurrencies can be used to buy goods and services. Particularly well-liked in the realm of digital services are cryptocurrencies. Bitcoin's role as a medium of exchange is highlighted by the fact that it is accepted as payment for goods and services on a wide range of online platforms, including gaming services and e-commerce websites.

Store of Value

Some contend that cryptocurrencies serve as a store of value, which is another traditional purpose of money. For instance, Bitcoin has drawn interest as a gold-like store of value. With the hope that it will hold its value over time, many investors buy Bitcoin as a hedge against inflation or unstable economies. The value of Bitcoin and other cryptocurrencies, in contrast to gold, can fluctuate significantly over brief periods of time. Compared to fiat currencies like the Saudi Riyal and UAE Dirham, which are more stable because of central banks' support, this volatility calls into doubt their dependability as repositories of wealth.

Unit of Account

The worth of products and services can be consistently measured using a unit of account, which is a standard numerical unit of measurement. This is how some markets use cryptocurrencies like Bitcoin. Some online firms, for instance, allow customers to price goods and services in cryptocurrency by listing their prices in Bitcoin. However, cryptocurrencies are not widely employed as a unit of account in the majority of economies. It is challenging for cryptocurrencies to completely replace traditional money in this sense since traditional fiat currencies, like the Saudi Riyal or UAE Dirham, still control pricing and accounting processes.

Additionally, money is defined widely in Federal Decree-Law No. (20) of 2018 on Anti-Money Laundering, Combating the Financing of Terrorism and Financing of Illegal Organizations. All material and immaterial assets, whether digital or physical, including virtual or encrypted currencies, are included in the concept of "money."

However, cryptocurrencies differ significantly from traditional currencies. They are not issued or backed by governments or central banks, meaning they are not subject to the same regulations or monetary policies. Their value is determined by supply and demand, making them highly volatile and raising questions about whether they can reliably serve as a "means of payment."

Cryptocurrencies as Commodities

Scarcity and Intrinsic Value

Despite their potential as a medium of exchange, cryptocurrencies lack many of the traits that set traditional currencies apart. Cryptocurrencies are not governed by a single entity, in contrast to fiat currencies, which are issued and overseen by governments or central banks. Rather, they are produced through a procedure called mining, in which potent computers carry out intricate computations to verify transactions and safeguard the network.

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

Demand and scarcity determine the value of cryptocurrency. A fixed supply cap of 21 million coins, for example, gives Bitcoin a sense of scarcity and, consequently, value. Because of their dependence on market demand and scarcity, cryptocurrencies are more comparable to commodities like gold and silver, which are similarly traded as speculative assets and are valued according to their scarcity.

Trading and Investment

Like commodities, cryptocurrencies are often traded on exchanges. Their prices vary according to supply and demand in the market, and they can be purchased and sold in relation to conventional currencies. This trading dynamic is like that of commodities, where prices can rise, or fall based on global events, economic factors, and investor sentiment.

For instance, many people view Bitcoin as an investment rather than a currency due to its speculative nature. Like when they purchase equities or commodities, investors purchase Bitcoin with the expectation that its value will rise over time. Furthermore, as both are viewed as hedges against inflation and economic instability, cryptocurrencies and gold are frequently contrasted in this regard.

Treatment in Financial Markets

When it comes to trading and regulation, cryptocurrencies are handled similarly to commodities in many financial markets. For instance, investors can make predictions about the future price of Bitcoin without ever holding the underlying asset due to the trading of Bitcoin futures contracts on sites such as the Chicago Mercantile Exchange (CME). Futures contracts on conventional commodities, such grain or oil, are treated similarly.

likewise in investing portfolios, cryptocurrencies frequently belong to the same asset class as commodities. Depending on their investing objectives and risk tolerance, investors may allocate funds to a portfolio that consists of both conventional commodities and digital assets like Bitcoin.

