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Al-kharaj bi al-dhaman on the distribution of mev rewards jitosol

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Abstract

This study analyzes the validity of the distribution of Maximal Extractable Value (MEV) returns in the JitoSOL Liquid Staking protocol on the Solana network through the perspective of the Islamic jurisprudence principle of Al-Kharaj bi al-Dhaman. Amid the rapid adoption of crypto assets in 2026, Jito introduced an innovative distribution of additional profits to token holders through MEV the economic value obtained from optimizing the sequence of transactions within a blockchain block. However, this mechanism has sparked debate regarding the fairness of the source of income and the proportionality of the risks borne by investors. Using a juridical normative research method with an usuliyyah approach, this study examines whether MEV returns are categorized as legitimate business returns (Kharaj) or prohibited market manipulation practices (Najasy). The results show that the distribution of MEV in JitoSOL can align with the principle of Al-Kharaj bi al-Dhaman as long as investors bear the risk of systemic losses and slashing. However, a critical point lies in the transparency of the MEV source; if it originates from strategies that harm other users (such as front-running), then the element of blessing is lost. This study concludes the urgency of standardizing sharia governance in digital yield distribution algorithms.

Keywords: Al-Kharaj bi al-Dhaman, MEV Reward, JitoSOL, Solana, Liquid Staking.

1 Introduction

Islamic economics is now transforming into a pillar of global stability, integrating the principles of Islamic jurisprudence (fiqh) into blockchain and crypto asset innovation. As we enter 2026, responsive legal ijtihad is crucial to ensure technologies like Proof of Stake remain within the Sharia framework, without regulatory gaps. Staking has emerged as a new economic instrument that aligns network security with financial incentives, creating a fair, transparent, and resilient digital ecosystem that is resilient to systemic crises. (Gogol et al., 2024). However, this aset locking mechanism creates liquidity constraints for investors. As a solution, Liquid Staking Derivatives (LSD) emerged as an innovation that allows investors to maintain liquidity in the form of derivative tokens even while their original assets are locked within the network. On the Solana network, the Jito protocol, through its JitoSOL token, has become a pioneer in combining liquidity efficiency with the distribution of additional profits known as Maximal Extractable Value (MEV). This mechanism operates by integrating traditional staking functions with a competitive blockspace auction market. Technically, when a user stakes SOL through Jito, the asset is delegated to validators running the Jito-Solana software (Scharnowski & Jahanshahloo, 2025). These validators possess the unique capability to receive "tips" from third-party searchers who use sophisticated algorithms to identify profitable opportunities, such as arbitrage or liquidation, within the network.

Legal issues begin to arise when the sources of profit in Liquid Staking are derived not only from organic network inflation but also from MEV practices. MEV refers to the maximum value that a validator can obtain by including, excluding, or reordering transactions within the blocks they produce (Finkbeiner & Almashaqbeh, 2025). On one hand, MEV is viewed as a means to enhance market efficiency; however, on the other hand, it often involves practices that resemble market manipulation. From the perspective of Sharia Economic Law, this raises significant questions regarding the *halal* status of such income. It must be

determined whether the profits generated from these digital transaction arrangement strategies constitute legitimate business returns (*Kharaj*) or are instead trapped in prohibited practices, such as *Najasy* (false bidding/price manipulation) that harms other users in the network (Lehmann et al., 2023). The legitimacy of wealth acquisition in Islam rests on the correlation between profit (al-ghunmu) and responsibility for risk (al-ghurmi), as stated in the principle of Al-Kharaj bi al-Dhaman. In the JitoSOL ecosystem, investors not only place assets but also bear technical risks such as smart contract vulnerabilities and financial risks in the form of slashing (Thajudeen, n.d.). The main legal issue arises in identifying the nature of the "tips" in MEV distribution; if they originate from network optimization, they can be categorized as service rewards (ijarah), but if they originate from manipulative practices such as sandwich attacks, they have the potential to violate the principle of justice and resemble the practice of Najasy (price manipulation). The urgency of this research lies in examining whether this value distribution constitutes fair risk compensation or is actually prohibited market exploitation, in order to provide legal certainty for digital economy participants (Yakovenko, 2018).

Beyond the aspect of revenue sources, this study also highlights the aspect of ownership (*milkiyyah*) in derivative assets. In JitoSOL transactions, an exchange occurs between original SOL and JitoSOL tokens, which possess fluctuating values in the secondary market (Song et al., 2024). This phenomenon creates complexity in determining when risk transfers from the protocol to the investor. If the *Al-Kharaj bi al-Dhaman* principle is not met for instance, if an investor gains profit without bearing any risk of loss the transaction may be indicated to contain elements of *riba* (usury) or unlawful gain (*aklu amwalin-nas bi al-bathil*). Therefore, an in-depth analysis of Jito's operational structure serves as an entry point for formulating Sharia compliance standards for crypto-derivative products in the future. Based on this background, this research aims to conduct an in-depth analysis of the application of the *Al-Kharaj bi al-Dhaman* principle to the distribution of Maximal Extractable Value Rewards within the JitoSOL Liquid Staking protocol on the Solana network. By dissecting the technical mechanisms of yield distribution and examining them against contemporary *fiqh muamalah* rules, this study is expected to provide a theoretical contribution to the development of Sharia Economic Law in the field of digital finance. Furthermore, in practical terms, this research is intended to serve as a guide for Muslim investors and regulators in assessing the Sharia eligibility of Liquid Staking-based investment instruments, which are rapidly expanding in the global crypto market.

