Alkasb: Journal of Islamic Economics
published by Islamic Economics Study Program, Faculty of Sharia and Islamic Economics, Universitas Annuqayah, Sumenep, Indonesia
Volume 5, Nomor 1, June 2026, 28-47
E-ISSN: 2963-3737, DOI: https://doi.org/10.59005/alkasb.v5i1.712, available online at https://journal.ua.ac.id/index.php/alkasb

Beyond Spot Transactions: Shariah Governance of Foreign Exchange and Currency Hedging in Islamic Banks

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Received:	Revised:	Accepted:

Abstract

Islamic banks must participate in foreign exchange markets to serve trade, remittances, and foreign-currency savings, yet the Shariah rules governing currency exchange (al-sharf) *are strict: possession must be simultaneous, and speculation is prohibited. Much of the Indonesian literature concludes that only spot transactions are permissible. This conclusion reflects the 2002 fatwa of the*

*National Sharia Council (DSN-MUI) but overlooks subsequent developments that allow Shariah-compliant hedging. This article re-examines the Shariah governance of foreign exchange in Islamic banks through a doctrinal and regulatory analysis of DSN-MUI fatwas, Bank Indonesia regulation, the AAOIFI Shari'ah Standard on trading in currencies, and the ISDA/IIFM hedging documentation, complemented by an analysis of the foreign-currency products of Bank Syariah Indonesia (BSI) and official return data. The analysis shows that Indonesian Shariah governance of foreign exchange has evolved from a near-exclusive permission of spot transactions toward a need-based hedging regime built on forward agreements (*muwa'adah*), a position more permissive than AAOIFI's prohibition of forward currency contracts even for hedging, and closer to the promise-based structures standardized internationally. The common thread across all frameworks is a functional test: currency transactions are permissible when they serve a real economic need and impermissible when they serve speculation. Product analysis further shows that Islamic banks' retail foreign-currency offerings rely on* wadiah, mudharabah, *and spot* sharf *contracts, while the reported returns on foreign-currency* wadiah *accounts warrant scrutiny of how voluntary bonuses are determined. The article proposes a three-tier framework for classifying foreign exchange transactions and draws implications for Islamic banks, regulators, and future research.*

Keywords: *al-sharf; foreign exchange; Islamic hedging; wa'd; DSN-MUI; Islamic banking*

Introduction

Foreign exchange is an unavoidable part of modern banking. International trade, cross-border investment, migrant remittances, travel, and education abroad all require the conversion of one currency into another, and banks that hold foreign-exchange licenses must manage the currency exposures that these activities create. Islamic banks are no exception. As Islamic finance has expanded its cross-border activities and integrated with global financial markets, Islamic banks have faced growing exposure to exchange-rate movements (Arif et al., 2019). They must therefore buy and sell currencies, hold foreign-currency deposits, and, increasingly, hedge their own and their customers' exchange-rate risk.

Shariah, however, regulates currency exchange more strictly than most other sales. Classical jurisprudence treats the exchange of money as *al-sharf*, the sale of gold for gold, silver for silver, or one for the other, and requires that both countervalues be delivered on the spot and, where the same currency is exchanged, in equal amounts. These conditions are designed to prevent *riba*, and contemporary scholars have extended them to fiat currencies. At the same time, Islamic law prohibits *gharar* (excessive uncertainty) and *maysir* (gambling or

speculation), which casts doubt on many conventional instruments used in foreign exchange markets, including forwards, swaps, and options.

In Indonesia, the reference point for these questions is Fatwa No. 28/DSN-MUI/III/2002 of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) on currency exchange. A large body of Indonesian scholarship, much of it based on literature review, reads this fatwa as permitting spot transactions only and prohibiting forwards, swaps, and options (Farida, 2021; Ibrahim, 2021; Amalia et al., 2022; Hasan, 2023). This reading is incomplete in two respects. First, the 2002 fatwa itself contained an exception for forward agreements concluded to meet unavoidable needs. Second, DSN-MUI issued Fatwa No. 96/DSN-MUI/IV/2015 on Islamic hedging of exchange rates, and Bank Indonesia subsequently regulated Shariah-compliant hedging transactions. These developments have changed the legal landscape, yet they are rarely integrated into analyses of foreign exchange in Islamic banks.