Nonetheless, the fact that cryptocurrencies lack any inherent physical utility sets them apart from conventional commodities. Cryptocurrencies are completely digital and only exist in the virtual world, in contrast to commodities like gold, oil, or agricultural items. Because they have no use in real life, cryptocurrencies are in a unique position as assets with speculative value but no tangible worth. Their digital form also makes them comparable to intangible financial products like stocks, which are valued according to investor demand.

The Jurisprudential Debate on the Nature of Cryptocurrencies

The acceptance and classification of cryptocurrencies under Islamic law (Sharia) have become a topic of significant scholarly debate as they continue to garner global attention. The legal and ethical status of cryptocurrencies must be determined by comprehending their jurisprudential character in countries such as the United Arab Emirates and the Kingdom of Saudi Arabia, where Sharia is the primary source of legislation. The complexity and novelty of cryptocurrencies have been reflected in the diverse opinions that have arisen from this debate. Scholars have generally identified three primary perspectives on the jurisprudential classification of cryptocurrencies: denial of monetary status, classification as money, and suspension of classification.

First Opinion: Suspension of Jurisprudential Classification

The initial collection of scholars advocates for the denial of a definitive jurisprudential classification of cryptocurrencies. This method is predicated on the absence of clarity and comprehension regarding the fundamental mechanisms, implications, and potential hazards that are linked to these digital assets. Advocates of this perspective argue that it is prudent to postpone the issuance of definitive rulings until the reality of cryptocurrency usage becomes more apparent.

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

This viewpoint is endorsed by influential organizations, including the Islamic Fiqh Council in Jeddah, and has been embraced by numerous scholars. The rationale for this perspective is that the issuance of imprudent judgments on complex and evolving matters could result in errors or inconsistencies. Scholars endeavor to guarantee that any future decisions are founded on a thorough comprehension of the nature and consequences of cryptocurrencies by refraining from rendering judgments.

This viewpoint was particularly influential during the initial phases of cryptocurrency development. However, the technology and its practical applications were still in their infancy at that time, and the potential repercussions of its widespread adoption were primarily speculative. Nevertheless, as cryptocurrencies became more prevalent, a significant number of scholars who had previously advocated for this perspective changed their posture, defining themselves as either supporters or opponents of cryptocurrency usage.

This initial reluctance emphasizes the circumspect approach that Islamic scholars frequently adopt when confronting novel and intricate phenomena. They endeavor to preserve the principles of Islamic jurisprudence, which prioritize evidence-based rulings and careful deliberation, by emphasizing clarity and comprehension.

Second Opinion: The Use of Cryptocurrencies as Money

The second perspective regards cryptocurrencies as a form of money that is subject to the same jurisprudential rulings as traditional currencies. Nevertheless, there is a substantial disagreement within this group regarding the precise sort of money that cryptocurrencies represent. Some individuals categorize them as commodity money, while others regard them as fiduciary money:

Commodity Money: This pertains to currency that possesses intrinsic value, including coins made of copper, silver, or gold. Paper money that was exchangeable for gold and supported by gold was also included in this category in the past. According to scholars who refer to cryptocurrencies as commodity money, their value is derived from their inherent utility and the confidence that is placed in their scarcity and decentralized nature.

Fiduciary Money: This form of money is devoid of intrinsic value and is derived from the trust and recognition of society and the governing authority. Paper money without intrinsic value, which has transitioned from gold-backed notes, is a prevalent illustration of fiat currency. Advocates of this perspective contend that cryptocurrencies are analogous to contemporary fiat money in that their value is predicated on market consensus and reciprocal trust, rather than tangible assets.

Advocates of this viewpoint frequently underscore the importance of a practical and historical perspective. They observe that the Qur'an references a variety of money from a historical perspective, indicating that humanity has consistently adjusted its monetary systems to accommodate changing requirements. Cryptocurrencies are a logical progression in the evolution of money, comparable to the transition from barter systems to gold coins and subsequently to paper currency, according to this logic.

In addition, they contend that the legitimacy of customary practices (urf) as a legitimate source of Islamic legislation can be used to justify the permissibility of new forms of currency in Islamic law. This viewpoint is consistent with the notion that Islamic law is inherently adaptable and capable of accommodating new developments if they are consistent with its fundamental principles.