2 Research Methods

This study employs a normative-juridical research method, which is a legal research approach that positions law as a structured system of norms. The system of norms in question consists of the principles of Sharia Economic Law derived from the Al-Qur'an, Hadith, and DSN-MUI Fatwas, which are subsequently used to examine the validity of Maximal Extractable Value (MEV) distribution practices within the JitoSOL protocol on the Solana network (Rasyid, 2022). The research utilizes several approaches: first, a Conceptual Approach, which draws upon views and doctrines in Islamic law, particularly the maxims of *Al-Kharaj bi al-Dhaman* and *Al-Ghunmu bi al-Ghurmi*. Second, a Statute Approach, which examines regulations related to digital assets in Indonesia, such as relevant Bappebti and OJK regulations as of 2026. The data sources consist of primary and secondary legal materials. Primary legal materials include the texts of *hadith* regarding the *Al-Kharaj bi al-Dhaman* maxim, the Compilation of Sharia Economic Law, and DSN-MUI Fatwas related to crypto assets . Secondary legal materials include the Jito Network Whitepaper, Solana technical documentation, digital economic law journals, and on-chain data from Solana Explorer and Jito Dashboard regarding reward distribution statistics. The data collection technique is conducted through digital library research by documenting literature obtained from official regulatory portals, blockchain data providers, and accredited scientific journals. The collected data is then selected to ensure its relevance to the operational mechanisms of JitoSOL. Data analysis is performed using a descriptive-analytical method with a deductive reasoning pattern (Purwanza et al., 2020). The researcher begins by outlining the general maxim of *Al-Kharaj bi al-Dhaman* (general), then specifically analyzes the MEV mechanism in JitoSOL (specific). The final step is to perform legal synchronization to draw a conclusion on whether there is a correspondence between the risk liability (*dhaman*) borne by the investor and the yield (*kharaj*) received, there by determining its legal status from the perspective of Sharia economics.

3 Results and Discussion

3.1 Results

3.1.1 Principles of the al-*al-kharaj bi al-dhaman*

The principle of *al-kharaj bi al-dhaman* in Islamic economic law emphasizes that the right to benefit (kharaj) from an asset must be in line with the willingness to bear the risk (dhaman) of that asset. This principle forms the basis for determining beneficial ownership in various contracts, such as *bai'*, ijarah, and musyarakah, in which the party bearing the potential loss is legally entitled to the resulting proceeds or profits. In practice, this concept prevents the practice of taking profits without risk (ghunm bila ghurm), which contradicts the principles of justice and balance in muamalah. Therefore, every transaction must be designed with a clear distribution of risks and benefits to comply with Islamic principles and avoid elements of gharar and injustice. The principle that is considered relevant to the principle of risk sharing in business transactions is the principle (Al-Kharaj bi al-dhaman) which means that every profit is obtained because of the risk borne (Nurjamil et al., 2024). In Islamic legal literature, the word kharaj is often associated with a form of public policy fiqh (siyasah syar'iyyah). There kharaj is interpreted as a tax levied by the government (first initiated under Umar's reign - may Allah be pleased with him, after the death of Rasulullah) on agricultural land with specific criteria obtained as a result of the expansion of Islamic territory. In contrast to the meaning of kharaj mentioned above, in this study of Islamic jurisprudence, kharaj refers to the output (results derived from) something, whether that output is money, goods, or benefits. These three types are usually referred to as *ghallah* (with the letter ghayn ending in fathah). The word "dhaman" in Islamic fiqh literature has a wide variety of meanings depending on the chapter being discussed. To summarize, the word "dhaman" referred to in this principle refers to responsibility for potential risks. Overall meaning is a person's right to the output/results/profits of something is compensation for the responsibility or risk of loss they face regarding that something. It can also be explained that the owner of the goods is entitled to the benefits or proceeds from their goods because they bear the risk of loss if the goods are damaged. The investment manager in a mudharabah contract is entitled to mudharabah profits as compensation for potential losses (in the form of unpaid management fees) that they may incur, especially if the mudharabah contract does not generate profits. Furthermore, they are part of the contract's internal stakeholders. The capital owner in a mudharabah contract is entitled to mudharabah profits as compensation for the risk of losing their invested capital, especially if the mudharabah contract does not generate profits. Furthermore, they are part of the contract's internal stakeholders.

