

**Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) Resolution Item 60 Dated 28 July 2005**

**Deposit Product Based on Tawarruq**

***Resolution***

The Shariah Advisory Council of Bank Negara Malaysia, in its 51st meeting dated 28 July 2005, has resolved that deposit product based on tawarruq is permissible.

***Basis of the Ruling***

The aforesaid resolution is based on the following textual provisions and views relating to permissibility of tawarruq:

- i. “whereas Allah has permitted trading and forbidden riba usury...” (Al-Baqarah: 275)  
Based on general meaning of the above verse, scholars are of the view that tawarruq is allowed since it is a kind of trading activity. It may be conducted for the purpose of obtaining cash, with either the purpose is known by all related parties or not. It may also be conducted due to pressing need or as a common practice of certain parties or institutions.
- ii. Fiqh maxim:  
“According to the original method of ruling, mu`amalah is permissible, except when there is a provision prohibiting it.” (Al-Syafii, Al-Umm)

Contemporary scholars allow the application of tawarruq based on the views of Hanafi, Syafii and Hanbali schools that permit the application of tawarruq.

*Reference:*

*Shariah Resolutions in Islamic Finance (2<sup>nd</sup> edition), BNM,*

[https://www.bnm.gov.my/documents/20124/9198675/shariah\\_resolutions\\_2nd\\_edition\\_EN.pdf](https://www.bnm.gov.my/documents/20124/9198675/shariah_resolutions_2nd_edition_EN.pdf)