Hanafi scholars have expressed a comparable perspective, asserting that "money is a means, not an end; the objective is to employ money, not to acquire it." Ibn Taymiyah, who observed that the value of dirhams and dinars is not derived inherently or by divine law, but rather by common usage and accord among people, echoes this sentiment. He underscored that their primary function is to function as a standard measure for transactions, and that their material composition or appearance do not possess any inherent value.

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

Third Opinion: Denial of Monetary Status for Cryptocurrencies

The third perspective refutes the notion that cryptocurrencies are considered money. Scholars who subscribe to this perspective do not advocate for an alternative jurisprudential classification; rather, they concentrate on rejecting their monetary status. This viewpoint is broadly endorsed by fatwa-issuing organizations throughout the Islamic world, such as:

The Turkish Presidency of Religious Affairs

Dar Al-Ifta in Egypt

Kuwait's Fatwa Department

Certain members of the Council of Senior Scholars in Saudi Arabia

Dar Al-Ifta in Palestine and Libya

The General Authority for Islamic Affairs and Endowments in the UAE is home to the Official Fatwa Center.

These scholars contend that cryptocurrencies, including Bitcoin, do not possess the fundamental attributes of money from an Islamic perspective. They argue that cryptocurrencies are not issued or regulated by a recognized authority, are subject to extreme price volatility, and lack intrinsic value, all of which undermine their reliability as a medium of exchange or store of value.

Nevertheless, some academicians within this group have suggested alternative classifications for cryptocurrencies. In jurisdictions where cryptocurrencies are legally recognized, they may be treated as independent currencies, subject to the same regulations as gold and silver in terms of currency exchange, interest (riba), and the obligation of zakat and other currencies.

The classification of cryptocurrencies as commodities has been rejected by others, who contend that they are solely transactional and lack intrinsic value. In this regard, cryptocurrencies are comparable to contemporary fiduciary money, which derives its value from market consensus and mutual trust rather than tangible assets.

Alternative Jurisprudential Classifications

In addition to the three primary perspectives, Islamic scholars have proposed a variety of interpretations regarding the nature of cryptocurrencies, resulting in six potential classifications:

Cryptocurrencies as Money: This encompasses both fiduciary money and commodity money.

As commodities, cryptocurrencies are classified as tradable products that can be purchased and sold.

Utilities as Cryptocurrencies: They are considered intangible services or benefits.

Financial Rights as Cryptocurrencies: They are a type of financial entitlement that is like ownership rights.

Cryptocurrencies are classified as digital assets, which are ethereal digital properties that possess value.

Financial Assets: Cryptocurrencies are classified as investment instruments or wealth assets.

Each of these classifications embodies a distinctive viewpoint on the permissible purposes, value, and nature of cryptocurrencies within an Islamic framework. The complexity of determining the jurisprudential

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

classification of cryptocurrencies is underscored by the diversity of opinions, which also emphasizes the necessity of additional research and dialogue among Islamic scholars.

The challenges of adapting traditional principles to contemporary innovations are underscored by the debate over the jurisprudential classification of cryptocurrencies in Islamic law. Although certain academicians advocate for a cautious approach, others underscore the significance of acknowledging cryptocurrencies as a legitimate evolution of money. It is evident that the Islamic scholarly community is actively involved in this intricate issue, endeavoring to reconcile the principles of Sharia with the realities of contemporary finance and technology, irrespective of one's perspective. Ultimately, the outcome of this debate will be instrumental in determining the future of cryptocurrencies in the Islamic world.

The United Arab Emirites (UAE)

Cryptocurrencies are not accepted as legal currency in the United Arab Emirates, although they are mainly regarded as digital assets that can be invested in or exchanged. The UAE dirham is specifically defined as the legal currency According to UAE Federal Law No. 14 of 2018 on the Concerning the Central Bank and the Regulation of Financial Institutions and Activities , the legal currency is explicitly defined as the national currency (the dirham), and its issuance is exclusively a privilege of the UAE Central Bank, even though the Law No. (20) of 2018 on Anti-Money Laundering, Combating the Financing of Terrorism and Financing of Illegal Organizations.

