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Article

Challenges Of Implementing Islamic Finance In Our Country

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Abstract: This article analyzes the relevance, current state and challenges of implementing Islamic finance in Uzbekistan. In particular, it examines factors such as an insufficient legal and regulatory framework, inconsistencies in the tax system, a shortage of qualified specialists, low public awareness of Islamic financial products, as well as issues related to Shariah-compliant deposit insurance and the protection of investment accounts. Based on international experience, proposals and recommendations for the development of Islamic finance are put forward.

Keywords: Islamic finance, Islamic banking, AAOIFI, restricted investment account, unrestricted investment account, legal framework, Shariah supervisory board, Uzbekistan.

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1. Introduction

The International Monetary Fund (IMF) highlights the main challenges faced in implementing Islamic finance in various countries. They consist of:

- insufficient harmonisation of regulatory systems;
- lack of sharia governance capacity;
- insufficient regulation of profit and loss based investment accounts;
- lack of high-quality liquid Sharia-compliant assets;
- insufficient development of financial security mechanisms such as deposit insurance and lender of last resort [1].

These studies are particularly important for new adopters, as they demonstrate that the development of Islamic finance is not limited to the introduction of "Islamic products." It requires a comprehensive financial ecosystem that includes a complete regulatory framework, standards, governance, tax system, and financial market infrastructure.

The effective implementation of Islamic finance in Uzbekistan requires not only legislative authorization, but also a gradual institutional framework that includes tax neutrality, Sharia governance, prudential supervision, liquidity infrastructure, and human capital development; in this regard, it is necessary to selectively use the experiences of Oman, Malaysia, the United Kingdom, Bahrain, and Kazakhstan [2].

The IMF's studies on the regulation of Islamic banks have identified conflicts of interest between investment account holders (IAHs) and shareholders as a key issue. The IFSB's 2006 Principles of Corporate Governance recommend transparency of investment account policies and performance, and the establishment of a separate governance committee to protect the interests of IAHs. However, IAHs generally do not have control over the use of profit equalization (PER) and investment risk (IRR) reserves, and in some cases, are not even aware of how the bank is building these reserves.

The situation changed significantly on March 27, 2026, when the President signed Law No. ZRU-1126. It introduced a two-tier (dual) banking system and made comprehensive amendments to the Civil Code, Tax Code, Laws on the Central Bank and on Banks. The law entered into force on June 29, 2026. The law requires the creation of an Islamic Finance Council under the Central Bank and the establishment of its own Sharia Council in each bank [3]. In the field of taxation, sukuk and Islamic leasing were exempted from VAT, and income from investment deposits in accordance with Sharia was exempted from personal income tax.

There were also changes in deposit insurance: the Deposit Guarantee Agency received the right to attract liquidity from the Central Bank through Islamic instruments. However, implementation is just beginning: the Central Bank submitted a draft regulatory document on licensing Islamic banking activities for public discussion in June 2026 [4]. Existing research has focused mainly on general legal obstacles and on the prerequisites for introducing Islamic banking and the situation after the 2026 law, in particular the protection of restricted and unrestricted investment accounts, and the adaptation of Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards to national practice have not been sufficiently studied [5].

2. Methodology.

This study adopts a qualitative approach aimed at identifying the legal, institutional and practical challenges of implementing Islamic finance in Uzbekistan and substantiating possible directions for addressing them. Given the nature of the research topic, library research, legal analysis, comparative analysis and content analysis were applied in combination. The study relies on secondary data. The data sources include the National Database of Legislation of the Republic of Uzbekistan (lex.uz) the official website of the Central Bank of Uzbekistan, reports and publications of international organizations (IMF, IFSB, AAOIFI, UNDP), as well as analytical reviews of legislation prepared by international law firms. The collected data were synthesized using logical analysis, synthesis, induction and deduction, on the basis of which the research conclusions and practical recommendations were developed. A limitation of this study is that it relies mainly on secondary data, and since Law №1126 has only recently entered into force, the opportunity to empirically assess its practical outcomes is currently limited.

