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ARTICLE

The Bubble Economy in the Global Capital Market: Unraveling the Boundaries of Gharar and Maysir in the Fatwa of the Al-Azhar Research Academy

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Background: The rapid expansion of globalization and financial innovation has generated highly complex, digitized, and speculative capital market instruments. In the intersection of global finance and Islamic jurisprudence, Western-designed transactions like short selling and derivatives often trigger fierce dialectics regarding whether their abstract legal structures and decoupling from the real economy violate the foundational ethico-legal boundaries of Islamic commercial law (muamalah).

Purpose: This study aims to critically analyze the authoritative legal perspective and collective theological rationale ('illat) of the Al-Azhar Islamic Research Academy (Majma' al-Buhuts al-Islamiyyah) in Egypt concerning the validity of short selling and conventional derivative instruments (options, futures, and swaps), while mapping its macro-economic, systemic, and geopolitical implications for the global Islamic capital market.

Methods: A normative-judicial approach combined with a qualitative-descriptive library research design is employed. The study utilizes conceptual, fatwa-based, and cross-border comparative approaches to examine primary data from the original manuscripts of Al-Azhar fatwa decrees alongside secondary legal materials, including classical fiqh texts, reputable international journals, and macroeconomic reports. The data is processed through deductive content analysis to deconstruct the institutional methodology of legal reasoning (manhaj ifta).

Results: The findings demonstrate that Al-Azhar establishes an absolute prohibition (haram) on short selling and conventional derivatives due to fundamental structural defects, specifically the violation of perfect ownership (milk al-tamm) requirements, the invalidity of digital constructive possession (qabdh hukmi), and the artificiality of cash settlements. These products are condemned as fictions (ba'i al-ma'dum and ba'i al-kali' bi al-kali') saturated with cyber-gambling (maysir) and systemic uncertainty (gharar) that foster a fragile bubble economy. However, Al-Azhar introduces a strict margin of tolerance (Siyasah Syar'iyah) allowing physical commodity futures under modified salam or istishna' contracts strictly for state-level macroeconomic hedging (hajjah syari'iyah).

Implication: This study proposes a rigorous legal screening and standardization model for international Sharia capital market regulators to prevent "fatwa shopping" and to filter foreign capital inflows without severing global financial integration. It advocates that the global Islamic financial industry must shift from mere legal cosmetics (hiyal syar'iyah) toward generating genuine, real-sector-anchored risk-mitigation products that uphold the preservation of wealth (Hifz al-Mal) and distributive equity.

Originality: This study introduces an institutionalized, macroeconomic critique of global capital market products by evaluating the collective ijtihad (ijtihad jama'i) of a world-class institution rather than individual textual jurisprudence. By bridging classical ownership doctrines with contemporary cyber-trading dynamics and Western economic crisis critiques, it provides a novel macro-legal synthesis framework to reconcile cross-border fatwa disparities between Middle Eastern and Southeast Asian jurisdictions.





INTRODUCTION

The global capital market has evolved into a central pillar of the modern economy by generating highly complex and speculative financial instruments.(Mladenovski 2023) Financial globalization demands that all countries, including those with a Muslim-majority population, actively engage in exchange transactions to maintain national economic stability and growth.(Hassan 2024) However, the presence of contemporary financial instruments frequently sparks intense debate among Islamic jurists (*fuqaha*) because their transactional structures differ vastly from classical *muamalah* (Islamic commercial) contracts.(Hassan 2024) Therefore, the Islamic world requires authoritative legal guidance to assess the Sharia legality of these modern financial products that dominate the global market.(Ercanbrack 2019)

One of the most controversial capital market products that triggers fierce debate is short selling, alongside derivative instruments such as options and futures contracts.(Stulz 2004) The reason this controversy arises is that the mechanism of short selling allows investors to sell shares they do not yet own by borrowing them from a broker, solely to reap profits from the decline in the stock's price.(D. P. Brown 1996) Data on global stock market movements up to recent years indicates that this strategy is highly vulnerable to triggering extreme volatility and market manipulation that harms small retail investors. Thus, the validity of transactions based on pure speculation and the absence of asset ownership poses a major legal puzzle in Islamic economics.(Sifat and Mohamad 2018)

In responding to these financial complexities, the *Majma' al-Buhuts al-Islamiyyah* (Islamic Research Academy of Al-Azhar) in Egypt stands out as one of the most progressive and trusted fatwa institutions in the world. The crucial reason for this is that Al-Azhar possesses a moderate (*wasathiyah*) methodology of *ijtihad* (independent legal reasoning) and is supported by multi-disciplinary scholars working in tandem with global macroeconomic experts.(Othman 2024) The fatwas issued by Al-Azhar frequently become the primary reference for national Sharia boards in various Muslim countries when filtering foreign capital market instruments.(Ansori 2017) Analyzing Al-Azhar's legal perspectives on short selling and derivatives is essential for mapping the direction of global Islamic capital market integration.

This study finds that the Al-Azhar Research Academy's rejection or acceptance of short selling is based on deconstructing the elements of *gharar* (uncertainty) and *ba'i al-ma'dum* (selling non-existent goods). This theological and juridical reasoning is fundamental, as the Hadith of the Prophet Muhammad (PBUH) explicitly prohibits selling something that is not under the full possession of the seller (*la tabi' ma laisa 'indak*). Operational facts in stock exchanges demonstrate that short selling relies heavily on stock lending, which carries a high element of speculation (*maysir*). Al-Azhar's study provides clear boundaries between financial transactions that are purely productive and those that are destructive.

The challenge of legal verification becomes even more intricate when turning to derivative instruments, whose value is derived from an underlying asset. The reason for this complexity is that in the derivatives market, what is bought and sold is no longer physical shares or commodities, but rather the rights or obligations to buy and sell in the future.(Stulz 2004) Various Sharia economic literatures note that the global derivatives market is valued at many times the size of the real economy, thereby creating a fragile bubble economy.(Tabash et al. 2023) For this reason, Al-Azhar conducts a profound analysis to examine whether these derivative contracts fulfill the essential pillars of a contract (*rukun akad*) or constitute mere disguised gambling over price fluctuations.



The urgency of researching this Al-Azhar fatwa is also related to synchronization efforts between the liquidity needs of modern capital markets and Sharia compliance. The reason for this economic necessity is pressing; if the Islamic world absolutely rejects all Western exchange instruments, the Islamic capital market will lag behind and become isolated from the mainstream of global finance. However, if it accepts them without a filter, the essence of Islamic morality in safeguarding wealth (*Hifz al-Mal*) will collapse due to speculative greed. Through its fatwas, Al-Azhar endeavors to offer a middle ground (*ijtihad insya'i*) by formulating alternative contracts that can replace the risk mitigation functions of conventional derivatives.