International scholarship, by contrast, has long debated the permissibility and design of Islamic hedging instruments (Bacha, 1999; Al-Suwailem, 2006; Dusuki, 2009), and international standard-setters have taken different positions. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) prohibits forward currency contracts even for hedging purposes, while the International Islamic Financial Market (IIFM) and the International Swaps and Derivatives Association (ISDA) have published standard documentation for Shariah-compliant hedging. Few studies have systematically compared the Indonesian framework with these international positions.

This article addresses these gaps. It asks three questions. First, what Shariah principles govern foreign exchange transactions in Islamic banks? Second, how has the Indonesian Shariah governance framework for foreign exchange evolved, and how does it compare with international standards? Third, how are these principles embodied in the foreign-currency products of Indonesian Islamic banks, and what issues remain? In answering these questions, the article makes

three contributions. It corrects the prevailing "spot-only" reading of Indonesian Shariah governance by tracing its evolution toward need-based hedging. It offers a comparative analysis of DSN-MUI, AAOIFI, and ISDA/IIFM positions, identifying a common functional test that distinguishes need from speculation. And it proposes a three-tier framework for classifying foreign exchange transactions that can guide product development, Shariah review, and regulation.

Literature review

The fiqh of currency exchange (al-sharf)

Al-sharf is the sale of money for money. Its rules derive from hadiths on the exchange of the six *ribawi* commodities, which require that gold, silver, and the other listed items be exchanged hand to hand (*yadan bi yadin*) and, when of the same kind, in equal quantities. Fatwa No. 28/DSN-MUI/III/2002 adopts these rules for modern currencies: currency exchange is permissible in principle, provided that it is not for speculation, that it serves a transactional or precautionary need, that same-currency exchanges are made at equal value and in cash, and that different-currency exchanges are made at the prevailing rate and in cash (DSN-MUI, 2002). The contract therefore has the usual pillars of a sale, namely the contracting parties, the object, the price, and offer and acceptance, but its decisive condition is mutual possession (*taqabudh*) of both countervalues (Sah & Ilman, 2018; Nurhalizah et al., 2024).

Possession need not be physical. Classical and contemporary scholars accept constructive possession (*qabd hukmi*), such as crediting an account, and AAOIFI's standard on trading in currencies addresses both actual and constructive possession and the use of modern means of communication in currency trading (AAOIFI, n.d.). This acceptance makes electronic currency trading compatible with Shariah, provided that settlement is not deferred beyond what market custom requires. In this respect, the DSN-MUI fatwa treats as spot a transaction settled at

the time of the contract or within at most two days (DSN-MUI, 2002), a recognition of standard interbank settlement practice.

Riba, gharar, *and* maysir *in foreign exchange*

Three prohibitions shape the Shariah assessment of foreign exchange instruments. *Riba al-nasi'ah* arises when one countervalue in an exchange of *ribawi* items is deferred; it is the main objection to conventional forwards, in which both currencies are delivered at a future date at a rate fixed today. *Gharar* refers to excessive uncertainty about the object, price, or delivery of a contract, and it is the basis for objections to contracts whose performance depends on uncertain future events (Nurjanah et al., 2024). *Maysir* refers to gambling or speculation, in which one party's gain depends on another's loss in a zero-sum bet on future prices; it underlies the prohibition of options and of trading aimed solely at profiting from exchange-rate movements (Nurjanah et al., 2024).

These prohibitions do not, however, rule out risk management as such. Islamic economists have argued that hedging, as distinct from speculation, can serve the objectives of Shariah by protecting wealth and reducing uncertainty in real economic activity (Bacha, 1999; Al-Suwailem, 2006). The challenge is to design instruments that achieve this protection without violating the rules of *al-sharf*. Two techniques have dominated this effort. The first is the promise (*wa'd*), in which one party unilaterally undertakes to buy or sell a currency at a future date at an agreed rate, with the actual exchange concluded as a spot transaction when the promise is exercised. The second is the combination of permissible contracts, such as commodity *murabahah* or *tawarruq*, to replicate the cash flows of a currency swap (Dusuki, 2009).

