



Part 2: Is share trading and investment allowed?

A simple introduction to Islamic Finance

A selection of ideas from the Ph.D thesis submitted to the University of Manchester by Shehzada Dr Abdeali Bhaisaheb Saifuddin bin Syedna Khuzaima Qutbuddin Saheb (RA). His Ph.D was completed in 2003 with the raza and doa mubarak of Syedna Mohammed Burhanuddin RA.

A summary of the previous article...

Our Aimmat Tahereen and Duat Mutlaqeen employed the 'Ina contract to transform a riba transaction (haram) into a trade transaction (halal)

Syedna Taher Saifuddin RA (51st Dai-l-Mutlaq), in his testimony in the Chandabhai Gulla Case of 1917, stated that his father Syedna Mohammed Burhanuddin (49th Dai-l-Mutlaq) and grandfather Syedna Abdul Qadir Najmuddin RA (47th Dai-l-Mutlaq), as well as his immediate predecessor Syedna Abdullah Badruddin RA (50th Dai-l- Mutlaq) all borrowed by employing a similar approach of converting a *riba* transaction into a trade transaction.

*This is based on the principle of
'fleeing from haram to halal'*

“Whosoever intends *halal*, then there is no objection”
- Imam Ja'far al-Sadiq AS; source - *Daaim al-Islam* v2, p62

This article will show that the principle of 'intent to practice halal' can be applied to numerous aspects of Fatemi Finance, including share trading and investment

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Section 1 -

What exactly is share trading and investment and the common misperceptions surrounding it

A definition ...

What is a share?

*Simply put, a share represents ownership stake in a company.
It represents a claim on the company's assets and earnings.*

*By owning a share, a person becomes an equitable partner in
both the risk and return (upside and downside) of a company
and its business*

*It is similar to an entrepreneur owning his/her own business
(or in partnership with other investors) and deriving income
(or sustaining losses) from it*

What is a share trading and investment?

*Trading and investment refers to the buying and selling of
shares in a company, similar to the buying and selling of any
common-use items (such as Gold, for instance)*

Section 1 -

What exactly is share trading and investment and the common misperceptions surrounding it

A definition ...

What are common misperceptions around share trading?

The most common and biggest financial misconception and misinterpretation in the Dawoodi Bohra community is that most forms of securities trading (share trading) are haram because they involve elements of riba, gambling and speculation.

In reality, share trading is not haram at all. On the contrary, our Duat Mutlaqeen have both endorsed (advised others) and practiced share trading themselves.

Section 2 -

The guidelines and principles of share trading and investment

*Investment in shares has been deemed morally acceptable by Fatimi Tayyibi law for one key and simple reason – that it **promotes investment in productive enterprise and enhances social welfare**. It spurs (leads to) economic development and promotes prosperity for all*

*Duat Mutlaqeen have permitted equity (share) investments with certain qualifications / conditions. Investment in companies is allowed keeping one principal criteria in mind: **that the company's primary or core business should be halal**. Investments in companies whose core products or services are haram, or in contravention with the principles of Fatimi Tayyibi law, are prohibited.*

This excludes companies whose primary business falls into one of the following categories:

- *Alcohol or narcotics*
- *Tobacco*
- *Pork or pork products*
- *Gambling*
- *Prostitution and pornography*
- *Other products/services which are haram*

Investments in shares of companies that do not fall into these categories are generally permitted.

Section 2 -

The guidelines and principles of share trading and investment

What about companies whose primary business is halal but pay or receive interest? Or companies which have peripheral dealings in products / services that are prohibited by Fatimi Tayyibi law, but their primary business is halal?

Can one invest or trade shares in those companies?

Based on the guiding principle of ‘intent to practice halal’, as explained by Imam Ja’far al-Sadiq AS, investments in both types of companies (described above) are prescribed as acceptable by Duat Mutlaqeen.

*Syedna Taher Saifuddin RA explained the allowance of such investments applying the principle of ‘intent to practice halal’ in the following manner: when a person invests in such companies, **he must intend that his particular investment is in the halal or permissible part of that company, including both its products and services, and its finances.***

This is not just theory but has been practiced and endorsed by previous Duat Mutlaqeen

Section 3 -

Instances of Duat Mutlaqeen endorsing and practicing share trading and investment

Past precedents...

Syedna Taher Saifuddin RA permitted and even recommended equity (share) investments from as early as the 1950s and 1960

- 1 When a mumenaar's husband expired, leaving her vulnerable with young children and no evident income source, Syedna Taher Saifuddin RA instructed that equity shares be purchased on her behalf. Syedna Taher Saifuddin RA then personally handed over the share certificates himself.*
- 2 Syedna Taher Saifuddin RA invested in equity shares with his personal resources as well. He acquired shares on behalf of his children (including Syedna Mohammed Burhanuddin RA) in prominent companies such as Buckau-Wolf Technology (a manufacturer of sugar processing plant and machinery, with operations near Pune). Syedna Mohammed Burhanuddin RA continued to hold those shares for a number of years after becoming Dai. One of Syedna Taher Saifuddin's shezadas even went on to become a representative at the company.*

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Instances of Duat Mutlaqeen endorsing and practicing share trading and investment

Past precedents...

- 3 *Asian Electronics, a manufacturer of consumer electronics and components, was established under the instructions of Syedna Taher Saifuddin (RA) in May 1964 to engage in the business of carbon film resistors, styroflex capacitors and ceramic cores. The company was registered as public limited company under certificate number 12835 (of 64-65) and was eventually listed on the stock exchange. The promoters of the company were three shezadas of Syedna Taher Saifuddin (RA) until 1980*
- 4 *Busaheba Sakina Aisaheba (wife of Syedna Khuzaima Qutbuddin (RA)) submitted an araz to Syedna Mohammed Burhanuddin (RA) in the early 1980s for raza to buy shares for her children. The raza was immediately granted.*
- 5 *In the mid-1990s, Syedna Mohammed Burhanuddin (RA) bestowed his raza and doa mubarak to Syedna Taher Fakhruddin (TUS) to commence a share-based investment fund in the USA under the guidance and direction of Syedna Khuzaima Qutbuddin (RA).*

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In conclusion...

Our previous Aimmat Tahereen and Duat Mutlaqeen have shown - via reasoning / logic and their personal amal and involvement - that share trading and investment is not haram at all.

On the contrary, previous Duat Mutlaqeen have both endorsed and practiced share trading - in line with Fatimi Tayyibi principles - for the welfare of mumineen

In the future...

We will continue to communicate to Mumineen with clarity. We will provide advice on the use of specific banking and investment products like deposit accounts, loans, bills of exchange / discounted notes, lease finance, equity and equity-linked securities, debt instruments and insurance products. [For more information, or if you have any questions, please write to info@fatemidawat.com.](mailto:info@fatemidawat.com)

Over the next few weeks, we will publish specific detailed guidance on:

- Insurance,
- Derivatives,
- Other modern financial transactions in the light of the principles of Fatemi Tayyibi finance