The state of the art of this research focuses on the collective *ijtihad* (*ijtihad jama'i*) methodology of the Al-Azhar Research Academy in dissecting global capital market products, which distinguishes it from previous studies that only examined fatwas textually on an individual basis. (Ibrahim and Ab Rahman 2022) The reason for this novelty is important because the dynamics of the capital market post-global economic crisis demand fatwas that look not only at classical jurisprudence (*fiqh*) texts, but also at the macroeconomic systemic impacts of a financial product. Prior research on short selling has mostly revolved around the MUI (Indonesian Ulema Council) fatwas in Indonesia, leaving the international perspective of an institution of Al-Azhar's caliber largely unexplored. This study fills an academic void regarding the comparison of cross-border fatwa methodologies.

The novelty of this research also lies in the critical analysis of how Al-Azhar applies the principles of *Maslahah Mursalah* (public interest) and *Urf* (international commercial custom) in determining the legal status of derivatives. (al-Dawoody et al. 1997) The reason for its urgency is that modern stock exchanges feature hedging mechanisms that are sorely needed by Muslim multinational corporations to avoid losses due to currency fluctuations. If Al-Azhar finds a strong element of public interest (*maslahah*) in such hedging, the legal status of derivatives may shift from forbidden (*haram*) to permissible (*mubah*) under certain emergency conditions. Thus, this study offers a dynamic perspective on viewing the elasticity of Islamic law in the economic sphere.

The implementation challenge faced by the Islamic financial industry is the disparity of fatwas between Middle Eastern institutions like Al-Azhar and fatwa bodies in Southeast Asia or the West. The reason for this difference is logical, stemming from variations in the dominant schools of thought (*madhhab*) and the maturity level of capital markets in each respective region. Facts show that several instruments strictly prohibited by Al-Azhar are modified in such a way and legalized in other regions under different names. Therefore, this research is vital to unravel the roots of these conceptual differences so that a harmonious standardization of the international Islamic capital market can be established.

The sociological urgency of this research is to provide peace of mind and legal certainty for global Muslim investors actively trading on foreign stock exchanges. The psychological reason is that without clear fatwas from world-class institutions like Al-Azhar, Muslim investors are often caught in doubt (*shubhat*) when structuring their investment portfolios. In this modern era, many Muslim societies have direct access to Wall Street or the London Stock Exchange through digital brokerage applications. In conclusion, clarity in analyzing Al-Azhar's fatwas will serve as a highly valuable moral and financial compass for contemporary Muslim investors.

Economic facts indicate that the prohibition or restriction of short selling and derivatives by global fatwa institutions actually aligns with the criticisms raised by Western economists post-financial crisis. The reason for this alignment of views is that both Islamic law and



sound economic analysis recognize that transactions without real assets only damage the real sector and trigger artificial inflation. Empirical evidence shows that when short selling was temporarily banned by exchange authorities during crises, markets actually became more stable. Therefore, Al-Azhar's fatwas are proven to hold not only theological value, but also possess very strong scientific and economic justifications for saving the financial system.

The ultimate objective of this research is to thoroughly dissect the legal rationale (*'illat*) behind the Fatwa of the Al-Azhar Islamic Research Academy regarding short selling and derivatives, as well as to formulate its implications for the future of the Islamic capital market. This focus is chosen to ensure that the future development of Islamic investment products does not merely perform legal cosmetics (*hiyal syar'iyah*), but is genuinely free from usury (*riba*), uncertainty (*gharar*), and gambling (*maysir*). The various arguments presented above confirm that Al-Azhar's fatwa is the key to understanding how Islamic law restrains the wildness of global capitalism. In conclusion, this research is expected to make a significant academic contribution to the development of Islamic economic law on the international stage.

LITERATURE REVIEW

1. Classical Jurisprudential Doctrine on the Limitations of Ownership (*Milk*) and the Prohibition of Non-Existent Asset Trading

Basic literature review focuses on text analysis and the methodology of prohibiting transactions without physical assets within the classical jurisprudence (*fiqh*) perspective, which serves as the foundational argument for the Al-Azhar Research Academy. (Auda, n.d.) The reason reviewing this study is vital is to understand how early jurists (*fuqaha*) defined the boundaries of legal possession (*qabdh*) and perfect ownership (*milk al-tamm*) prior to encountering modern exchange systems. Evidence in *muamalah* jurisprudence literature indicates a consensus (*ijma'*) prohibiting any form of transfer of rights over goods that are not yet under the seller's liability in order to avoid disputes. (Bakhri et al. 2025) Thus, reviewing this literature provides a theological foundation that Al-Azhar's rejection of assetless transactions has deep historical roots in the classical Islamic law principle of prudence.

Furthermore, classical literature specifically attributes this prohibition to the Hadith of the Prophet Muhammad (PBUH) which states "*la tabi' ma laisa 'indak*" (do not sell what is not with you). The reason for this textual reinforcement is crucial because the hadith serves as the primary analytical tool for early scholars to invalidate contracts containing elements of speculation over non-existent or unseen goods. Facts within the authoritative (*muktabar*) books across various schools of thought (*madhhab*) show that the ambiguity of ownership status at the time the contract takes place potentially nullifies the validity of the transaction absolutely. Therefore, tracing these classical thoughts clarifies that the concept of transactional validity in Islam places immense emphasis on the real aspect and the actual existence of the traded object. (Suwandi 2017)

The classical jurisprudential doctrine positions physical or juridical ownership as an absolute, non-negotiable prerequisite in commerce. The reason for this strict regulation is to maintain equity and prevent one party from reaping profits from a risk that they have not fully borne. Various past arguments prove to remain highly relevant when utilized by contemporary fatwa institutions to dissect the anatomy of increasingly abstract modern transactions. Consequently, a mature understanding of the limitations of *milk* in classical



jurisprudence is the primary asset before analyzing Al-Azhar's fatwas concerning the complexities of global stock exchanges.(Malik 2018)

2. Impact Analysis of Conventional Derivative Instruments on Macro-Economic Stability

The second literature review shifts toward the macroeconomic dimension regarding conventional derivative instruments (options and futures contracts), which are frequently criticized by Middle Eastern fatwa authorities. The reason for examining this literature is to uncover why these derivative financial products are categorized as forms of massive *maysir* (gambling) and *gharar* (uncertainty) by Al-Azhar scholars. Various international Sharia economic studies note that derivative transactions are dominated by pure speculation over price fluctuations without any intention of executing physical commodity delivery. In conclusion, this literature confirms that the prohibitory fatwas issued by the *Majma' al-Buhuts al-Islamiyyah* possess empirical justifications that align with economic theories regarding the dangers of non-real transactions.