3. Results.

The main problems of introducing Islamic finance in Uzbekistan:

1. Today, Uzbekistan does not have a single comprehensive law regulating Islamic finance services. Although the newly adopted law includes some provisions on Islamic financing, they do not cover all activities of Islamic financial institutions [6]. As a result, uncertainties remain regarding the legal status of instruments such as murabaha, musharaka, mudaraba, salam, istisna, sukuk and takaful, the rights and obligations of the parties, and dispute resolution mechanisms.

Although Islamic finance services are provided for in the legislation, the regulations, guidelines, prudential requirements and methodological guidelines necessary for their practical application have not yet been fully developed. In particular, there are no separate regulations on the activities of Islamic windows, investment accounts, Sharia audit, liquidity management, risk management, preparation and disclosure of financial statements. This is slowing down the process of introducing Islamic products by banks [7].

2. The uncertainty of the legal regime for investment accounts and mudarabah deposits. The practical difficulty of attracting deposits based on the mudarabah principle is also confirmed by official sources. The current banking legislation considers a deposit as a sum of money that must be returned; this is not entirely consistent with investment accounts based on the principle of profit-sharing. The IMF studies discussed above also note that regulating profit-sharing investment accounts (PSIA), determining their risk nature and determining their relationship with deposit insurance remains a complex issue in many countries **[8]**.

The Law on Banks and Banking Activities defines deposits as funds that must be repaid. Non-bank credit organizations are prohibited from attracting deposits from individuals and legal entities. This also narrows down non-bank models based on Islamic microfinance or mudarabah. The new legislation distinguishes at least three types of fund raising regimes:

– guaranteed classic deposit;
– risk-sharing investment account;
– a target investment fund based on representation or mudarabah.

The recommendations of the Islamic Financial Services Board (IFSB) and the International Monetary Fund (IMF) are particularly important here: they require a clear separation of deposit, investment accounts, liquidity, and resolution regimes for Islamic banks [9].

Sharia-compliant Deposit Insurance Scheme (SDIS) and investment account protection issues.

The issue of deposit insurance in the Islamic financial system is more complex than in the conventional banking system. The main reason for this is that funds in Islamic banks are raised on different legal and contractual bases, and not all accounts have the same level of capital guarantee. Therefore, Sharia-compliant deposit insurance system (SDIS) requires a differentiated approach based on the legal nature of deposits [10].

First of all, current accounts are maintained on the basis of loan, wadiah or amanah contracts. In these accounts, the bank assumes the obligation to repay the client's funds and does not require a predetermined return on the client's funds. These funds are considered a loan by their economic substance. Therefore, funds in such accounts are usually protected by full deposit insurance [11]. If the bank goes bankrupt or loses the ability to fulfill its obligations, The Sharia-compliant deposit insurance system (SDIS) fund will reimburse client funds within the established limits.

Similarly, savings accounts in the form of loans or wadiah are also capital-guaranteed accounts. Therefore, they are also usually protected by the Islamic deposit insurance system. The main purpose of such accounts is not to invest, but to store funds and use them when necessary [12].

However, the situation is more complicated in the case of investment accounts. Since in these accounts, funds are directed to real investment activities with the aim of making a profit, and the investor bears the investment risk. The IFSB and AAOIFI standards emphasize that fully guaranteeing funds in investment accounts may be contrary to Sharia principles.

In a Restricted Investment Account (RIA), the investor determines which projects or activities the funds will be used for. For example, the funds can be used only for construction projects or financing small businesses. In this case, the bank acts mainly as an agent or manager. The investor retains the profits from the investment, and the investor is responsible for any losses [13]. Therefore, restricted investment accounts are usually not covered by deposit insurance, since they are considered investments, not deposits, in their economic sense.

In the case of an Unrestricted Investment Account (URIA or UPSIA), the bank itself makes the decision on which areas to invest the funds in. The profit is divided between the bank and the investor in a pre-agreed ratio. At the same time, the loss arising from investment activities remains the responsibility of the investment account holders, unless there is fault or negligence on the part of the bank. Therefore, from the point of view of classical jurisprudence, such accounts should not be fully guaranteed either.

However, in some countries there is a practice of providing some level of protection for investment accounts. According to the IFSB recommendations, in such cases, the guarantee may be provided not by the bank, but by a third party - the state or a special deposit insurance fund. This approach is considered acceptable by some Sharia scholars, since in this case the bank does not violate the principle of profit and loss sharing.