The wording of this principle (al-kharaj bi adh-dhaman) is taken from an excerpt of an authentic hadith narrated by Ash-Shafi'i, Ahmad, Abu Dawud, At-Tirmidhi, An-Nasa'i, Ibn Majah, and Ibn Hibban. The full text of the hadith is as follows:

"A man (a buyer) bought a slave and lived with him for some time. Then he discovered a defect in the slave. He invited the seller to resolve this matter with the Messenger of Allah (peace and blessings be upon him). The Messenger of Allah (peace and blessings be upon him) decided that the buyer should return the slave to the seller, but the seller said, "O Messenger of Allah! He has exploited him!" The Messenger of Allah (peace and blessings be upon him) replied, "The outcome of something is achieved through responsibility (for potential losses and costs)."

In this hadith, the seller agrees to return the slave he has sold due to a defect (‘ayb), but he demands payment of wages as compensation for the buyer’s use of the slave while he was in the buyer’s hands. The Prophet (peace and blessings be upon him) rejected his demand and stated that the output of the slave (in the form of his services taken by the buyer) was legal (sahih) because he used him as compensation for his responsibility as his owner (dhaman) at that time, even though in the end the sale was canceled (mafsukh) and the slave was returned to the seller. With the consequences of this risk (dhaman), the use of slaves by buyers while they are under their control, even though in reality the sale and purchase contract is canceled and the slaves are returned

to the seller, is legal and halal. For this reason, the seller's demand for payment of compensation for its use (ujrah) by the buyer was rejected by Rasulullah (Faishol, 2026). This demonstrates that the fundamental principle of the transaction places risk responsibility as the determining factor in the legality of an object's use. As long as the risk lies with the buyer, all benefits arising from the object are theirs, with no obligation to provide additional compensation to the seller. Thus, the Prophet's decision reflects fairness in the distribution of rights and obligations between the transacting parties.

3.1.2 Revenue distribution of mev

The concept of wealth distribution from an Islamic economic perspective clearly focuses on the principles of justice and fairness, with the ultimate goal of achieving shared prosperity. This principle emphasizes the importance of avoiding the accumulation of wealth in the hands of a small group, ensuring equitable distribution across all levels of society (Akbar & Winarsa, 2024). The circulation of wealth in Islamic economics is designed to strike a balance between satisfying individual material needs and spiritual responsibilities to society. This principle prohibits the exclusive distribution of wealth among certain groups, ensuring that the distribution of resources contributes significantly to social justice and collective well being (Khilmia & Rahmawati, 2022). MEV distribution on JitoSOL is defined as a mechanism for allocating additional economic value extracted from transaction ordering optimization on the Solana network. Unlike traditional staking, this distribution involves proportionally sharing tips from searchers with JitoSOL token holders. From a digital economic perspective, this process represents a form of redistribution of market efficiency gains, previously concentrated among validators, now democratized among all participants in the liquidity pool.

The primary data source for this distribution comes from the Jito Block Engine, which manages transaction bundle auctions off-chain but is verified on-chain. Real-time data on accumulated yields is accessible through the Solana Explorer and the Jito Dashboard, which records every tip sent to TipPayment accounts. The protocol utilizes a Merkle Tree data structure to ensure that each JitoSOL unit in circulation accurately reflects its claimed value against accumulated staking rewards and MEV yields, eliminating the need for periodic manual claims. The primary function of MEV distribution is as a yield enhancement instrument that maintains asset competitiveness amidst fluctuating network inflation. Technically, this mechanism serves to mitigate the negative impacts of MEV (such as transaction spam) by creating a transparent and orderly auction market. For investors, this distribution serves as compensation for liquidity and technical risks, while for the Solana network, it acts as a stabilizer that aligns economic incentives between users, validators, and protocol developers (*Jito's MEV Priorities*, 2026).

3.2 Discussion

3.2.1 Operational mechanism of JitoSOL and the anatomy of maximal extractable value revenue

JitoSOL is a Liquid Staking Token (LST) on the Solana blockchain network issued by the Jito Network. This protocol allows users to earn staking yields while maintaining asset liquidity (enabling its use in other DeFi applications) and receiving a portion of Maximal Extractable Value (MEV) profits (Cong et al., 2025). Fundamentally, JitoSOL's operational mechanism is based on the democratization of MEV profits through the tokenization of liquid assets. Unlike traditional staking where a user's SOL is locked and only generates network inflation rewards, Jito introduces an additional layer of operational efficiency that captures value from transaction activities on Solana (Kong et al., 2024).