The negative impact of the separation between the financial sector and the real sector through these derivative instruments has become a primary highlight in contemporary economic studies. The fundamental reason is that derivative contracts allow for the creation of artificial trading volumes whose value is multiple times larger than the actual amount of underlying assets in the real world. Historical facts demonstrate that global financial crises are frequently triggered by the collapse of these derivative markets due to wild, uncontrolled speculation. For this reason, prior researchers agree that legal restrictions on derivatives are not merely a theological matter of halal-and-haram, but rather a systemic protection instrument for the community's (*umma*) economy.(Babasyan 2023)

Overall, the literature review on this macroeconomic aspect concludes that conventional derivative instruments tend to create a fragile bubble economy. The main reason is that these instruments shift market orientation from productive investment activities into a speculative price-gambling arena. Empirical evidence from various global capital market failures reinforces Al-Azhar's argument that such financial products bring greater harm (*mudarat*) than public benefit (*maslahah*). This literature positions Al-Azhar's fatwas as a form of visionary Islamic legal intervention to safeguard the distributive justice of wealth.(b Noordin and Jamaludin, n.d.)

3. The Dialectics of Hedging Methods and Cross-Border Fatwa Disparities

The third literature review explores the concept of hedging in Islamic capital markets as an alternative *ijtihad* effort that distinguishes Al-Azhar's views from those of fatwa institutions in other regions. The crucial reason for this review is the existing dynamic where several Southeast Asian Islamic capital market authorities attempt to modify derivative instruments into Sharia-compliant products. Facts within national fatwa documents indicate the utilization of the *Wa'dan* contract (bilateral promise) as a technical solution to mitigate the risk of losses resulting from exchange rate or stock price fluctuations. Therefore, this literature is essential to map the non-uniform response of the Islamic world when facing the demands and needs of modern financial markets.

The fatwa disparities occurring between Al-Azhar (Egypt) and Sharia boards in countries such as Malaysia or Indonesia reflect differences in the *Usul al-Fiqh* (principles of Islamic jurisprudence) approaches employed. The reason for this divergence is that Al-Azhar tends to be more restrictive by utilizing the method of *Sadd adz-Dzari'ah* (blocking the means to harm) to preserve the originality of Sharia from legal cosmetics (*hiyal*). On the other hand, fatwa institutions in Southeast Asia are frequently more accommodative by



emphasizing the aspect of *Maslahah Mursalah* (public interest) to foster the growth of the local Islamic financial industry. Evidence of these differences is glaringly apparent in investment product portfolios that are legal in one region but deemed illegal by Al-Azhar authorities. (Mohiuddin 2024)

The dialectics concerning hedging show that the global Islamic capital market does not yet possess a single legal standard regarding risk mitigation instruments. The primary reason is the tug-of-war between the idealism of purifying *muamalah* from speculation and the pragmatic demand to survive amidst the current of global capitalism. A review of prior research on this issue helps identify Al-Azhar's unique position, which chooses a moderate path (*wasathiyah*) while remaining firm on fundamental Sharia boundaries. Thus, this literature serves as a bridge to analyze why Al-Azhar reaches different conclusions when assessing Western financial products. (Gubara 2014)

4. Collective Ijtihad Methodology (*Ijtihad Jama'i*) at the Al-Azhar Islamic Research Academy

The fourth literature review examines the effectiveness of the collective *ijtihad* (*ijtihad jama'i*) methodology applied by Al-Azhar's *Majma' al-Buhuts al-Islamiyyah* in responding to global financial products. The reason for reviewing this literature is to prove that Al-Azhar's fatwas are not born from individual, textual thinking, but rather through a comprehensive cross-disciplinary dialectical process. Historical evidence shows that Al-Azhar routinely involves economists, exchange practitioners, and civil law experts in their fatwa commission sessions prior to determining the legal status of a cyber-transaction. Al-Azhar's institutional standing provides a highly profound scientific authority that is internationally recognized by the Islamic world. (Mohamed 2025)

The advantage of the collective *ijtihad* model analyzed across various literatures is its capability to minimize the subjectivity of individual legal reasoning (*ijtihad fardi*). The reason for its significance is that modern capital market products such as short selling and options possess technical algorithmic complexities that are impossible to understand perfectly merely by reading classical *fiqh* books. Prior research data confirms that legal products generated through multi-expert consultation produce fatwas that are more applicable and possess socio-legal and scientific value. Therefore, literature concerning this institutional methodology serves as an important analytical tool to dissect the quality of legal rulings issued by Al-Azhar. (N. J. Brown 2011)

Research on Al-Azhar's methodology confirms that collective *ijtihad* is the optimal instrument for conquering the wildness of modern financial innovation. The main reason is that this method successfully integrates the depth of classical Islamic legal heritage with the realities of contemporary cyber-economic science. The position of this study aims to fill the academic gap by specifically analyzing how Al-Azhar's collective *ijtihad* model works in dissecting the anatomy of modern stock transactions, which has not been widely examined in depth by prior researchers. This research is committed to bringing Al-Azhar's thought into a broader sphere of Islamic economic law discussion in Indonesia.

RESEARCH METHOD

This study employs a normative juridical research method that focuses on library research to analyze legal texts and religious rulings in depth. The reason for selecting this method is that the primary object of this study consists of fatwa manuscripts, legal documents, and contemporary *muamalah* texts issued by the *Majma' al-Buhuts al-Islamiyyah* (Islamic Research Academy) of Al-Azhar in Egypt. The evidence of the strength of this



normative method lies in its capability to dissect fatwa texts doctrinally in order to identify the legal reasoning structure (*manhaj ifta*) utilized by Al-Azhar scholars toward modern capital market phenomena. Thus, this method provides a clear framework in limiting the scope of the study to ensure that the research remains on the track of solid Sharia law formulation, without getting entangled in pure economic statistical analysis.

The research approaches applied include the conceptual approach, the fatwa approach, and the comparative approach. These approaches are used to correlate Al-Azhar's micro-level fatwa texts with the global macroeconomic concepts that form the background for the emergence of Western financial instruments such as short selling and derivative markets. Empirical facts show variations in perspectives among world fatwa institutions—such as the National Sharia Board of the Indonesian Ulema Council (DSN-MUI) or AAOIFI—regarding the tolerance limits for speculation and hedging in the Islamic capital market. Therefore, the combination of these various approaches ensures that the fatwa analysis is conducted comprehensively to understand the similarities, differences, and distinct characteristics of the *ijtihad* adopted by Al-Azhar amidst the controversies of global financial products.

The data sources used are drawn entirely from secondary data classified into primary, secondary, and tertiary legal materials. This is carried out because the main focus of the research is textual study, rather than sociological field observations or physical market behavior on the trading floor. The researcher refers to primary legal materials in the form of the original manuscripts of the Al-Azhar Islamic Research Academy's Fatwa decrees regarding stock exchanges, while secondary legal materials include classical *muamalah* jurisprudence (*fiqh*) books, reputable scientific journals, and relevant Sharia economics books. Therefore, data collection techniques are conducted through documentary studies and library research to gather authentic documents officially issued by Al-Azhar. In conclusion, the use of this secondary data guarantees depth of analysis from a doctrinal perspective as well as the validity of the legal materials being examined.

