
Why The Stockilm Method Is Halal

Most Muslim traders carry doubt because the answer is rarely given in a clear, structured way. This document does exactly that: a complete breakdown of every account control, stock screen, and conduct rule that keeps the Stockilm method inside stated Islamic boundaries.

A clean account is not optional. It is the foundation.

Before a single stock is evaluated, four account level controls are already active. They remove the most common sources of riba and leverage at the infrastructure level before a chart is ever opened. The stock matters. How you hold and trade it matters just as much.

SETTLED CASH ONLY

Trading runs on cash that has fully cleared. Margin is disabled. No borrowed buying power, no interest bearing exposure, no overnight positions funded by the broker.

NO LEVERAGE

No borrowed capital amplifies any position. Every unit of risk is tied to actual cash already in the account, with nothing beyond what is already owned.

NO SHORTING

The method does not borrow shares to sell first. Trading is strictly limited to buying and selling shares that are already held outright, with no selling what is not yet owned.

NO SPECULATIVE BEHAVIOUR

Every trade must be pre qualified, pre invalidated, and risk defined before execution. A chart that looks exciting does not on its own justify entering a position.

THE FIRST DISTINCTION

Most people focus on whether the stock is halal. **The account matters just as much.** A halal stock inside a leveraged, interest bearing account is still a compromised position. Stockilm removes this at the infrastructure level before stocks are ever considered.

Two screens. Both must pass.

Compliance is applied before technical analysis, not after. A stock does not reach the watchlist until it clears both a business activity screen and a financial ratio screen. A chart that looks clean does not override a failed compliance check.

BUSINESS ACTIVITY

- Conventional banking and interest based lending
- Conventional insurance
- Alcohol production or distribution
- Pork and related products
- Gambling and betting services
- Adult entertainment
- Other clearly impermissible core activities

If the company's core business fails this screen, the stock is rejected immediately, regardless of how clean the chart looks or how attractive the setup appears.

FINANCIAL RATIOS (AAOIFI INFORMED)

Interest bearing debt of market capitalisation	< 30%
Interest cash & securities of market capitalisation	< 30%
Non compliant income of total revenue	< 5%
Asset composition	Pass
Share must represent a real operating business, not majority cash or debt claims	

PURIFICATION

If a stock passes with minor non compliant income within the tolerated threshold, that portion is **treated as subject to purification**, not ignored, not treated as clean profit. This is the second distinction: permissibility at Stockilm is a screen with reject conditions, not a feeling or a rough approximation.

Every requirement. Every control.

The table below maps each AAOIFI principle to the specific Stockilm control that addresses it. This is not one claim and not one ratio. It is a full stack of controls applied in sequence.

AAOIFI PRINCIPLE	STOCKILM METHOD	IN PRACTICE
Primary business must be halal	Impermissible core businesses excluded before technical analysis begins	Stock fails immediately if the main activity is haram
Interest bearing debt within threshold	Debt must remain below 30% of market capitalisation	Debt heavy companies are removed before they reach the watchlist
Interest cash and securities within threshold	Interest bearing holdings below 30% of market cap	Balance sheets too dependent on interest bearing assets are excluded
Impermissible income within threshold	Non compliant income below 5%; residue subject to purification	Minor tolerated impurity is acknowledged and removed, not ignored
Asset composition must preserve tradability	Structures dominated by cash or receivables are rejected	Share must represent a real operating business, not financial claims
Account must not introduce riba	Cash accounts only, margin off, no leverage, settled cash only	Even a halal stock becomes problematic inside an interest bearing account
Do not sell what you do not own	No shorting, no borrowing of shares to sell	Only buying and selling of shares already held outright
Avoid maysir style conduct	Qualification, invalidation, and predefined risk required before entry	The method removes impulsive and speculative behaviour at every stage

This is an operational comparison, not a fatwa. It shows how each AAOIFI principle is reflected inside the method. It does not replace the reader's own verification responsibility.

Halal is not only what you trade. It is how you trade.

After a stock passes both screens, it still does not earn execution. The method requires qualification: context, catalyst, structure, momentum, and a defined invalidation point. Random, impulsive participation is part of what turns trading into speculation, even when the instrument itself is compliant.

- ✓ The business activity is halal and both the business and financial screens pass without exception.
- ✓ The broader market and sector are aligned, not in active opposition to the trade idea.
- ✓ There is a real catalyst, narrative, or credible reason that attention is entering this specific stock now.
- ✓ Price structure is clean enough to justify the risk, not just visually exciting but operationally sound.
- ✓ The trade has a predefined invalidation point and defined risk **before** any entry is taken.
- ✗ If any of the above conditions are not met, the trade is **rejected**, not adjusted, not forced, not rationalised.

A TRADE IS REJECTED IF:

The core business is impermissible · Any financial ratio breaks the AAOIFI threshold · The account uses margin or leverage · The setup requires borrowed shares · The trade has not passed qualification before entry is considered.

This document explains how the method operates. It does not replace your own responsibility to verify broker settings, account type, and each individual stock before trading.

The standard is clear. What comes next is the process.

This document explains why the method is permissible. The roadmap explains how to actually use it, how each stage filters weak trades before they cost you, why most traders stay stuck even after they understand the rules, and what building a real halal trading practice looks like step by step.

Open the Halal Trading Roadmap →

stockilm.com/assets/the-halal-trading-roadmap.pdf

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