

## An Examination of Lexon Cryptocurrency from the Perspective of Criminal Law and Islamic Jurisprudence with Emphasis on the Teachings of Imam Reza (A.S.)

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### Article info

### Abstract

#### Article type:

Research Article

#### Received:

2 November 2024

#### In Revised form:

29 December 2024

#### Accepted:

17 January 2025

#### Published:

26 February 2025

In recent years, the phenomenon of pyramid schemes has become a significant economic and social problem due to their increasing proliferation. A modern example of this phenomenon is the cryptocurrency known as “Luxon,” which has gained notoriety in Iran, while the true identity of its founders and their place of residence remain unknown. Pyramid schemes are essentially a deviant form of unethical network marketing and have fundamental differences from legitimate and lawful network marketing. Both often operate under the guise of companies with specific structures, but the economic effects and consequences of pyramid activities create significant problems for the economic systems of countries. The fundamental issue in this context is examining the approach of Iranian criminal law and Islamic jurisprudence towards cryptocurrencies, including Luxon. Research conducted using a descriptive-analytical method indicates that the majority of jurists and grand religious authorities have explicitly, or as a precautionary principle, issued rulings prohibiting transactions involving digital currencies. In contrast, some authorities have deemed it permissible provided these transactions do not contravene current national laws. From a criminal law perspective, the legislature’s response to this phenomenon first occurred in 2005 by criminalizing it through the “Single Article Added to the Law on Punishment of Disruptors of the Country’s Economic System”. According to this regulation, the material element of the crime includes establishing, accepting agency for, and recruiting members for a company or group with the aim of earning income from the increase in members, and its mental element is considered the knowledge and intent to commit the criminal act.

**Keywords:** Network Marketing, Pyramid Scheme, Luxon Cryptocurrency, Economic System, Razavi Teachings.



**Reference:** Yari, Mohammad & Fathi, Morteza. (2024). An Examination of Lexon Cryptocurrency from the Perspective of Criminal Law and Islamic Jurisprudence with Emphasis on the Teachings of Imam Reza (A.S.). *Imam Reza (A.S.) and Contemporary Sciences*. 2(6). 96-127.

**Publisher:** Imam Reza (A.S.) International University

**DOI:** <https://doi.org/10.22034/ijs.2025.428563.11>



## 1. Introduction

In recent years, pyramid schemes disguised as financial and technological innovations have become a complex problem in the economic and social spheres. The emergence of “cryptocurrencies” as a novel phenomenon has paved the way for fraudulent schemes, with “Lexon Cryptocurrency” being a concrete and dangerous example in Iran. This scheme, by promising huge and guaranteed profits, managed to attract thousands of people and cause extensive financial losses. The central issue of this research is a multi-dimensional analysis of this phenomenon from the dual perspectives of “Iranian Criminal Law” and “Imami Jurisprudence,” based on the hypothesis that Lexon is not only an organized economic crime but is also considered a void (*batil*) and forbidden (*haram*) activity from a Sharia perspective. In this endeavor, the economic teachings of Imam Reza (A.S.) are emphasized as a guiding light for analyzing and inferring the jurisprudential ruling. The main question is: What is the approach of Iranian criminal law and Islamic jurisprudence towards a phenomenon like Lexon cryptocurrency, and how can the teachings of Imam Reza (A.S.) provide a value framework for this analysis?

## 2. Objectives

This research was conducted with the general aim of “explaining the criminal nature of Lexon cryptocurrency and analyzing its jurisprudential ruling based on Razavi teachings,” and with the following specific objectives:

- To explain the fundamental distinctions between healthy and unhealthy network marketing and identify the place of pyramid schemes within this classification.
- To analyze the structure, claims, and validation indicators of the Lexon project as an objective case study.
- To identify, analyze, and apply criminal charges compatible with Lexon’s activities within the Iranian criminal justice system (such as fraud, disruption of the economic system, and corruption on earth).
- To infer the jurisprudential ruling on transactions related to Lexon, citing established jurisprudential principles (such as the negation of *sabil* [dominance for disbelievers over believers], unlawful consumption of wealth, the principle of causing loss, and respect for Muslims’ property) and explaining the viewpoint of Imam Reza (A.S.) in this regard.
- To examine the jurisdiction of competent judicial authorities for addressing these

crimes and analyze recent legislative developments regarding the jurisdiction of the Revolutionary Court.

### **3. Methodology**

In terms of purpose, this research falls under “fundamental-applied” studies, as it both develops the frontiers of knowledge in the fields of economic criminal law and transactional jurisprudence (fiqh al-mu’amalat) and provides practical solutions for confronting a concrete problem. Regarding data collection method, it is a “library” research. The required data was gathered through an in-depth study of the following sources:

-Primary Legal Sources: Enacted laws (especially the Islamic Penal Code, the Law on Punishment of Disruptors of the Country’s Economic System, and the Law on Aggravation of Punishments for Embezzlement, and Fraud), unifying precedents of the Supreme Court (specifically Precedent No. 842 dated 26/10/1402 SH), and advisory opinions from the General Directorate of Legal Affairs of the Judiciary.