The data analysis technique in this study uses a descriptive qualitative method with a deductive content analysis model. The reason for using this technique is to draw specific conclusions regarding the legality of modern financial products based on the general principles (*qawa'id fihiyyah*) utilized by Al-Azhar, such as the application of the principles of *Sadd adz-Dzari'ah* (blocking the means to harm) and *Maslahah Mursalah* (public interest). This is proven effective in dissecting the legal rationale (*'illat*) underlying why Al-Azhar prohibits or restricts short selling transactions and futures contracts in the cyber era. As a final conclusion, this descriptive qualitative analysis method will generate a systematic construction of thought regarding how Al-Azhar's collective *ijtihad* (*ijtihad jama'i*) model responds to and restrains the wildness of financial innovations within global capitalism.

RESULTS

The Anatomy and Characteristics of Modern Stock Transactions in the Global Capital Market

The research findings indicate that the structure of the global capital market in the modern era has undergone a fundamental paradigm shift, wherein its ecosystem is now dominated by financial instruments that are highly abstract and deeply decoupled from the real sector. The primary reason for this transformation is the demand of financial globalization, which prioritizes the velocity of capital circulation, high liquidity, and the creation of avenues for market participants to reap instantaneous profits. Empirical



evidence from international exchange trading data up to recent years confirms that the transaction volume of derivative financial products is now valued at multiple times the total gross domestic product (GDP) of the world's real economy. Consequently, this fact proves that the characteristics of the contemporary global capital market have evolved into a highly complex, digitally-driven financial landscape that is vulnerable to extreme fluctuations.(Pennington 2024)

In greater depth, this study finds that one of the main pillars driving global capital market volatility is the presence of short selling transaction strategies. The mechanical reason behind the popularity of this strategy is that it offers a unique ability for investors to amass abundant profits precisely when an issuer or the stock market is experiencing a downward (bearish) trend. Technical operational documents of conventional stock exchanges reveal that this scheme allows a market participant to sell shares that they do not possess in any true sense by borrowing them first from a broker. The most prominent juridical characteristic of short selling is the extreme separation between the right to sell a commodity and the obligation of legitimate asset ownership at the time the initial contract occurs.(Pennington 2024)

In addition to short selling, the anatomy of the modern global capital market is also heavily shaped by derivative instruments such as options and futures. The conceptual reason for the creation of these derivative financial products was originally as pure instruments for hedging to mitigate the risk of losses resulting from future price uncertainties. However, facts on the ground demonstrate that this protective function has now been widely distorted due to the influx of a wave of speculators who use derivatives as a tool to bet on the price movement direction of the underlying asset. The contemporary derivative instruments have mutated into independent abstract commodities traded in secondary markets without ever involving the physical transfer of the underlying goods.(Pennington 2024)

The next characteristic identified in this study is the widespread use of cash settlement methods as the operational heart of derivative contracts on stock exchanges. The technical reason for choosing this method is exchange bureaucratic efficiency, whereby the parties involved no longer need to execute the physical delivery of shares or commodities, but rather merely transfer the difference in profit or loss value electronically. Periodic reports from international financial regulatory bodies show that nearly ninety-five percent of options and futures contracts are settled purely through cash clearing between accounts without any delivery of the actual goods. Therefore, this characteristic confirms that the global derivatives market has formed a fragile bubble economy that is completely isolated from the circulation of goods in the real sector.(Riederová and Růžicková 2011)

This study also detects that modern capital markets are characterized by a high dependency on cyber technology and high-frequency trading algorithms. The reason for integrating this technology is to enable the execution of millions of short selling and derivative transactions within milliseconds to capture the smallest profit margins in the market. Digital evidence shows that this automation frequently creates artificial price movements that do not reflect the actual fundamental value of the companies in the real world. In conclusion, the digitalization of global exchanges has given birth to a new financial ecosystem that relies heavily on data speed, but on the other hand, obscures the essence of conventional trade which emphasizes clarity regarding the object of the contract (*ma'qud 'alaih*). (Mohd Noor, Mohd. Shafiai, and Ismail 2019)

Another side of the anatomy of modern financial transactions is marked by the emergence of a pseudo-ownership concept known as beneficial ownership in exchange



trading. The reason for the emergence of this term is that in modern stock trading, the name recorded as the legal owner at the clearing institution is frequently the brokerage or securities firm, while the ultimate investor only holds the economic rights to the shares. The practice of securities lending that underlies short selling proves that a stock can be transferred multiple times to third parties without the direct consent or knowledge of its original capital owner. This study concludes that ownership rights in the global capital market have undergone a reduction in meaning, becoming mere digital claims to monetary value rather than physical ownership of a business unit.

Furthermore, this speculative characteristic of the global capital market directly creates wealth distribution inequality, wherein capital tends to circulate only among large fund owners. (Munawwir, Rustam, and Anwar 2026) This socio-economic reason occurs because complex instruments like short selling and derivatives require substantial capital and premium information access, which are typically possessed only by giant financial institutions (hedge funds). Various financial crisis case studies prove that when the market suffers a crash due to short selling manipulation, small retail investors are the very first to bear the most fatal losses. Therefore, the structure of the global capital market is deemed to have an inherent flaw that tends to benefit large speculators at the expense of the economic stability of the broader society.

The next characteristic of the modern exchange is the legality of trading debt or financial claims packaged into new securities (securitization). (Shenker and Colletta 1990) The reason for implementing this scheme is to generate new liquidity from assets that are actually illiquid, such as trade receivables or future collection rights. Empirical data from the history of global financial collapses shows that the accumulation of debt-upon-debt instruments (derivatives of derivatives) is the very warhead of systemic crises that cripple world banking. Based on these facts, this study concludes that the global capital market has an innate tendency to continuously manufacture virtual financial products that lack an anchor in human real productive capacity.

This research also identifies that financial innovation in the global market frequently moves far faster than the existing positive legal regulations in any given country. The reason for this regulatory gap is that financial engineers on Western exchanges continuously create complex new variations of derivative products to evade tax laws and speculation restriction rules. Evidence on the ground shows that many capital market regulatory authorities in developing nations are overwhelmed in mapping the systemic risks of exotic foreign products entering their domestic markets. The boundaryless elasticity of innovation in the modern global capital market has birthed severe regulatory challenges for law enforcement and financial authority institutions worldwide.

As a final conclusion to the entire exposition of the anatomy and characteristics above, the modern global capital market has manifested into a highly dominant engine of financial capitalism that is nevertheless fraught with moral hazard and wild speculation. The fundamental reason is that the exchange ecosystem today has legalized the trading of pure risk, the sale of unowned goods, and transactions based on price speculation in the absence of real goods circulation. All the empirical data and evidence presented confirm that the characteristics of international stock exchanges currently stand at a point completely antithetical to the foundational principles of justice in *muamalah*. It is this comprehensive fact that subsequently becomes the crucial footing for the Al-Azhar Islamic Research Academy to conduct a rigorous legal dissection in order to purify the investment activities of the *umma* from elements of harm.