A. Deposit and Token Minting Process

   The operational flow begins when a user deposits SOL tokens into the Jito liquidity pool. Upon receipt of the SOL, the protocol calculates the prevailing exchange rate to mint JitoSOL tokens.

a. Dynamic Exchange Rate: The ratio between SOL and JitoSOL is not permanently fixed at 1:1. As staking rewards and MEV prizes accumulate within the pool, the value of JitoSOL relative to SOL will continuously increase organically.
b. Instant Liquidity: By holding JitoSOL, users retain access to their asset value. They can trade JitoSOL on decentralized exchanges (DEX) or utilize it as collateral in lending protocols without having to endure the 2-3 day unbonding period.

B. Strategic Delegation to Jito-Solana Validators

Once the SOL is accumulated in the pool, Jito's operational mechanism delegates these assets to a selected group of validators. However, not all validators are eligible to receive this delegation. The primary requirement is that the validator must run the Jito-Solana client. The Jito-Solana client is a modification of the standard validator software that enables an "auction market" for transaction ordering (Xiong et al., 2025). This allows validators to:

a. Receive transaction bundles from profit seekers (searchers).
b. Minimize spam on the Solana network, which frequently disrupts performance.
c. Extract value from arbitrage or liquidations more efficiently.

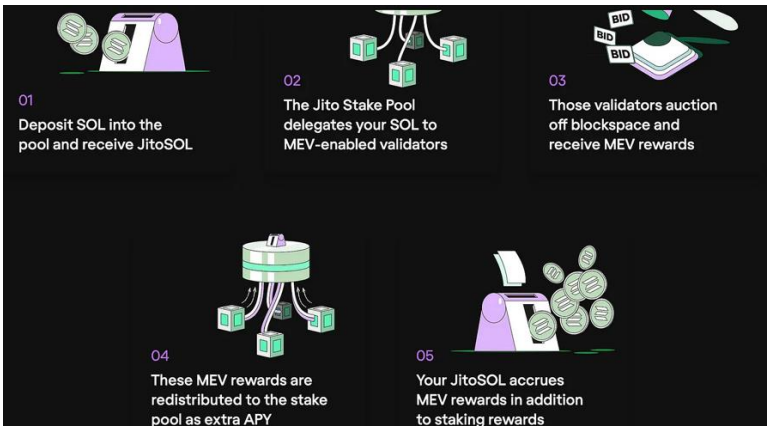

Figure 1: JitoSOL Operational Mechanism
Source: paultimofeev.medium.com / Februari 10, 2026

The most crucial aspect that distinguishes JitoSOL's operational mechanism from other liquid staking protocols is its MEV reward distribution system. In a standard Solana ecosystem, MEV rewards are typically enjoyed only by validators or large entities. Jito restructures this to be more inclusive (Malkhi & Szalachowski, 2022). Searchers submit transaction bundles to Jito-Solana validators and offer a "tip" to have their transactions prioritized. These tips are collected in a dedicated account. Jito's operations ensure that the majority of these tips are channeled back into the JitoSOL pool. Consequently, JitoSOL holders earn an annual percentage yield (APY) that is generally higher than standard staking because it comprises two revenue streams: Staking Rewards, derived from Solana's protocol inflation, and MEV Rewards, derived from transaction auction tips within the network.

Jito's operations are managed by smart contracts that have been rigorously audited to ensure the security of user funds. Furthermore, validator selection is conducted based on a transparent scoring algorithm. Validators with poor performance or those engaging in actions detrimental to the network will have their delegation reduced (slashing risk mitigation). This mechanism creates a virtuous cycle where validators compete to provide the best performance to secure delegations from Jito, ultimately enhancing the overall stability and decentralization of the Solana network (Dong et al., 2025). The operational mechanism of JitoSOL is often regarded as the "Digital Gold" of Solana due to the following technical reasons:

A. Unique APY Composition

If we examine the value growth formula of JitoSOL, it follows an accumulative structure:

$$Nilai_{JitoSOL} = \frac{\sum(SOL_{staked} + Imbalan_{Staking} + Tip_{MEV})}{Total\ Suplai\ JitoSOL}$$

Because MEV tips are external to Solana's protocol inflation, JitoSOL mathematically possesses the potential to outperform standard LSTs in the long run, particularly during periods of high network activity (characterized by frequent arbitrage and liquidation transactions).

B. The Role of "Searchers" in the Ecosystem

Jito's operations involve third parties known as Searchers. They are sophisticated users or automated bots that identify rapid profit opportunities on the blockchain.

a. Searchers win block auctions by paying a tip.
b. Validators receive these tips by running the Jito-Solana client.
c. The Jito Stake Pool receives the largest portion of these tips for the benefit of JitoSOL holders.

