



In the name of Allah, The Beneficent, The Merciful

Investment in Stocks and Shares – An Overview

This *fatwā* seeks to clarify the *Sharī'ah* position on investing in stocks and shares. It focuses particularly on four areas:

- The Dow Jones Islamic indices
- The cleansing of impermissible activities
- The cleansing of interest
- Screening criteria for investments in stocks and shares

The Dow Jones Islamic Market Indices are part of an Index created for investors seeking investments in compliance with Muslim *Sharī'ah* law. This *fatwā* confirms that the Al Qalam *Sharī'ah* panel find the methodology of assessing investments and shares for *sharī'ah* compatibility to be acceptable. The *fatwā* clarifies the criteria of the Dow Jones Islamic Indices, which are mainly twofold: -

1. The company has debt totalling less than one third of market capitalisation
2. Annual sale of impermissible activities totals less than 5% of annual turnover

The *fatwā* emphasises the importance of calculating the exact figure of the proportion of money gained from impermissible activities and stresses that this money should be donated to charity in order to purify the dividend income.

The cleansing of interest is also examined, with the *fatwā* clarifying that if an exact amount cannot be calculated, then an estimation must be made on the current market rate.

The *fatwā* lists the Al Qalam criteria for screening investments, under which five key benchmarks are explained:

1. The business must be lawful
2. The total debt of the company should not exceed 33% of the total assets (this includes interest based debt)
3. The total illiquid assets of the company should be at least 33%
4. The income from non- *sharī'ah* compliant investment should not exceed 5% of gross revenue
5. The net liquid assets per share should be less than the market price of the share.

This *fatwā* concludes by providing a practical breakdown of the dividend purification process for a hypothetical investment in an Al-Qalam approved company.