The deposit insurance system in accordance with Sharia is usually organized on the basis of the principle of takaful. In this case, Islamic banks allocate tabarru' (voluntary contributions) to a special insurance fund. These funds are collected in a separate fund and invested only in financial instruments in accordance with Sharia, including sukuk and other halal assets. If an Islamic bank goes bankrupt or loses its ability to fulfill its obligations, compensation is paid to depositors from the funds of this fund.

One of the most advanced practices in this regard is the system of the Malaysia Deposit Insurance Corporation (Perbadanan Insurans Deposit Malaysia, PIDM). In this system, Islamic deposits are insured separately from conventional deposits and operate on the principles of kafalah and tabarru'. In this, savings accounts are protected, while investment accounts are treated separately based on their legal nature.

One of the important aspects is that, Sharia-compliant deposit insurance system (SDIS) is

not intended to cover actual losses incurred as a result of investment activities. For example, if a bank has made an investment in accordance with Sharia requirements, but the project suffers losses as a result of deteriorating market conditions, this loss will not be covered by deposit insurance. Because in this case, it is not the bank's bankruptcy that has occurred, but the investment risk. Sharia-compliant deposit insurance system (SDIS) is usually activated when a bank goes bankrupt, is liquidated, loses its ability to meet its obligations, or is placed under resolution by regulators. In such cases, depositors and relevant account holders are entitled to compensation in accordance with the procedure established by law.

Therefore, when introducing an Islamic deposit insurance system in Uzbekistan, it is necessary to fully protect loan, wadiah and savings accounts, exclude restricted investment accounts from insurance coverage, and develop separate prudential and disclosure requirements for unrestricted profit-sharing investment accounts (PSIA). This approach is consistent with IFSB and AAOIFI standards and allows protecting the interests of depositors without violating the principles of Islamic finance.

3. Lack of a central Shariah governance and compliance architecture.

The biggest risk in Islamic finance is not just credit or liquidity risk, but also the risk of non-compliance with Sharia. Bahrain's Sharia Governance Model and Bank Negara Malaysia's policy documents indicate that without a central or at least a regulator-recognized Sharia governance system, an internal Sharia compliance function, and external audit, the sector faces credibility issues. The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) has also published Governance Standards such as GS 1, GS 8, GS 9, GS 11, as well as Financial Reporting Standards for Islamic Financial Institutions.

As a solution In Uzbekistan, the two-stage model is most suitable:

– the Central Sharia Council under the regulator;
– an internal Sharia board/compliance function in each Islamic bank or "Islamic window".