C. Impact on the Solana Ecosystem

Deductively, it can be concluded that the JitoSOL mechanism yields a positive impact on network health. By shifting transaction competition from "spamming" (sending thousands of repeated transactions) to an organized "auction" system, Jito helps maintain the stability of the Solana network and prevents frequent congestion (Cong et al., 2023). The following represents the graphical movement of JitoSOL:

Figure 2: JitoSOL Price Chart
Source: Kamino.com / January 28, 2026

The chart displays the price movement of JitoSOL against USDC on a 15-minute (15m) timeframe, utilizing data from the Pyth Network. Visually, the graph illustrates a significant recovery trend from a low point in the $155.00 range toward a consolidation area around $160.00. The detailed analytical points of the chart are as follows:

a. Latest Price Data: The current price stands at $159.72, representing a slight decrease of -0.20% or approximately -$0.3149 from the opening price of the last candle.
b. Movement Structure: There is a visible strong (impulsive) price surge following 18:00 on the previous day, which was subsequently followed by a sideways or consolidation phase within the range of $159.00 to $160.50.
c. Visual Indicators: The most recent red candle indicates short-term selling pressure; however, the price remains above the $159.00 psychological support level, suggesting a market sentiment that is relatively stable yet cautious.

In the JitoSOL ecosystem, the total yield reflected in the graphical growth actually consists of two distinct yet complementary revenue layers:

a. Base Yield (Staking Rewards): This is the primary portion derived from Solana's protocol inflation. Its value tends to be stable (currently approximately 7% - 7.5%) and is granted to validators as compensation for their participation in securing the network through the Proof of Stake consensus.
b. MEV Boost (MEV Rewards): This is the "extra layer" that makes JitoSOL unique. This portion originates from tips paid by searchers (profit seekers) to Jito validators for including specific transaction bundles into a block. The value of this MEV Boost typically ranges from an additional 0.5% to 1.5% APY.

The anatomy of Maximal Extractable Value (MEV) revenue is fundamentally a structure of value accumulation extracted by network actors through the manipulation of transaction ordering (Tzinas & Zindros, 2023). This revenue is sourced from various arbitrage strategies and market efficiency exploitations, such as front-running, back-running, and sandwich attacks. Structurally, this value is distributed among several key roles: Searchers who identify opportunities, Builders who assemble optimal blocks, and Validators who propose blocks to the network. This revenue stream not only reflects financial gains for the participants but also illustrates the incentive dynamics and potential risks of centralization within a decentralized ecosystem. Profit sharing in the MEV ecosystem follows a competitive incentive model, where algorithmic efficiency determines the revenue portion of each actor (Alipanahloo et al., 2024). Generally, this distribution can be formulated through the total value extracted from a transaction opportunity:

$$V_{total} = P_{searcher} + G_{base} + B_{tip}$$

Variable Definitions:

V_{total} : The total economic value extractable from a transaction (e.g., the arbitrage price spread).

$P_{searcher}$: The net profit retained by the searcher after settling gas expenses.

G_{base} :The base gas fee burned by the protocol (as seen in EIP-1559).

B_{tip} :The priority fee or "tip" awarded to builders and validators to ensure transaction prioritization.

Value Distribution Dynamics:

a. Searchers (The Brains): They bear the execution risks and computational costs. In a highly competitive environment, searchers often must concede 90-99% of the total potential profit to validators through bribes to ensure their transactions are successfully included in a block.
b. Builders (The Architects): They aggregate various transaction bundles from multiple searchers to construct the most profitable block. Their profit is derived from the spread between the bribes received from searchers and the payments distributed to validators.
c. Validators (The Gatekeepers): As the final authority for including blocks into the ledger, they typically receive the largest portion of the MEV "pie" in the form of Priority Fees as an incentive to secure the network.

The synergy between JitoSOL's operational mechanism and the anatomy of Maximal Extractable Value (MEV) revenue creates a new paradigm in capital efficiency within the Solana ecosystem. Through the implementation of the Jito-Solana client, this protocol has successfully democratized access to MEV profits, which were previously enjoyed only by a few technical actors (Gramlich et al., 2024). By transforming negative externalities, such as network congestion, into an additional revenue stream in the form of MEV rewards, JitoSOL not only provides a more competitive yield for stakers but also strengthens the overall economic stability of the network. Transparency in value distribution among searchers, validators, and JitoSOL token holders ensures that incentives remain aligned with the long-term health of the blockchain (Carré & Gabriel, 2025). Ultimately, understanding the anatomy of MEV within the framework of JitoSOL is not merely about understanding profit extraction techniques; rather, it is about appreciating the evolution of a more mature blockchain infrastructure, where every unit of extracted value is reallocated to support decentralization and the future sustainability of the digital economy. The primary advantage of JitoSOL lies in its extraction efficiency. In a standard LST, if a validator secures an MEV opportunity, the profit often remains solely with the validator

(Kulkarni et al., 2023). Conversely, JitoSOL requires validators within its pool to share a portion of that MEV with JitoSOL token holders, effectively increasing the exchange rate of JitoSOL relative to SOL more progressively.