The regulation of digital assets is overseen by Dubai's Virtual Assets Regulatory Authority (VARA), which provides a framework for their use and exchange. Cryptocurrencies cannot, however, take the place of the dirham in regular transactions since VARA does not recognize them as currency. While cryptocurrencies are acknowledged as digital assets, this legal position highlights that their standing differs from that of official currencies.

Kingdom of Saudi Arabia

Cryptocurrencies are also not accepted as legal currency in Saudi Arabia. As the legal framework governing cryptocurrency in Saudi Arabia can be complex as the concept is still occupies a grey area that is not well established yet. Though the Saudi Arabian Monetary Authority (SAMA) has warned against trading cryptocurrencies stating that they are not recognized by the government and no entities are licensed to deal with them, Nevertheless, In Saudi Arabia the use of cryptocurrencies has surged notably making it the world's quickest growing crypto market in a yearlong span totaling around $31 billion in transaction value from July 2022 to June 2023. This shift, towards decentralization brought about by technology has transformed the landscape of financial transactions yet it has also brought forth a range of intricate legal ramifications, and there has been a surge in cryptocurrency ownership over the last five years with 77 percent of the population having knowledge, about digital assets and 18 percent actively participating in crypto trading. In Saudi Arabia context of digital assets regulation lacks clarity and major cryptocurrencies such as Bitcoin are in a gray area without clear definitions yet compared to United Arab Emirates. but there are no specific legal penalties for individuals engaging in digital asset trading. So, the government has also banned banks from processing crypto transactions since trading in cryptocurrencies is illegal and risky. However, the Saudi Central Bank has also shown signs of potentially changing its approach to cryptocurrencies, as indicated by the appointment of a leader for its virtual assets and central bank digital currency program (Mohsen AL Zahrani).

The Saudi riyal is the Kingdom's official currency, and the central bank has the exclusive authority to issue currency, according to the Saudi Arabian Monetary Authority (SAMA). Based on the Article 1 of the Saudi Arabian Monetary Law defines the official currency as the Saudi riyal. Article 3 specifies that issuing and minting currency is an exclusive right of the Saudi Central Bank. Cryptocurrencies are not regarded as commodities and are not part of the legal definition of money.

In Saudi Arabia, cryptocurrencies are seen as digital assets, and trading and investing are the main uses for them. The Saudi government has adopted a cautious stance when it comes to cryptocurrency legislation,

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

cautioning against its use for illicit purposes including money laundering and financing terrorism. Although they are not prohibited, cryptocurrencies are not accepted as a valid method of payment, and their legal position is still unclear.

Thereby, Cryptocurrencies are regarded as digital assets for investment purposes and are not acknowledged as official currencies in Saudi Arabia or the United Arab Emirates. The argument over whether cryptocurrencies should be categorized as commodities or currencies will probably continue as the digital economy grows, even as legal and regulatory frameworks continue to change. However, it is evident that cryptocurrencies have grown to be a crucial component of the global financial system, and how they are categorized will have a big impact on how they are used and regulated going forward.

Experts and authorities continue to disagree on whether cryptocurrencies should be categorized as commodities or currency. On the one hand, cryptocurrencies have traits with conventional currencies, like being a unit of account, a store of value, and a means of trade. They differ from traditional currencies, though, in that they are digital-only, have no official support, and are extremely volatile.

However, there are several similarities between cryptocurrencies and commodities, especially regarding their trading dynamics, speculative value, and scarcity. Their designation as commodities is further supported by the fact that they are considered investment assets and traded on exchanges. Their decentralized structure and speculative value make them more in line with commodities, even though they have several traits in common with conventional money. Different jurisdictions have different legal definitions and restrictions, which reflects varying opinions about their hazards and usefulness.