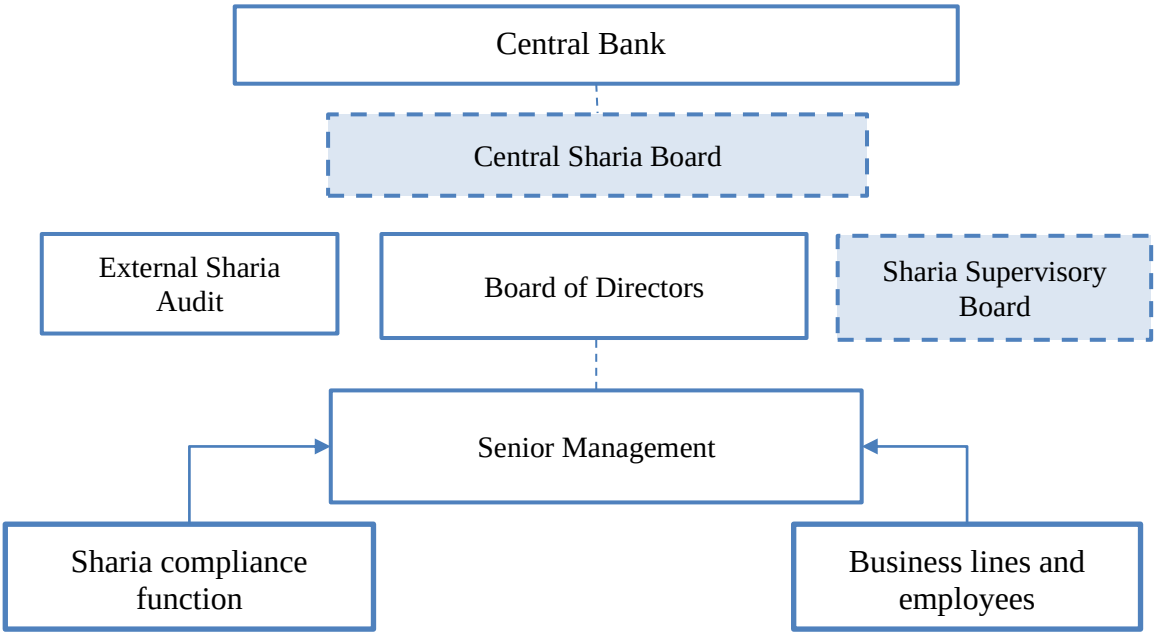


Figure 1. Two-tier Sharia governance system.

Source: developed by the author.

This model will be close to the experience of Bahrain and Malaysia and will reduce the fragmentation of fatwas between different banks. It will also increase the confidence of investors, depositors and international financial institutions and ensure the sustainable development of the Islamic finance sector in Uzbekistan [14]. Also, according to AAOIFI standards, Sharia governance should not be limited to the Sharia Supervisory Board alone. It should also include the following institutional elements:

1. Sharia Supervisory Board;
2. Sharia Compliance Function;

3. Internal Sharia Audit;
4. Independent External Sharia Audit (External Sharia Audit).

According to the AAOIFI approach, the task of the internal Sharia audit is to verify the compliance of all transactions, contracts, investment projects and financial statements of the bank with the decisions of the Sharia Supervisory Board and AAOIFI standards. The Audit Committee, operating under the Supervisory Board, ensures the independence of internal audit and Sharia audit, makes recommendations on eliminating identified deficiencies, and monitors Sharia risks. This mechanism is especially important in the "Islamic window" model, since in it conventional and Islamic operations are carried out in parallel within the framework of one bank. And for Uzbekistan, the AAOIFI model is also appropriate.