The Legal Status of Short Selling Stocks in the Fatwa of the Al-Azhar Islamic Research Academy

The research findings indicate that the *Majma' al-Buhuts al-Islamiyyah* (Islamic Research Academy) of Al-Azhar explicitly designates an absolute forbidden (*haram*) status toward all forms of short selling transactions in the global capital market. The foundational reason behind this prohibitory fatwa is that the mechanics of short selling visibly violate the essential pillars (*rukun*) and prerequisites for a valid sale contract (*ba'i*) in Islamic law, particularly regarding the absence of full ownership rights over the transacted object. Official fatwa decree documents from Al-Azhar emphasize that the act of selling unowned shares stands in diametrical opposition to the Sharia prohibition enshrined in the authentic Hadith of the Prophet Muhammad (PBUH) not to sell what is not in one's possession (*la tabi' ma laisa 'indak*). Al-Azhar views short selling as a legally defective (*batal*) transaction from the very inception of the contract; hence, no room for tolerance can be granted within Islamic economics. (Rahman and Ramle 2021)

In greater depth, Al-Azhar rejects the arguments of conventional capital market practitioners who claim that electronic control of shares via a brokerage account (a short position) can be equated with the concept of constructive possession (*qabdh hukmi* / legal delivery). The reason for Al-Azhar's rejection is highly rational, as the possession status of shares in short selling is merely a pseudo-usufructuary lending right facilitated by a securities institution, rather than true ownership (*milk al-tamm*) that grants full authority to the buyer to act freely over the asset. Evidence from the fatwa documents demonstrates that Al-Azhar remains steadfastly attached to classical *muamalah* principles dictating that the risk of the goods (*dhaman*) must accompany original ownership before profit (*ghunm*) can be reaped by the seller. Therefore, Al-Azhar rules that legalizing profit from goods whose risk is still borne by another party (the original shareowner who lends them) constitutes a form of financial injustice.

Aside from being defective in terms of the contractual object's prerequisites, Al-Azhar prohibits short selling because this instrument inherently contains elements of heavy uncertainty (*gharar*) and gambling speculation (*maysir*). (Mohd Noh, Nor Azelan, and Zulkepli 2025) This theological reason for rejection is grounded in the operational reality that the profits obtained by short sellers depend entirely on betting on the future price decline of a company's stock. During the plenary sessions of the fatwa commission, Al-Azhar scholars presented evidence that the securities lending and borrowing scheme underlying short selling conceals disguised usurious practices (*riba*) in the form of commission fees, asset lending interest, or artificial dividend distributions. To facilitate a clearer understanding of these fundamental differences and critical Sharia pain points, the following table presents an anatomical comparison of the transaction based on the findings of the Al-Azhar Fatwa review:

Table 1. Analytical Comparison: Conventional Short Selling vs. Sharia Rulings (Al-Azhar Perspective)

Analytical Dimension	Conventional Short Selling	Short	Sharia Legal Standard (Al-Azhar Fatwa)	Sharia Status / Critical Point
Asset Ownership Status	Stocks are not yet owned (borrowed from a broker).	yet	The object must be fully owned (<i>Milk al-Tamm</i>).	Forbidden (<i>Haram</i>): Violates the hadith <i>la tabi' ma laisa 'indak</i> .

Delivery Mechanism	Pseudo-possession digitally without title.	executed	Real or valid legal delivery (<i>Qabdh</i>) is mandatory.	Null and Void (<i>Batil</i>): Fails to meet delivery prerequisites.
Transactional Orientation	Pure speculation on the price collapse of an issuer.		Productive investment based on real sector performance.	Forbidden (<i>Haram</i>): Infused with <i>Maysir</i> and <i>Gharar</i> .
Asset Lending Scheme	Borrowing stocks in exchange interest/commissions.	for	Lending must be strictly non-profit (<i>Qardh / 'Ariyah</i>).	Forbidden (<i>Haram</i>): Indicates disguised <i>Riba</i> practices.
Macroeconomic Impact	Triggers price drops (panic selling).	artificial (panic)	Safeguards market stability and structural equity.	Prohibited: Violates the rule <i>La Dharar wa La Dhirar</i> .

Al-Azhar views the macroeconomic impact of short selling as a form of destruction toward a just and stable capital market order. This public interest-based (*maslahah mursalah*) reason for rejection emerges because massive short selling activities are empirically proven to be frequently exploited by large-capital institutions (hedge funds) to drive down the stock prices of healthy companies for private gain. Empirical evidence from the history of global financial crises appended to the fatwa's deliberative texts indicates that short selling triggers panic selling phenomena that wipe out the investment values of small retail investors. Al-Azhar applies the Islamic legal maxim "*la dharar wa la dhirar*" (there shall be no harming nor reciprocating harm) to ban this instrument in order to protect the economic ecosystem from systemic ruin. (Said 2026)

Furthermore, this study finds that the Al-Azhar Fatwa consistently critiques the underlying morality behind the creation of short selling products on Western exchanges. The reason for this moral critique is fundamental because, in the Islamic worldview, the capital market should function as a vehicle for partnership (*shirkah*) to channel public capital into productive real sector businesses, rather than becoming a price-gambling arena. Al-Azhar's fatwa textual data shows that short selling fosters an unhealthy economic mentality wherein the financial bliss of one party (the speculator) is built upon the suffering and business destruction of another (the issuer). Al-Azhar asserts that a financial transaction must not merely chase conventional market efficiency but is strictly required to submit to divine ethical values that preserve social harmony.

The content analysis of the Al-Azhar Fatwa research also refutes the assumption that this transaction can be validated using the framework of forward order contracts (*salam*) or manufacturing contracts (*istishna'*). The reason for rejecting this analogy (*qiyas*) is that in a *salam* contract, even though the goods do not exist at the time of the contract, the asset specifications must be crystal clear and the price must be paid in full upfront as a guarantee of certainty. The operational facts of short selling demonstrate exactly the opposite condition, where the price is not paid in full upfront but rather utilizes a margin system (debt), and the object consists of specific shares that already exist in the market but have their ownership status deliberately manipulated. Consequently, this study proves the precision of Al-Azhar's methodology in guarding the conceptual boundaries of *fiqh*



muamalah contracts so they are not intermingled for the sake of legal cosmetics (*hiyal syar'iyah*).

Moreover, this decision of the Al-Azhar Islamic Research Academy implies a firm assertion that not all global financial innovations labeled as "liquid" can be automatically adopted into Islamic stock exchanges. The reason for this rigorous filtering is to preserve the integrity of the international Islamic capital market so that it maintains a strong anchor in Islamic ethics and real economic growth. Various scrutinized academic manuscripts from Al-Azhar reveal the scholars' concerns that if the Islamic capital market legalizes short selling, it will lose its distinguishing identity and be dragged into the currents of crises manufactured by speculative capitalism. This prohibitory fatwa acts as both an ideological and practical fortress for the sanctity of the global Islamic financial system.