3.2.2 Analysis of *al-kharaj bi al-dhaman* rules for reward distribution

The principle of Al-Kharaj bi al-Dhaman serves as an epistemological foundation in Islamic economic law, stipulating that the right to receive yields or profits is directly proportional to the responsibility of bearing the risk of loss (Fatiha & Miftahus Surur, 2025). Deductively, this maxim asserts that the distribution of rewards within a financial system including modern mechanisms such as staking or value extraction on the blockchain is considered valid and fair only if the party receiving the remuneration has exposure to the ownership or operational risks associated with that asset. In the context of reward distribution within staking protocols like JitoSOL or MEV mechanisms, this maxim becomes a critical instrument for distinguishing between morally and economically legitimate gains and ribawi (usurious) or exploitative practices. If an actor receives a reward without assuming risk (dhaman), the income loses its Sharia legitimacy as it creates systemic inequality. This maxim is rooted in the hadith of the Prophet Muhammad SAW, which states that "revenue is for the one who bears the liability." Theoretically, Al-Kharaj refers to all forms of income, benefits, or value appreciation generated from an asset or enterprise (Birton et al., 2022). Meanwhile, Dhaman refers to the legal liability for damage, loss, or the depreciation of said aset.

The maxim of Al-Kharaj bi al-Dhaman (بالضمان الخراج) is an Islamic legal principle that establishes a causal relationship between the right to profit and the obligation to bear loss. Literally, Al-Kharaj signifies the yield or benefit derived from an object, while Al-Dhaman denotes responsibility or the risk of loss. This maxim originates from the hadith of the Prophet Muhammad SAW: "Al-kharaj bi al-dhaman" (Revenue is for the one who bears the risk). Philosophically, this hadith posits that wealth must not be generated from a vacuum or through burden-free exploitation (Fadillah et al., 2024). Within the framework of Islamic law, this hadith serves as a Qawaid Fikhiyyah Kulliyyah (comprehensive legal maxim) that underpins nearly all commercial transactions (muamalah). Ontologically, the validity of income depends on the existence of its accompanying risks. This maxim constructs a logic of equilibrium, which in legal philosophy is referred to as reciprocal justice, consisting of: Rights (Al-Kharaj): If an individual owns an asset (e.g., livestock, property, or in a digital context, staked tokens), they are entitled to any profit generated by that asset (such as milk, rent, or yield). Obligations (Al-Dhaman): These rights arise precisely because the asset owner also bears the responsibility should the asset be damaged, perish, or depreciate in value. This maxim functions as a diagnostic tool to distinguish between legitimate (halal) and void (batil/riba/gharar) income. It provides a critique of riba (usury), wherein a creditor claims Kharaj (interest) without assuming Dhaman (the debtor's business risk). This is considered epistemologically flawed as it decouples profit from risk. It further provides a critique of exploitation, asserting that an individual cannot gain profit solely from the passage of time without capital involvement or staked risk. In the context of startups, the Al-Kharaj bi al-Dhaman maxim serves as a stringent legal instrument to determine when profits may be distributed (Azrak & Hazaa, 2021). Epistemologically, dividends should not arise from mere paper valuations; rather, they must represent the tangible results of managed risks. In an ideal reward distribution structure, the following elements are included:

a. Operational Risk: Validators are entitled to a portion of MEV and staking rewards because they bear technical risks, such as slashing (the forfeiture of deposits due to technical errors or malicious behavior).
b. Asset Risk: Token holders (stakers) are entitled to yields because they assume price volatility and liquidity risks while their assets are locked within smart contracts.
c. Execution Risk: Searchers within the MEV anatomy are entitled to profits because they deploy capital (gas fees) that may be lost if their transactions fail to execute or are outcompeted.

The most fundamental Qur'anic verse explaining the philosophy behind the *Al-Kharaj bi al-Dhaman* maxim (the equilibrium between risk burden and yield) is Surah An-Nisa, Verse 29:

يَـٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُواْ لَا تَأۡكُلُوٓاْ أَمۡوَٰلَكُم بَيۡنَكُم بِٱلۡبَـٰطِلِ إِلَّآ أَن تَكُونَ تِجَـٰرَةً عَن تَرَاضٖ مِّنكُمۡ

" O believers! Do not devour one another's wealth illegally, but rather trade by mutual consent. "
This verse emphasizes the importance of trade based on mutual consent (*'an taradin*), where such consent implicitly arises from a fair exchange of value rather than the unjust acquisition of wealth. In the perspective of Islamic economics, consuming wealth "unjustly" (*batil*) includes taking profits without being willing to bear risk (*dhaman*). "Mutual consent" in trade occurs when both parties understand that the profit obtained is compensation for the risks undertaken (as seen in JitoSOL operations or startup investments) (Nasrullah & Muthoifin, 2024). Furthermore, Surah Al-Baqarah, Verse 275 states:

وَأَحَلَّ ٱللَّهُ ٱلۡبَيۡعَ وَحَرَّمَ ٱلرِّبَوٰاْ

". .But Allah has permitted trading and forbidden interest. . "
This verse serves as the foundational distinction between legitimate transactions (trade) and prohibited ones (*riba*). Scholars explain that the fundamental difference between Trade and *Riba* lies in the aspect of *Dhaman* (risk liability). In Trade, the seller bears the risk of the goods until they are sold, establishing a correlation between yield and risk. In *Riba*, the lender seeks to obtain a "yield" (*Kharaj*) in the form of fixed interest without being willing to bear the business risks faced by the borrower. This is precisely why *riba* is forbidden: it severs the connection between reward and risk. Furthermore, Surah An-Najm, Verse 39 states:

وَأَن لَّيۡسَ لِلۡإِنسَـٰنِ إِلَّا مَا سَعَىٰ

"and that each person will only have what they endeavoured towards."
This verse provides an epistemological basis for the relationship between effort and outcome, asserting that *Kharaj* (yield) is the logical consequence of *Sa'ya* (effort/endeavor). In the modern world, "effort" constitutes not only physical labor but also the deployment of capital accompanied by a readiness to assume risk (*Dhaman*). Thus, in a Sharia context, MEV rewards or startup dividends are recognized as forms of "earned yield" because capital and risk have been staked.

By dissecting the anatomy of MEV revenue through the lens of *Al-Kharaj bi al-Dhaman*, we can observe the justification for value distribution among blockchain actors. The generated income is not merely "windfall profit" but rather compensation for specific functions performed:

a. Provision of Liquidity: Rewards are granted as compensation for the sacrifice of asset utility (opportunity cost).
b. Network Security: Yield is compensation for the capital staked to maintain the integrity of the digital ledger.
c. Market Optimization: Arbitrage profits are the result of computational labor directed toward eliminating price inefficiencies in the market.

Without the element of risk, reward distribution would fall into the practices of Gharar (excessive uncertainty) or Riba (surplus without risk compensation) (Ekonomi et al., 2025). Consequently, protocols that integrate transparent yield distribution such as JitoSOL's MEV profit-sharing mechanism inherently seek to align themselves with this principle of economic justice by ensuring that every party who "reaps the harvest" is one who has "invested capital and assumed risk." In JitoSOL's operations, this maxim is manifested through proportional profit sharing. When validators run the Jito-Solana client, they expose themselves to more rigorous competition in exchange for potentially greater rewards. The MEV revenue they generate is not retained exclusively; rather, it is redistributed to JitoSOL holders. Here, JitoSOL holders are entitled to such rewards because they provide the delegation of authority (stake), which is the primary prerequisite for

validators to process blocks (Dzulkepli & Barom, 2021). Without user delegation, validators lack the capacity to extract MEV; therefore, under Islamic economic law, users are entitled to a share of the "yield" (Al-Kharaj) because their assets serve as the "security" (Dhaman) for the network's integrity.

3.2.3 Synchronizing maximal extractable value rewards with the principles of islamic economic justice

Sharia Economic Justice is a systemic framework that aims to create a balance between individual rights and the public interest based on divine values (Rabbaniyah). Epistemologically, justice in Islam does not mean absolute equality or equal distribution, but rather places everything in its proper place (wad'u syai'in fi mahallihi) according to its contribution, needs, and responsibilities. The following are the main pillars of the theory of Sharia Economic Justice:

a. Distributive Justice
   This theory strongly emphasizes that wealth should not circulate solely among the wealthy (li-kay la yakuna dulatan baina al-aghniya). Islam uses obligatory instruments such as Zakat and voluntary instruments such as Infaq, Sadaqah, and Waqf (ZISWAF) to channel wealth from surplus sectors to deficit sectors. The goal is to ensure that every individual has access to basic necessities of life, preventing extreme inequality that could undermine the social order.
b. Balance Between Risk and Return (Al-Ghurnu bi al-Ghurmi)
   Economic justice is achieved when a person gains profit because they are also willing to bear risk. This is the essence of why bank interest (riba) is prohibited. With interest, the borrower bears all the business risks, while the lender earns a fixed profit without risk. The solution is to prioritize a profit-sharing system (Profit and Loss Sharing) (Budiyono, 2025). Here, justice is upheld because both parties share the same fate in managing capital.
c. Prohibition of Exploitation (Zhulm) and Fraud (Gharar)
   Justice can only be upheld if there is complete transparency in transactions. First, the prohibition of Gharar is to avoid excessive uncertainty in contracts (such as selling fish that are still in the sea). Second, the prohibition of Maysir is to avoid gambling or speculation that does not generate real added value for the economy. Third, the prohibition of Ihtikar is to prohibit the practice of hoarding goods to manipulate market prices, which harms consumers.
d. Multidimensional Ownership
   Islam recognizes the right to private property, but places restrictions on the rights of others within that property. Individual ownership is recognized as a motivation for work. Public ownership, in which natural resources that affect the livelihoods of many people (such as water, fire/energy, and pasture) may not be monopolized by a particular individual or corporation for the sake of fair access, is considered.