Islamic banks in foreign exchange markets: Prior research

Studies of foreign exchange in Islamic banks fall into three groups. The first, predominantly Indonesian, consists of normative studies that restate the conditions of *al-sharf* and the rulings of the 2002 fatwa and conclude that only spot

transactions are permitted (Wahab, 2016; Farida, 2021; Ibrahim, 2021; Amalia et al., 2022; Muslimin et al., 2022; Hasan, 2023). These studies provide useful accounts of the fatwa but rarely engage with later fatwas, central bank regulation, or international standards. The second group examines implementation problems in Islamic banks, such as product limitations and compliance concerns in currency transactions (Faruq, 2021; Simahatie et al., 2022). The third group, mainly from Malaysia and the Middle East, analyzes Islamic hedging instruments and foreign exchange risk management, including the Shariah parameters of the Islamic foreign exchange swap (Dusuki, 2009), the ethics of Islamic foreign exchange swaps (Ahmad et al., 2020), the interest-rate sensitivity of Islamic foreign exchange forwards (Arif et al., 2019), and the management of currency risk by Jordanian Islamic banks (Alnsour, 2019).

The three groups have developed largely in isolation. Indonesian normative studies have not incorporated the international debate on Islamic hedging, while international studies have paid little attention to Indonesia's distinctive regulatory path. This article connects the two by situating the evolution of Indonesian Shariah governance within the international landscape of standards and practice.

Method

This study employs a doctrinal (normative-juridical) research design complemented by document analysis. Doctrinal research systematically analyzes authoritative legal and quasi-legal texts to identify rules, trace their development, and evaluate their coherence. In Islamic finance, such texts include fatwas, central bank and supervisory regulations, and standards issued by international standard-setters.

The analysis drew on three types of sources. Primary normative sources comprised DSN-MUI Fatwa No. 28/DSN-MUI/III/2002 on currency exchange;

DSN-MUI Fatwa No. 96/DSN-MUI/IV/2015 on Islamic hedging of exchange rates; Bank Indonesia Regulation No. 18/2/PBI/2016 on Shariah-compliant hedging transactions and related Bank Indonesia material; AAOIFI Shari'ah Standard No. 1 on trading in currencies; and the ISDA/IIFM Tahawwut (Hedging) Master Agreement and its Islamic foreign exchange forward documentation. Institutional sources comprised the product information of Bank Syariah Indonesia (BSI), Indonesia's largest Islamic bank, for its foreign-currency savings, current account, time deposit, and money-changing services, together with the equivalent rates of return reported in the Sharia Banking Statistics of the Financial Services Authority (OJK, 2025). Secondary sources comprised peer-reviewed studies and scholarly books on *al-sharf*, Islamic hedging, and foreign exchange in Islamic banks.

The sources were analyzed in three steps. First, each transaction type was classified according to its definition, Shariah ruling, and rationale under each normative framework. Second, the frameworks were compared on four dimensions: the treatment of spot transactions, the treatment of forward arrangements, the treatment of swaps and options, and the purpose requirement. Third, BSI's foreign-currency products were analyzed in terms of their underlying contracts and the Shariah issues they raise, and OJK return data were examined for patterns relevant to Shariah governance.

Results and discussion

The 2002 fatwa: A spot-centered framework with an exception for need

Fatwa No. 28/DSN-MUI/III/2002 classifies foreign exchange transactions into four types, as summarized in Table 1. Spot transactions, in which currencies are delivered at the time of the contract or settled within at most two days, are permissible. Forward transactions, in which the price is fixed today for delivery more than two days later, are prohibited because the price used is an agreed price (*muwa'adah*) for future delivery, while the value at delivery may differ from the

value agreed. The fatwa makes an exception, however, for forward agreements concluded for needs that cannot be avoided (*lil hajah*). Swaps, defined as the combination of a spot transaction with a forward transaction in the opposite direction, and options are prohibited because they contain *maysir* (DSN-MUI, 2002).

Table 1. Foreign exchange transactions under Fatwa No. 28/DSN-MUI/III/2002

Transaction	Definition in the fatwa	Ruling	Rationale
Spot	Purchase and sale of foreign currency for delivery at the time of the contract, or settled within at most two days	Permissible	Settlement within two days is treated as cash; no deferred exchange
Forward	Purchase and sale of foreign currency at a price agreed today for delivery at a future date beyond two days	Prohibited, except a forward agreement for unavoidable need (*lil hajah*)	Agreed price (*muwa'adah*) for future delivery; value at delivery may differ
Swap	Spot purchase or sale combined with a reverse transaction in the same currency at a forward price	Prohibited	Contains *maysir* (speculation)
Option	Contract to obtain a right, not an obligation, to buy or sell foreign currency at a set rate within a set period	Prohibited	Contains *maysir* (speculation)

Source: Compiled from DSN-MUI (2002).