-Primary Jurisprudential Sources: The Holy Quran, narrations from the Infallibles (A.S.), particularly hadiths attributed to Imam Reza (A.S.) in reliable books such as ‘Uyun Akhbar al-Rida and Al-Kafi, fatwas from grand religious authorities (maraji’), and deductive jurisprudential books.

-Secondary Sources: Books, scientific-research articles, theses, and reliable reports in the fields of cryptocurrencies, pyramid schemes, and economic criminal law.

-Indirect Field Data: Utilizing field reports from reliable news agencies (such as Fars News Agency) regarding the statistics of victims and Lexon’s modus operandi. The data analysis method is “descriptive-analytical,” and the research is conducted within the framework of three main theoretical pillars: the “Theory of Economic Criminal Policy” to explain the causes of expansion and methods of confrontation, the “Legal Theory of Disrupting the Economic System” for analyzing criminalization, and the “Jurisprudential-Economic Framework based on principles governing transactions” for inferring the Sharia ruling.

### **4. Findings**

The precise investigations of this research led to several key findings in both legal and jurisprudential domains. Legal findings include:

-Criminal Nature of Lexon: Activity within the Lexon framework clearly falls under “Note (Z) of Article 1 of the Law on Punishment of Disruptors of the Coun-

try's Economic System." The material element of this crime includes establishing, accepting agencies, and recruiting members with the aim of earning income solely through network expansion without any productive economic activity.

-Application of Other Criminal Charges: In cases where deceptive means were used to mislead people, the act also qualifies as traditional "fraud" (according to Article 1 of the Law on Aggravation of Punishments for... Fraud). On a very large scale that structurally disrupts the country's economic order, considering the scale of damage and the number of victims, the application of the severe charge of "corruption on earth" (according to Article 286 of the Islamic Penal Code) is not improbable.

-Evolution in Jurisdiction: According to Unifying Precedent No. 842 by the General Board of the Supreme Court, all crimes subject to the Law on Disrupting the Economic System – regardless of the severity of the effect or intent to oppose the system – fall under the exclusive jurisdiction of the "Revolutionary Court." This precedent indicates the judicial resolve for a decisive and unified confrontation with such crimes.

Jurisprudential findings centered on Razavi teachings include:

-Exemplification of Unlawful Consumption of Wealth and Usury: The huge profits for a small minority in Lexon are directly funded from the losses of the majority of members, without any real economic backing or productive activity. This mechanism is a clear example of "unlawful consumption of wealth" and "usury." Imam Reza (A.S.) explicitly emphasized the prohibition of usury and any unlawful acquisition of wealth.

-Violation of the Principle of Nafy al-Sabil: Citing the noble verse "And Allah will never grant the disbelievers a way [to dominance] over the believers" and Imam Reza's (A.S.) emphasis on the economic independence of Muslims, activity on anonymous platforms outside the control of the Islamic government, which paves the way for the influence and economic domination of foreigners, is forbidden.

-The Principle of Causing Loss (Itlaf) and Squandering Wealth (Ida'at al-Mal): Causing widespread damage and the dissipation of people's capital in this scheme exemplifies "causing loss" and "squandering wealth." In a hadith, Imam Reza (A.S.) states that God abhors the squandering of wealth.

-The Principle of Respect for Muslims' Property: The unbalanced entry of unbacked virtual currency into the community's economy can lead to sectoral inflation and class disparity, infringing upon the financial rights of the general Muslim

public, which violates the principle of respect for Muslims' property.

The legal and jurisprudential analyses in this research are so aligned and complementary that they lead to the ruling that activity in schemes like Lexon is illegal, un-Islamic, and irrational. The teachings of Imam Reza (A.S.), serving as a bridge between these two domains, have provided a solid value framework for this conclusion.

## **5. Conclusion**

This research concluded that Lexon cryptocurrency is a phenomenon situated at the intersection of “organized economic crime” and “void religious transaction.” This scheme, by exploiting financial ignorance, people’s greed, and regulatory gaps, not only causes massive economic losses but also undermines public trust in the financial system and intensifies grounds for corruption and inequality.

**Judicial-Legislative Suggestions:** Enacting more transparent laws in the domain of digital assets, decisive enforcement of issued verdicts, and expediting the process of victim asset recovery.

**Cultural-Preventive Suggestions:** Designing and implementing national programs to enhance the financial and economic literacy of the public through cooperation with national media, the Ministry of Education, and governmental institutions. Explaining the scope of Sharia rulings related to emerging transactions and the risks of investment in the form of seminary and university courses.

**Suggestions for Future Research:** A comparative study of the approaches of other Islamic countries in regulating cryptocurrencies, and research on the capacities of blockchain technology for transparency and prevention of financial fraud.

In summary, effective confrontation with this pernicious phenomenon requires national resolve and a “multi-layered” approach comprising decisive judicial action, intelligent and active supervision by regulatory bodies, and, most importantly, public awareness and cultural-economic immunization of society.