Another vital characteristic of the Al-Azhar Fatwa found in this research is its rejection of the concept of "securities lending for a fee" commonly used in short selling. The reason for this rejection stems from the principles of Islamic jurisprudence (*usul al-fiqh*) stating that any loan (*qardh*) that draws a benefit or advantage for the lender constitutes usury (*kullu qardhin jarra manfa'atan fahuwa riba*). Exchange technical document data indicates that brokers earn profits in the form of daily interest from the stocks lent to short sellers. Based on this legal evidence, Al-Azhar concludes that the operational foundation of conventional short selling has been contaminated by a multi-layered chain of economic vices, spanning from *riba* and *gharar* to *maysir*.

This study also traces that Al-Azhar's firmness in prohibiting short selling stands as a clear distinction from the stance of several Sharia financial regulatory authorities in Western countries, which occasionally adopt a more lenient posture to attract Muslim capital liquidity. The reason Al-Azhar maintains a restrictive path is that they bear the moral responsibility as the guardians of the highest fatwa authority, whose decisions serve as a compass for millions of Muslims worldwide. The fact that Al-Azhar refuses legal compromises in the case of short selling proves that the public interest recognized by Sharia (*maslahah mu'tabarah*) must never sacrifice the principled pillars of *muamalah* for short-term material gains. Therefore, this fatwa provides a clear direction for global Islamic financial industry players to focus on developing alternative investment products that are genuinely unblemished by elements of empty speculation.

In summary, the Fatwa of the Al-Azhar Islamic Research Academy on short selling provides a comprehensive, robust, and visionary legal ruling that blends the depth of textual evidence (*dalil*) with economic impact analysis. The primary reason is that Al-Azhar successfully unmasks that behind the guise of modern financial innovation, short selling is essentially a defective instrument that violates ownership rights, breeds price gambling, and undermines global capital market stability. (AR and Gadallah 2026) All the textual and contextual evidence presented within the fatwa manuscript reinforces that this prohibition is a legal necessity to uphold the *Maqashid al-Syari'ah* (Objectives of Sharia) in safeguarding wealth (*Hifz al-Mal*). In conclusion, the results of this study establish the Al-Azhar Fatwa as the supreme reference that must be adhered to by global Islamic capital market authorities in preserving the originality of Islamic *muamalah*. (Ahmad and Tahir 2026)

The Legal Perspective of the Al-Azhar Islamic Research Academy on Derivative Instruments

The research findings indicate that the *Majma' al-Buhuts al-Islamiyyah* (Islamic Research Academy) of Al-Azhar has consistently issued decrees declaring the trading of conventional derivative instruments—such as options, futures, and swaps—in global



financial markets to be invalid (*batil*) and forbidden (*haram*). The primary reason for the invalidation of these derivative contracts is that the objects bought and sold within the derivatives market are neither real assets nor physical commodities, but rather abstract rights, obligations, or promises (*wa'd*) regarding the price movements of an underlying asset. Based on an analysis of Al-Azhar's official fatwa decree documents, the scholars emphasize that pure rights or promises lacking material existence cannot be classified as *mal* (wealth possessing economic value) that is legitimate to serve as a traded commodity object in Islam. Thus, Al-Azhar rules that the derivatives exchange has transformed the essence of *muamalah* from an exchange of genuine asset benefits into an invalid activity of trading pure risk.

In greater depth, Al-Azhar identifies that the settlement mechanisms of conventional derivative contracts, which are dominated by the cash settlement system, constitute a form of modern gambling (*maysir*) strictly prohibited by the Qur'an. (Jobst 2014) The reason for designating this as a gambling offense is crystal clear because, in options or futures transactions, one party reaps instant material gains derived directly from the financial losses suffered by the counterparty (a zero-sum game). Operational facts in global futures exchanges reveal that no activity involving production, distribution, or the physical delivery of goods occurs between investors; instead, it is merely the shifting of fund balances between speculators' accounts based on guessing the direction of price indices. In summary, Al-Azhar deems that conventional derivative instruments have failed to fulfill the essence of *Maqashid al-Syari'ah* (Objectives of Sharia) in terms of developing wealth equitably and productively.

This study also finds that Al-Azhar rejects the use of conventional commodity futures contracts because they violate the prohibition against trading debt for debt (*ba'i al-kali' bi al-kali'*). The reason for this juridical prohibition arises because at the time the futures contract is agreed upon, both the delivery of the commodity and the payment of money are deferred to the future (deferred delivery and deferred payment). Evidence from Al-Azhar's academic research manuscripts indicates that a transaction model wherein both parties incur mutual debt without any real asset present upfront is a form of fictitious transaction prohibited by the consensus (*ijma'*) of classical jurists. Therefore, Al-Azhar views the structure of conventional futures contracts as legally defective under Sharia law from the very first second the contract is signed by the parties.

Nevertheless, the results of this study detect a highly cautious and accommodative stance of *ijtihad* from Al-Azhar when derivative instruments are utilized purely for the purpose of hedging real commodities, particularly by state-owned enterprises or institutions. The reason for this legal flexibility arises because Al-Azhar recognizes a pressing need (*hajah syari'iyah*) for Muslim nations to protect the value of their strategic commodities (such as petroleum, natural gas, or wheat) from the threats of inflation and global price shocks. Evidence in the fatwa commission's research shows that if futures trading is anchored to real commodities with guaranteed availability and concludes with actual physical delivery, Al-Azhar opens a margin of tolerance by utilizing modified *salam* or *istishna'* contracts. Al-Azhar draws a strict line between derivatives as tools for price gambling and hedging instruments anchored to the economy's real sector.

The content analysis of the Al-Azhar Fatwa also demonstrates their rejection of validating conventional options contracts that charge a fee or option premium. The reason for this rejection is based on the argument that the premium money paid by the option buyer to the option seller lacks an equivalent material compensation (*'iwadh*), as what is purchased is merely a future "right to choose." Technical exchange documents show that if



the option expires without being executed, the premium money is forfeited and becomes the property of the option seller for nothing in return. Based on this evidence, Al-Azhar concludes that reaping profits from forfeited option money constitutes a form of devouring the wealth of fellow human beings wrongfully (*akal amwal al-nas bi al-batil*), which is strictly prohibited in Surah An-Nisa verse 29.

Furthermore, Al-Azhar emphasizes that the boundaryless innovation within global derivative markets has birthed a bubble economy phenomenon that is highly dangerous to international financial stability. This socio-economic reason is put forward because the notional value of the world derivatives market, which includes exotic products like Credit Default Swaps (CDS), has bloated to hundreds of trillions of dollars, far outstripping the capacity of the global real economy. In their fatwa deliberations, Al-Azhar scholars included empirical evidence from the 2008 global financial crisis, proving how the collapse of Western financial institutions was triggered by the systemic failure of the derivatives market. Through these facts, the conclusion drawn by Al-Azhar is that the prohibition of derivative products is not mere religious dogmatism, but rather a scientific solution to save humanity from speculative economic ruin.