Two features of this framework deserve emphasis. First, the fatwa is not simply a list of permitted and prohibited instruments. Its general provisions establish a functional test: currency exchange is permissible when it is not speculative and when it serves a transactional or precautionary need. Second, the exception for forward agreements concluded *lil hajah* left a door open for hedging. The fatwa did not, however, specify how such agreements should be structured, which helps explain why subsequent Indonesian scholarship has largely read the fatwa as "spot only".

From prohibition to regulated hedging: Fatwa 96/2015 and Bank Indonesia regulation

The door left open in 2002 was formalized in 2015. DSN-MUI Fatwa No. 96/DSN-MUI/IV/2015 on Islamic hedging of exchange rates (*al-tahawwuth al-Islami*) was issued in response to three considerations: that exposure to foreign-currency risk requires hedging to mitigate the uncertainty of exchange-rate movements, that Shariah-compliant hedging provisions and instruments were not yet available, and that such hedging was needed to support the development of the Islamic finance industry (DSN-MUI, 2015). In explaining the fatwa, the then-chairman of DSN-MUI noted that the 2002 fatwa had permitted only spot transactions while providing a Shariah exit in the form of a forward agreement without further detail, and that the new fatwa supplied that detail; under it, Islamic hedging is permitted only where there is a real and unavoidable future need for foreign currency arising from a lawful underlying transaction (Hukumonline, 2015).

Bank Indonesia followed with Regulation No. 18/2/PBI/2016 on hedging transactions based on Shariah principles, which took effect on 26 February 2016. Under this regulation, Islamic commercial banks and Islamic business units could act both as providers and as applicants of Shariah hedging transactions, customers could act as applicants, and conventional commercial banks could act as providers; every Shariah hedging transaction had to be preceded by a forward agreement or a series of forward agreements (Bank Indonesia, 2016). The regulation also required that transactions be based on real needs rather than speculation. It has since been revoked, and Bank Indonesia's current framework for Shariah-compliant foreign exchange transactions recognizes cash transactions (today, tomorrow, and spot) and both simple and complex Shariah hedging transactions (Bank Indonesia, 2023).

This evolution changes the conclusion that Indonesian Islamic banks may engage only in spot transactions. The more accurate characterization is that outright conventional forwards, swaps, and options remain prohibited, but

hedging structures built on a forward agreement followed by a spot exchange at maturity are permitted, provided that they hedge a genuine underlying exposure. The essential Shariah move is the separation of the promise from the exchange. The rate is fixed through a forward agreement (*muwa'adah*), while the exchange of currencies itself takes place as a spot transaction that satisfies the requirement of mutual possession.

Comparing Indonesian and international frameworks

Table 2 compares the Indonesian framework with AAOIFI's Shari'ah Standard No. 1 and the ISDA/IIFM documentation. AAOIFI takes the strictest position. Its standard permits currency trading subject to mutual possession and other conditions, but prohibits dealing in the forward currency market even when the purpose is hedging, and prohibits binding bilateral promises to buy and sell currencies (AAOIFI, n.d.). The ISDA/IIFM Tahawwut (Hedging) Master Agreement, launched on 1 March 2010, provides a framework under which institutions can transact Islamic hedging transactions such as profit-rate and currency swaps (ISDA, 2010), and its guidance states that transactions under it should be entered into only for hedging, not for speculation. In 2016, ISDA and IIFM added standard documentation for the Islamic foreign exchange forward, designed to minimize Islamic financial institutions' exposure to exchange-rate volatility and built on promise (*wa'd*) structures (ISDA, 2016).

Table 2. Comparison of Shariah governance frameworks for foreign exchange

Dimension	Indonesia (DSN-MUI Fatwas 28/2002 and 96/2015; Bank Indonesia)	AAOIFI Shari'ah Standard No. 1	ISDA/IIFM documentation
Spot exchange	Permissible; settlement within two days treated as cash	Permissible, subject to actual or constructive possession	Spot exchange at exercise of hedging structures
Forward arrangements	Conventional forward prohibited; forward agreement (*muwa'adah*) permitted for real, unavoidable need and as the basis of Shariah hedging	Forward currency contracts prohibited even for hedging; binding bilateral promises prohibited	Islamic FX forward (2016) based on promise (*wa'd*) structures
Swaps and options	Conventional swaps and options prohibited; simple and complex Shariah hedging transactions recognized	Conventional forward-based structures fall under the forward prohibition	Islamic currency and profit-rate swaps under the Tahawwut Master Agreement (2010)
Purpose requirement	No speculation; transactional or precautionary need; hedging only for a real underlying exposure	Currency dealing must not aim at monopoly or cause harm to individuals or society	Transactions only for hedging actual risks, not speculation

Source: Authors' analysis of DSN-MUI (2002, 2015), Bank Indonesia (2016, 2023), AAOIFI (n.d.), and ISDA (2010, 2016).

