383342 - Purifying clean shares

the question

Is Dr. Muhammad al-‘Usaymi’s list of pure shares halal or haram? He says that they are clean shares, but each share has a percentage that requires purification, so how can it be halal? If it is halal, do I have to do take out the percentage required for purification, or not? Should the percentage required for purification be taken out from the profits, or from the value of these shares, or both?

Detailed answer

Praise be to Allah.

Firstly:

Ruling on dealing in shares

It is permissible to deal in clean shares and it is haram to deal in haram or mixed shares.

Clean shares are shares in companies whose activities are permissible, on condition that the company does not deal with riba, either by depositing money in interest-bearing accounts or taking out riba-based loans. You can find out about that through the annual report and budget statements of the company.

Haram shares are shares in companies whose activities are prohibited, such as shares in riba-based banks.

Mixed shares are shares in companies whose activities are permissible, such as pharmaceutical, petrol and electricity companies, if they take out riba-based loans or deposit money in interest-bearing accounts. Statements have been issued by Islamic Fiqh Councils on the prohibition on

dealing in mixed shares. Please see the answer to question no. 112445 .

Dr. Muhammad ibn Sa‘ud al-‘Usaymi (may Allah preserve him) is a specialist who has done good work in studying companies and distinguishing those that are clean from others. May Allah grant him the best reward for that.

Secondly:

Purifying clean shares

Clean shares may be subjected to some haram elements in some transactions, such as trading some of them with some mixed shares] or what these shares could earn from commercial insurance or some returns on commercial hedging contracts. Dr. al-‘Usaymi discussed that in an earlier study of his, in which he said:

Purification: you should purify what is certain, or thought most likely, to be earnings that came from a haram source, such as purifying earnings from a share portfolio or from direct investment in shares, or direct investment in unlisted joint-stock companies, or shares in companies that are unlisted and non-joint-stock companies. You must also purify other income of which the source is not stated, and purify returns from commercial insurance and returns from commercial hedging contracts, and so on. End quote from https://bit.ly/3f47Tox

In a statement issued by the Sharia Council of Bank al-Bilad, it says:

Guideline 513: If some income sources in companies’ financial statements are not stated clearly enough, then what is required is to strive to find out about them and seek to be on the safe side, so as to be free of blame.

Guideline 538: if it is not possible to work out the exact amount that is needed to purify the shares, then effort should be put into working it out on the basis of an estimate. Five percent of the average market return may be taken from the portfolios that are invested in the shares of mixed companies, and three percent may be taken from the returns that are not explained in the

companies’ financial statements.

If you deal in mixed shares, then you have to take out the percentage for purification as explained by Dr, al-‘Usaymi and his colleagues, whether you are trading in shares or keeping the shares and benefiting from their profits.

It is a very small percentage, as you will realise by looking at the list of clean shares.

Please see also https://bit.ly/3QO5D1G

And Allah knows best.