Navigating this new financial environment requires an understanding of the sorts and characteristics of cryptocurrencies. The argument over their classification will continue to be a major point of discussion in the international financial community as blockchain technology develops. Cryptocurrencies surely mark a dramatic change in the way value is produced and traded in the contemporary world, regardless of whether they are seen as digital assets, speculative instruments, or revolutionary technology.

Ethical Frameworks for Cryptocurrencies

Ethical charters are instrumental in guiding the actions of individuals and institutions in the context of the United Arab Emirates and Saudi Arabia. Although these charters are not intended to be enacted as laws, they establish ideal standards of conduct that are especially significant in the digital domain, where legal regulations may be insufficient or ambiguous. Ethical charters can offer crucial guidance in the realm of cryptocurrencies by delineating principles of fairness, transparency, security, and privacy that exceed the letter of the law.

Additionally, ethical charters frequently operate in conjunction with the law in Saudi Arabia and the United Arab Emirates, rather than in opposition to it. In the context of cryptocurrencies, they can assist in the dissemination of legal principles, particularly when the participants in the ecosystem are not entirely acquainted with intricate legal frameworks. Cryptocurrency developers and users may be more cognizant of ethical charters issued by industry organizations, which serve as guidelines for responsible conduct, including the reduction of the environmental impact of mining and the guarantee of equitable access to digital assets. Finally, ethical charters actively contribute to the improvement of the law. They anticipate obstacles that may not have been addressed by regulation, advocating for heightened ethical standards and fostering innovation that is consistent with broader ethical principles. This proactive approach has the potential to reinforce the law while surpassing its constraints, thereby fostering a more sustainable and responsible cryptocurrency ecosystem.

Marcello Vitali Rosati's examination of digital ethics provides a framework for confronting the ethical obstacles presented by cryptocurrencies. Rosati distinguishes between two distinct methodologies for digital ethics. The initial perspective views ethics as a subset of general moral principles that can be applied to the digital realm, including cryptocurrencies, to address concerns such as accountability, transparency, and fairness. For instance, the environmental impact of crypto mining or the equitable access to blockchain

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067

technology are both considered. The second method emphasizes the application of ethics that are specific to the digital realm, establishing rules of conduct that are customized to its distinctive attributes. These rules encompass the secure management of private keys, the delicate balance between privacy and transparency in public blockchains, and the management of decentralized systems. Cryptocurrencies, which incorporate numerous digital domain complexities, are particularly pertinent to these methodologies. Therefore, ethical frameworks for cryptocurrencies must adhere to both the general principles and the specific characteristics of the digital and decentralized environment in which they operate.

Conclusion

In conclusion, the regulatory and legal framework in the United Arab Emirates and Saudi Arabia regarding cryptocurrencies remains complex and constantly changing. The necessity for additional clarification and unified strategies is emphasized by ongoing discussions. The United Arab Emirates and Saudi Arabia must establish regulations that are both progressive and cohesive in order to resolve the challenges and opportunities presented by this transformative technology, as cryptocurrencies continue to gain importance.

Acknowledgements

The authors gratefully acknowledge the support of Prince Sultan University for covering the (APC) associated with this publication. Additionally, the authors would like to express their thanks to Prince Sultan University for their continued support.

Author Contributions

Conceptualization: all authors contributed; methodology: all authors contributed; original draft preparation: all authors contributed; writing, review and editing: all authors contributed equally; supervision: Tareck ALSAMARA.

Competing Interests

The authors declare no competing interests.