This research also finds that Al-Azhar critically distinguishes the legal position between the natural risks of trade (risk) and artificial risks deliberately manufactured to be traded (gambling). The reason for this distinction is vital to answer the claims of modern capitalists who argue that all businesses inherently contain risk, thereby justifying derivatives as legitimate risk-transfer tools. Al-Azhar's fatwa documents refute this claim by presenting the argument that risk in conventional trade emerges as a logical consequence of owning real goods, whereas in the derivatives market, the risk is deliberately engineered through speculative contracts for unilateral financial gain. Al-Azhar asserts that transferring or trading pure risk without any attachment to asset ownership runs entirely counter to the justice of Islamic law.

The legal perspective of the Al-Azhar Islamic Research Academy implies an imperative for a profound reconstruction of contemporary Islamic capital market products to prevent them from falling into the practice of *hiyal* (legal manipulation). The reason for this urgency is the existing trend in some Islamic financial industry nations that attempt to replicate the functions of conventional options and futures by merely renaming the contracts to *Arbun* or *Wa'dan* while retaining their speculative character. Al-Azhar's academic manuscripts explicitly warn that the substance of a contract takes precedence over its mere name and packaging (*al-ibrah fi al-uqud li al-maqashid wa al-ma'ani la li al-alfadz wa al-mabani*). The Al-Azhar Fatwa demands that the global Islamic financial industry give birth to genuine product innovations oriented toward the benefit of the real production sector.

The methodological characteristics of Al-Azhar found in this research also demonstrate their commitment to safeguarding the economic sovereignty of Muslim nations from unfair Western financial market interventions. The reason for reinforcing this sovereignty is crucial because conventional derivative markets are frequently utilized by foreign speculators with giant capital to manipulate domestic currency exchange rates or local commodities belonging to developing nations. Historical data analyzed by the fatwa commission shows that speculative attacks in the derivatives market are capable of collapsing a country's currency value in an instant, plunging millions of civilians into misery. Therefore, the prohibitory fatwa against speculative derivatives is positioned by Al-Azhar as an instrument of Sharia-based economic defense policy (*Siyasah Syar' iyyah*) to prevent foreign dominion over the assets of the *umma*.



In summary, the Fatwa of the Al-Azhar Islamic Research Academy on derivative instruments offers a highly comprehensive, scientifically data-driven, and authoritative legal resolution. The primary reason is that Al-Azhar successfully proves that conventional derivative contracts are manifestations of corrupt *muamalah* practices because they trade abstract claims, foster price-differential gambling, and ignore the real sector. All the textual evidence of *usul al-fiqh* and the contextual evidence of economic crises presented in this fatwa reinforce that the prohibition of speculative derivatives is an absolute necessity to uphold the distributive justice of wealth. The results of this study place Al-Azhar at the absolute forefront of preserving the sanctity and independence of the global Islamic economic system in the face of global capital market challenges.

DISCUSSION

The interpretation of these research findings indicates that the absolute rejection of short selling and conventional derivatives by the Al-Azhar Islamic Research Academy is a clear manifestation of efforts to purify the Islamic capital market from the traits of speculative capitalism. The primary reason is that Al-Azhar observes that modern financial innovations on Western exchanges have drifted far from the philosophy of Islamic *muamalah*, which dictates that financial activities must always be anchored to the real sector. Evidence from the analysis of global exchange characteristics reveals that the circulation of money in the derivatives market is dominated by a virtual economy whose value is multiple times larger than the world's real GDP. Consequently, these findings confirm that the Al-Azhar Fatwa functions as an ideological compass that ensures public investments remain grounded in distributive justice and tangible economic growth.

Furthermore, the interpretation of the legal status of short selling proves that Al-Azhar applies a highly rigorous principle of prudence (*ikhtiyat*) in safeguarding the sanctity of sale contracts. This is based on the argument that the legality of conventional digital stock control (a short position) cannot be analogized as constructive possession (*qabdh hukmi*) because it does not give birth to absolute ownership rights (*milk al-tamm*). The fact that short sellers reap profits precisely from the price collapse of an issuer is deemed by Al-Azhar as an unethical economic behavior that undermines exchange stability. In conclusion, the reaffirmation of the forbidden (*haram*) status toward this empty selling provides a solid middle ground between modern market liquidity demands and absolute compliance with the prophetic Hadith "*la tabi' ma laisa 'indak.*"

A profound interpretation of derivative instruments demonstrates that Al-Azhar views derivative products, such as options and futures contracts, as forms of structured gambling (*maysir*) in the cyber era. The logical reason is that the cash settlement mechanism, which lies at the heart of the derivatives exchange, purely facilitates unilateral wealth transfers based on guessing the direction of price indices (a zero-sum game). In Islamic legal practice, abstract rights devoid of material form or a clear underlying commodity cannot be categorized as legitimate wealth (*mal*) to be traded. Therefore, the prohibition of speculative derivatives is viewed as a highly visionary legal *ijtihad* to protect the community's economic structure from the threats of a collapsing bubble economy.

The implications of these research findings provide a strong legitimizing foundation for national Sharia boards in various Muslim nations to tighten Sharia compliance standards on foreign investment products. The reason for its significance is to eliminate legal ambiguity among financial practitioners who are frequently blinded by the efficiency of conventional exchanges while disregarding the inherent flaws of Western instruments. Empirical evidence from the 2008 global financial crisis appended to the fatwa texts



reinforces Al-Azhar's thesis that products violating *muamalah* rules will inevitably culminate in systemic ruin. Hence, the practical implication is the necessity for rigorous screening of foreign capital inflows to prevent them from contaminating the sanctity of domestic Islamic capital markets.

The results of this study also imply a reinforcement of the urgency of collective *ijtihad* (*ijtihad jama'i*) as the optimal method for formulating contemporary economic laws. This is because Al-Azhar proves that authoritative fatwa manuscripts must not be born from a partial reading of jurisprudential texts alone, but must involve cross-disciplinary collaboration among Sharia scholars, macroeconomic experts, and exchange practitioners. The numerous plenary sessions convened by the *Majma' al-Buhuts al-Islamiyyah* demonstrate that a comprehensive understanding of modern trading algorithms is an absolute prerequisite prior to determining the legal status of a product. Consequently, law enforcement and academics possess an ideal role model for contextualizing Islamic law amidst the torrents of global financial innovation.

The long-term implication of this study is to drive the transformation of the global Islamic financial industry to shift from merely performing legal cosmetics (*hiyal syar'iiyyah*) toward the creation of genuine Sharia products. The primary reason is Al-Azhar's stern warning that the substance and objectives of a contract must take precedence over mere packaging or changes in technical terminology. The fact that some authorities attempt to replicate the functions of conventional options using speculative *Arbun* or *Wa'dan* contracts is sharply critiqued by Al-Azhar because it retains the character of price gambling. In conclusion, this research triggers an evolution of thought so that the future architecture of Islamic finance focuses on developing hedging instruments that are genuinely tied to the public productive real sector.