The comparison reveals both divergence and convergence. The divergence concerns the treatment of promises. AAOIFI's prohibition of binding bilateral promises reflects the concern that a promise binding on both parties is, in substance, a forward contract. Indonesian regulation permits a forward agreement (*muwa'adah*), while international documentation has relied mainly on unilateral promises. These are different technical answers to the same problem: how to fix a future exchange rate without creating a deferred exchange of currencies.

The convergence concerns purpose. All the frameworks reviewed, including the general provisions of the 2002 fatwa, restrict currency transactions and hedging to genuine economic needs and exclude speculation. The decisive

Shariah criterion for foreign exchange is therefore functional rather than formal. The same economic exposure can be managed permissibly when it hedges a real trade, investment, or financing need, and impermissibly when it is used to bet on exchange-rate movements. This functional test also explains why retail online foreign exchange trading, which typically involves leverage, rollover of positions, and no underlying need, remains difficult to reconcile with any of these frameworks, even when it is marketed through "swap-free" or "Islamic" accounts.

Foreign exchange products of an Indonesian Islamic bank

Table 3 analyzes the foreign-currency products offered by BSI. They rely on three contracts. Foreign-currency savings and current accounts use *wadiah yad dhamanah*, a safekeeping contract under which the bank guarantees the return of funds and may give a voluntary bonus that is not promised in advance (Bank Syariah Indonesia, n.d.-a, n.d.-b). Foreign-currency time deposits use *mudharabah mutlaqah*, under which depositors share the bank's profits according to an agreed ratio and bear losses not caused by the bank's negligence (Bank Syariah Indonesia, n.d.-c). Money-changing services use *al-sharf* executed as spot transactions, with possession achieved physically or constructively through account crediting (Bank Syariah Indonesia, n.d.-d).

Table 3. Foreign-currency products of Bank Syariah Indonesia: Contracts and Shariah issues

Product	Contract	Key features	Shariah governance issue
Foreign-currency savings (Tabungan Valas)	*Wadiah yad dhamanah*	Safekeeping guaranteed by the bank; voluntary bonus not promised in advance	Whether bonuses are, in practice, benchmarked to market rates
Foreign-currency current account (Giro Valas)	*Wadiah yad dhamanah*	Transaction account for trade, payroll, and overseas payments; voluntary bonus	As above; use of funds by the bank must be Shariah compliant
Foreign-currency time deposit (Deposito Valas)	*Mudharabah mutlaqah*	Fixed tenors; profit shared by agreed ratio; depositor bears losses not caused by bank negligence	Transparency of profit calculation; investment risk borne by depositors
Money changer	*Al-sharf* (spot)	Exchange at the prevailing rate; physical or constructive possession in one session	Mutual possession; same-session settlement; fair spread

Source: Authors' analysis of Bank Syariah Indonesia (n.d.-a, n.d.-b, n.d.-c, n.d.-d).

Two observations follow. First, these retail products are consistent with the spot-centered core of the 2002 fatwa: they involve either the safekeeping and investment of foreign-currency funds or the spot exchange of currencies, and none requires a deferred exchange. Second, the products publicly described for retail customers do not include hedging instruments. Shariah-compliant hedging under Fatwa 96/2015 is a wholesale and corporate service, which suggests that the regulatory permission for hedging has not translated into a visible retail product range.

Official statistics provide a further perspective. Table 4 reports the equivalent rates of return on rupiah and foreign-currency deposits in Islamic commercial banks and Islamic business units.

Table 4. Equivalent rates of return on Islamic bank deposits, rupiah versus foreign currency (% per annum)

Deposit type	Currency	2021	2022	Jan 2025	Change 2021–Jan 2025 (pp)
Wadiah current account	Rupiah	1.89	2.39	3.60	+1.71
	Foreign	1.00	1.00	3.83	+2.83
Wadiah savings	Rupiah	1.77	3.60	3.51	+1.74
	Foreign	1.00	2.06	3.95	+2.95
Mudharabah savings	Rupiah	1.42	1.76	1.87	+0.45
	Foreign	1.41	1.06	3.68	+2.27
Mudharabah time deposits	Rupiah	3.35	3.86	5.26	+1.91
	Foreign	1.14	2.20	4.31	+3.17

Source: OJK (2025), Sharia Banking Statistics, Table 17.