Sharia Economic Justice is a framework oriented toward *falah* (well-being in both this world and the hereafter). It integrates market efficiency with social empathy. In the modern world, this theory serves as the foundation for the development of Social Finance and a more humane sharing economy. The principles of justice in Sharia economics demand that every form of wealth distribution be based on tangible contribution, transparency, and a balance of risk concepts that can be conceptually synchronized with structured Maximal Extractable Value (MEV) operational mechanisms, such as those found in the JitoSOL protocol. From an Islamic economic perspective, MEV cannot be viewed as a static, singular entity; its Sharia legitimacy depends on how that value is extracted and distributed to stakeholders (Oderbolz et al., 2024). When MEV is operated through a transparent and inclusive auction system, it transforms from a mere opaque "technical tax" into a fair profit-sharing instrument. This fulfills the criteria of distributive justice, preventing the accumulation of wealth solely among a small technical elite or large capital owners. Sharia economic justice is rooted in the concepts of *Maslahah Mursalah* (the public interest) and the prohibition of *Zhulm* (exploitation). In its raw form, MEV is

often exploitative, as seen in sandwich attacks that harm retail users. However, synchronization occurs when technologies like Jito-Solana shift incentives from destructive activities toward those that support market efficiency, such as cross-exchange arbitrage (Rahim & Mohammed, 2018). Deductively, if an economic activity eliminates price inefficiencies (arbitrage) and the results are distributed proportionally to network security supporters (stakers), then the activity aligns with the objectives of Sharia (*Maqasid al-Shari'ah*) in safeguarding wealth and market fairness.

This synchronization becomes even more evident through the application of the principle of Al-Kharaj bi al-Dhaman (returns are directly proportional to risks). In the anatomy of JitoSOL's MEV revenue, each actor bears a clear risk burden: first, Searchers, who bear the risk of gas fees and computational failures in seeking opportunities. The profits they earn are compensation for their amal (work) and khibrah (expertise). Second, Validators, who bear operational and slashing risks. The MEV rewards they receive are the right to authority and responsibility for maintaining block integrity. Third, Stakers (JitoSOL holders), who bear the risk of volatility and asset lockup. The distribution of MEV rewards to them is a manifestation of fairness, as their capital provides the validators with the power (weight) to work. Without a transparent profit-sharing mechanism, MEV would fall into the category of Ghash (fraud) or Akl Amwal al-Nas bi al-Bathil (devouring others' assets by false means). With the Jito protocol, the extracted value is returned to the liquidity pool, thereby increasing the underlying value of the JitoSOL token for all holders (Ian Unsworth et al., 2025). This creates a win-win ecosystem, where the efficiency of blockchain technology strengthens the implementation of Islamic economic values that uphold togetherness. In Sharia economics, it is strictly forbidden to allow wealth to circulate only among the wealthy (Quran, Al-Hashr: 7). Traditional MEV is often mired in the problem of "validator centralization," where only validators with significant capital can reap MEV profits. JitoSOL synchronization breaks this deadlock by allowing even the smallest stakers to enjoy MEV revenue streams through the Liquid Staking Token (LST) mechanism. This technically democratizes access to capital, in line with the Islamic spirit of equitable distribution of prosperity. Axiologically, MEV synchronization with Sharia principles changes the perception of value extraction in blockchain. MEV revenue is no longer considered "effortless" but rather the result of optimizing computing resources that are fairly distributed based on each party's contribution and risk (Chitra, 2023). Through open source code transparency and smart contract audits, the element of Gharar (uncertainty) is minimized, making JitoSOL revenue a more moral and sustainable form of return than purely inflationary schemes unsupported by real economic activity.

4 Conclusion

JitoSOL's MEV distribution mechanism legitimately implements the principle of Al-Kharaj bi al-Dhaman, where returns arise as compensation for assuming real risks. Through proportional burden sharing between asset holders, validators, and searchers, these digital profits are no longer blind passive income but rather the result of a risk-sharing scheme. Economic justice is realized because every value gain rests on a foundation of transparent technical and operational risks. The distribution of MEV returns in JitoSOL is Sharia compliant as Kharaj as long as it is derived from transparent network optimization and based on real risk. Its validity depends on the absolute correlation between returns and risks borne by investors; if this relationship is broken or tainted by manipulative practices such as sandwich attacks, the elements of justice and blessing in the transaction are lost. Therefore, standardizing Sharia governance in distribution algorithms is an absolute requirement to ensure systemic compliance and the sustainability of the digital ecosystem in the future.

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