References

Ali Raza S, Ahmed M, Aloui C. "On the asymmetrical connectedness between cryptocurrencies and foreign exchange markets: Evidence from the nonparametric quantile on quantile approach" (2022) Department of Business Administration, IQRA University. Department of Finance, College of Business Administration, Prince Sultan University, Riyadh, Saudi Arabia. Research In International Business And Finance. Vol 61

legal Nature of Cryptocurrency, IOP Conference Series: Earth and Environmental Science, , 3

https://coinmarketcap.com/academy/article/how-to-mine-bitcoin , Accessed on 24\05\2024

Dhali M, Hassan S, and Zulhuda S. (2024) "The Regulatory Puzzle of Decentralized Cryptocurrencies: Opportunities for Innovation and Hurdles to Overcome." College of Law, Prince Sultan University, Riyadh 12435, Saudi Arabia; Department of Law, International Islamic University Malaysia, Kuala Lumpur 53100, Malaysia. Article Vol 8, Issue 6,

Riyadh Chamber. "Lecture | Cryptocurrencies, the truth, origins and types.", YouTube video, 1:23::46, June 14, 2022. https://www.youtube.com/watch?v=AsRzZr56ZEk&t=5s.

Yusef A (2020), 'Legalization of Virtual Currencies - Bitcoin as a Model', University of Sharjah Journal of Law Sciences, Volume 19, Issue 3

United Arab Emirates. Federal Law No. 20 of 2018, 'Anti-Money Laundering, Combating the Financing of Terrorism and Financing of Illegal Organizations'. Issued on 2018.

https://www.ccn.com/education/how-does-the-bitcoin-source-code-define-its-21-million-cap/
accessed on 10\05\2024

https://www.cmegroup.com/markets/cryptocurrencies/options.html#market-activity accessed on 06\10\2024

Alothman, J, A, (2022), Virtual Currencies: The Legal Problem and Future Outlook, Kuwait International Law School Journal, http://demo.mandumah.com/Record/1384731, Volume 10, Issue 40

Saudi Regulators Warn Against Trading Cryptocurrencies, Citing 'High Market Risks' (cointelegraph.com) accessed on 08\11\2023

Journal of Ecohumanism
2025
Volume: 4, No: 1, pp. 2473 – 2484
ISSN: 2752-6798 (Print) | ISSN 2752-6801 (Online)
https://ecohumanism.co.uk/joe/ecohumanism
DOI: https://doi.org/10.62754/joe.v4i1.6067
Saudi Arabia fastest growing crypto economy globally amid regional drive - Al-Monitor: Independent, trusted coverage of the Middle East accessed on 09/11/2023
The Regulation Of Digital Assets In Saudi Arabia - Lexology accessed on 17/11/2023
Is Saudi Arabia changing approach to cryptocurrencies? - Al-Monitor: Independent, trusted coverage of the Middle East accessed on 08\11\2023
Investing in Cryptocurrency in Saudi Arabia: A Beginner's Guide
https://fintechnews.ae/22330/saudiarabia/investing-in-cryptocurrency-in-saudi-arabia-a-beginners-guide/ accessed on: 23/01/2025.
Saudi Arabian Monetary Authority (SAMA). "Warning about Virtual Currencies." Ministry of Finance –Kingdom of Saudi Arabia. https://www.mof.gov.sa/en/MediaCenter/news/Pages/News_20082019.aspx. August.20 2019
https://www.cfr.org/backgrounder/crypto-question-bitcoin-digital-dollars-and-future-money accessed on: 23/01/2025.
American Affairs Journal, May 2018. https://americanaffairsjournal.org/2018/05/cryptocurrencies-commodity-dynamics-and-cartelization/.
Al-Hajj M (2023), 'REGULATING VIRTUAL CURRENCY IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT AND ECONOMIC TRANSFORMATION - THE UNITED ARAB EMIRATES AS A MODEL', Faculty Of Law, United Arab Emirates, University, United Arab States, Abu Dhabi, e-ISSN: 2805-4741
United Arab Emirates. Federal Law No. 14 of 2018, 'Concerning the Central Bank and the Regulation of Financial Institutions and Activities'. Issued on 2018.
Saudi Arabia. 1959. Saudi Arabian Monetary Law. Cabinet Decision No. 91
Alsamara T, (2024) "The Digital Domain between Private Law and Ethical Rules: A Case Study of the European Union" Journal of the College of Law and Political Science - Aliraqia University, College of Law Prince Sultan University, Issue 24