The equivalent rate on foreign-currency *wadiah* current accounts and savings stood at 1.00% in 2021 and, for current accounts, in 2022, but had risen to 3.83% and 3.95%, respectively, by January 2025. Foreign-currency *mudharabah* deposits rose from 1.14% to 4.31% over the same period. These increases coincided with the global tightening of monetary policy in 2022 and 2023. For *mudharabah* deposits, rising returns are consistent with higher returns on the underlying assets. For *wadiah* accounts, however, the pattern raises a governance question. Because *wadiah* bonuses must be voluntary and not promised in advance, a systematic movement of foreign-currency *wadiah* returns with global interest rates suggests that bonuses may in practice be benchmarked to market rates. The data do not show how individual banks set their bonuses, but the pattern warrants attention from Shariah Supervisory Boards and echoes broader concerns that Islamic deposit returns may track conventional rates (Chong & Liu, 2009).

A three-tier framework for classifying foreign exchange transactions

The analysis suggests that the binary distinction between permitted spot transactions and prohibited derivatives used in much of the literature should be replaced by a three-tier framework. The first tier comprises unconditionally permissible transactions: spot exchanges with immediate or customary settlement and constructive possession, used for a transactional or precautionary need,

together with the safekeeping and investment of foreign-currency funds through *wadiah* and *mudharabah*. The second tier comprises conditionally permissible transactions: hedging structures based on forward agreements (*muwa'adah*) or unilateral promises (*wa'd*), followed by a spot exchange at maturity, which are permissible only when they hedge a documented underlying exposure and comply with the relevant fatwa and regulation. Their permissibility may differ across jurisdictions, as the contrast between DSN-MUI and AAOIFI shows. The third tier comprises impermissible transactions: outright conventional forwards, swaps, and options; leveraged margin trading; and any transaction whose purpose is speculation on exchange-rate movements.

The framework has practical value. For Islamic banks, it clarifies that offering hedging to corporate customers is not a deviation from Shariah but an application of it, provided that underlying needs are verified. For Shariah Supervisory Boards, it identifies the points at which review matters most: the verification of underlying exposures, the structure of promises, and the determination of returns on foreign-currency *wadiah* accounts. For regulators, it suggests the value of clear public guidance explaining that Shariah-compliant hedging is available, since the persistence of the spot-only reading in academic and public discourse may itself discourage legitimate risk management.

Conclusion

This article re-examined the Shariah governance of foreign exchange in Islamic banks through a doctrinal and regulatory analysis of Indonesian and international frameworks and an analysis of the foreign-currency products of Indonesia's largest Islamic bank. Three conclusions emerge. First, the prevailing view that Indonesian Islamic banks may engage only in spot transactions is incomplete. The 2002 fatwa contained an exception for forward agreements concluded for unavoidable needs, and Fatwa 96/2015 and Bank Indonesia

regulation have since established a need-based framework for Shariah-compliant hedging. Second, while the Indonesian framework is more permissive than AAOIFI's prohibition of forward currency contracts even for hedging, all frameworks share a functional test that permits currency transactions serving real economic needs and prohibits speculation. Third, Islamic banks' retail foreign-currency products are built on *wadiah*, *mudharabah*, and spot *sharf*, while the pattern of returns on foreign-currency *wadiah* accounts warrants closer Shariah scrutiny.

The article contributes a corrected account of Indonesian Shariah governance of foreign exchange, a comparative analysis that situates it within international standards, and a three-tier framework for classifying transactions. Its limitations should be acknowledged. The analysis is doctrinal and documentary: it relies on published fatwas, regulations, standards, product information, and aggregate statistics rather than on data from banks' internal operations or interviews with practitioners. It examines a single Islamic bank's products, and it does not assess the actual use of Shariah hedging in Indonesia. Future research could examine the uptake of Shariah hedging by Islamic banks and their corporate customers, investigate how Shariah Supervisory Boards verify underlying exposures, analyze how foreign-currency *wadiah* bonuses are determined, and compare Indonesian practice with that of other jurisdictions with significant Islamic banking sectors, such as Malaysia and the Gulf states.

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