The findings regarding legal exceptions for the purpose of hedging a state's strategic commodities imply an acknowledgement of the aspect of *Siyasah Syar'iiyyah* (Islamic legal policy) in safeguarding the economic sovereignty of the *umma*. The reason for this reinforcement is that Al-Azhar adopts a more flexible stance toward futures transactions involving real commodities—such as oil or wheat—in order to protect food stability from global inflation. Evidence within the fatwa documents reveals that when a pressing need (*hajah syari'iiyyah*) arises for the livelihood of the general public, Islamic law opens a margin of tolerance through modified *salam* contracts. Thus, this synchronization proves that Islamic economic law is not rigid, but rather highly adaptive in providing protection for the economic resilience of Muslim nations against foreign speculation.

The results of this discussion also emphasize that the prohibition of short selling by Al-Azhar is inherently aligned with the criticisms raised by Western economists post-global financial crisis. The reason for this alignment of views is urgent to recognize because both modern economic analysis and Sharia law recognize that short selling triggers panic selling phenomena that artificially destroy stock values. The Islamic legal perspective supports market intervention through the maxim "*la dharar wa la dhirar*" to restrict the maneuvering space of institutional speculators in order to protect small retail investors. The legality of the capital market in Al-Azhar's view does not merely pursue pure trading efficiency, but is strictly required to walk hand-in-hand with social justice and the stability of the global financial system.

In addition, this study emphasizes the importance of international Sharia capital market legal standardization to resolve the fatwa disparities occurring between the Middle East and Southeast Asia. The primary reason is the difference in approaches, where Al-Azhar tends to be restrictive through the method of *Sadd adz-Dzari'ah* (blocking the means to



harm), while some other Sharia boards are more lenient due to emphasizing *Maslahah Mursalah* (public interest). Comparative data indicates that this divergence is frequently exploited by market participants to engage in "fatwa shopping" to legalize Western financial products that are originally rejected by Al-Azhar. Therefore, the results of this discussion recommend the necessity for intensive dialogue among global fatwa institutions to formulate a harmonious and unified Sharia financial legal codex.

This discussion summarizes that the integration between exchange technological advancements and the values of *muamalah* law is a manifestation of an Islamic law that is progressive yet religiously rooted. This occurs because the essence of Islamic economics is to manifest a civilized welfare and refuse the normalization of financial greed through virtual transactions without physical assets. Research data proves that Al-Azhar's firmness in screening speculative products is capable of saving the Islamic financial system from the traps of systemic economic crises. In conclusion, the results of this comparison provide robust recommendations for financial regulators to optimize Islamic *muamalah* principles as instruments to safeguard public morality and market justice.

The limitations of this study lie in its dominant focus on the textual analysis of legal norms (normative-juridical) and the study of fatwa literature, which does not encompass empirical observations of the behavior of Sharia investment managers on the trading floor when implementing these fatwas. The reason for this limitation arises because this study places heavier emphasis on the *usul al-fiqh* methodology and Al-Azhar's legal rationale (*'illat*) rather than the technical aspects of stock trading computerized algorithms that continue to develop dynamically post-2022. Nevertheless, the theoretical findings generated remain an essential foundation for the development of modern Islamic economic law discourse. Therefore, the results of this study are still theoretical-analytical in nature, requiring further verification through field research or case studies of the sociology of economic law in the future.

Future research suggestions are directed toward quantitative juridical-empirical studies that evaluate the direct impact of the implementation of this Al-Azhar Fatwa on the liquidity and stability levels within international Islamic stock exchanges. The reason for its urgency is to scientifically measure whether strict restrictions on short selling and derivatives are genuinely capable of mitigating financial crisis risks in Muslim-majority countries without diminishing the competitiveness of their capital markets. Field data in the form of in-depth interviews with capital market actors, Sharia stockbrokers, and statistical analyses of exchange index performances will serve as concrete evidence to practically test the effectiveness of this fatwa. In conclusion, subsequent research must be capable of formulating a blueprint for Sharia investment product Standard Operating Procedures that are not only secure from a Sharia aspect, but also globally competitive in the cyber-economy era.

CONCLUSION

This study concludes that the Al-Azhar Islamic Research Academy (*Majma' al-Buhuts al-Islamiyyah*) establishes an absolute forbidden (*haram*) legal status toward short selling transactions and the trading of conventional derivative instruments (options, futures, and swaps) in the global capital market. The foundational reason behind this prohibitory fatwa is that both financial instruments are legally defective under Sharia law due to their failure to meet the essential pillars (*rukun*) and prerequisites for a valid *muamalah* contract, particularly regarding the absence of absolute ownership rights (*milik al-tamm*) over the transaction object and the pervasive use of the cash settlement system. Textual evidence



within Al-Azhar's fatwa documents relies on authentic Hadiths prohibiting the sale of unpossessed goods (*la tabi' ma laisa 'indak*) and the prohibition of trading debt for debt (*ba'i al-kali' bi al-kali'*). Thus, Al-Azhar positions both Western investment products as forms of invalid (*batal*) transactions contaminated by the elements of modern uncertainty (*gharar*) and price gambling (*maysir*) prohibited in Islamic law.

The implementation of this Al-Azhar Fatwa provides a strict yet visionary boundary by distinguishing between destructive, pure speculation and hedging activities anchored to the real sector. The reason for this legal distinction arises because Al-Azhar utilizes an Islamic legal policy (*Siyasah Syar'iyah*) approach to recognize a pressing need (*hajah syari'iyah*) for Muslim nations to protect the value of their strategic commodities from global inflationary shocks. Operational facts indicate that Al-Azhar opens a margin of legal tolerance for futures trading only if it is based on the existence of actual physical goods and concludes with real physical delivery through modified *salam* contracts. In conclusion, the legality of financial innovation in Al-Azhar's view must not merely pursue conventional market efficiency and liquidity, but is strictly required to submit to divine ethical values that safeguard the distributive justice of public wealth.

Overall, the characteristics of the collective *ijtihad* (*ijtihad jama'i*) methodology applied by the Al-Azhar Islamic Research Academy are proven highly effective and objective in dismantling the anatomy and wildness of global financial capitalism. The reason for its significance is that the fatwa formulation process at Al-Azhar is not conducted in a partial-textual manner, but rather through a multidisciplinary dialectic that integrates the depth of classical jurisprudence (*fiqh*) heritage with the scientific analysis of macroeconomic impacts. Evidence of the accuracy of this fatwa is reflected in the alignment of Al-Azhar's views with the criticisms raised by Western economists post-2008 financial crisis, both recognizing that transactions devoid of real assets (the virtual economy) will only generate a fragile bubble economy. As a final conclusion, the findings of this study reinforce that the Al-Azhar Fatwa must serve as the supreme reference for international Sharia exchange regulators to bring forth genuine product innovations (*genuine shariah*) in order to uphold the primary objective of Sharia in safeguarding wealth (*Hifz al-Mal*).

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