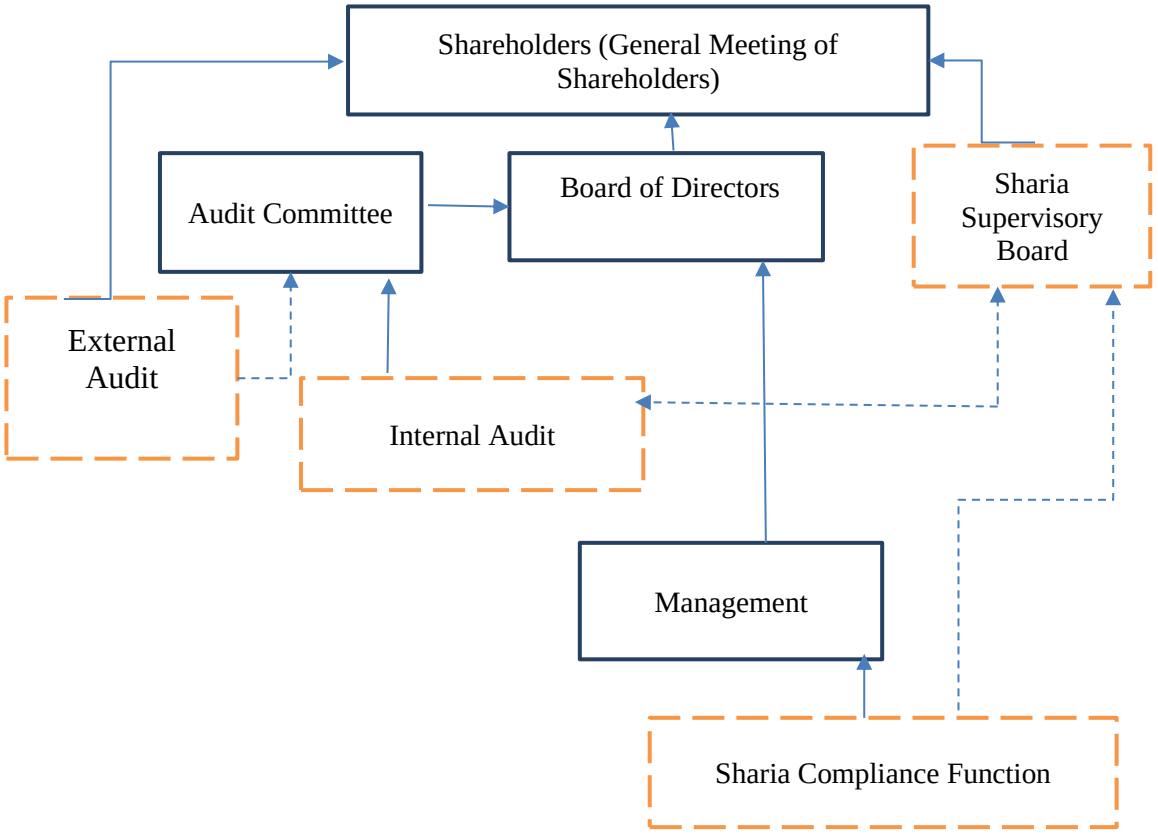


Figure 2. Shariah governance structure of Islamic banks according to AAOIFI.
Source: compiled by the author based on AAOIFI standards.

According to AAOIFI standards, the Shariah governance system in Islamic financial institutions consists of the elements of a Shariah Supervisory Board, a Shariah Compliance Function, and Internal Shariah Audit and an External Shariah Audit. In this model, the Internal Shariah Audit, unlike traditional internal audit, is functionally accountable to the Shariah Supervisory Board and not to the Audit Committee, and performs an independent assessment of the compliance of operations with Shariah requirements. This approach serves to reduce the risks of non-compliance with Shariah and increase the confidence of investors and depositors.

Based on the AAOIFI approach, the hierarchy of priority of Sharia principles and rules is as follows:

- Sharia standards adopted by the AAOIFI;
- Regulatory and legal documents issued by the regulator of the relevant jurisdiction and containing Sharia requirements;
- Decisions and fatwas issued by the Central Sharia Council in the relevant jurisdiction;
- Sharia-compliant requirements contained in the current Financial Accounting Standards adopted by the AAOIFI;
- Approvals and decisions issued by the Sharia Supervisory Board of the Islamic Finance Institute.

This approach serves to ensure consistency between international practice and national

legal requirements.

4. The issue of liquidity, lender of last resort, and safety net has not been resolved.

The International Monetary Fund (IMF) and the Islamic Financial Services Board (IFSB) have identified the lack of Sharia-compliant high-quality liquid assets, central bank liquidity facilities, and deposit protection regimes as one of the major pain points of the Islamic banking system globally. The Central Bank of Uzbekistan sets general banking supervision and liquidity requirements, but the current regime is built on the logic of conventional banks. If Islamic banking windows or separate Islamic banks emerge, the sector's growth will be practically limited if there are no separate liquidity facilities for them.

As a solution, the Central Bank of Uzbekistan should establish the following specific operating procedures for Islamic banks and "Islamic windows" based on the IFSB-12 and IFSB-17 standards.

Separate liquidity management regulations. The Central Bank must adopt a separate liquidity risk management regulation for Islamic financial institutions. In it, each bank must determine its liquidity risk appetite, daily and intra-day liquidity control, stress scenarios, collateral asset management procedures, and a liquidity strategy approved by the board of directors. According to IFSB-17, the supervisory authority must determine quantitative and qualitative liquidity requirements for Islamic banks and ensure that banks have a liquidity system that can withstand stress situations.

The creditor of last resort according to Sharia (Shariah-Compliant Lender of Last Resort - SLOLR) mechanism. Traditional interest-bearing credit is not suitable for Islamic banks. Therefore, the Central Bank should introduce a Sharia-compliant Lender of Last Resort (SLOLR) mechanism. Through this mechanism, banks that are temporarily facing liquidity shortages but are financially sound will be provided with interest-free and Sharia-compliant assistance. According to IFSB-17, Islamic banks cannot use the interest-bearing LOLR mechanism, therefore, it is necessary to create emergency liquidity instruments in accordance with Sharia.

The conditions for providing assistance should be clearly defined. The central bank should establish the following conditions for using the Sharia-compliant Lender of Last Resort (SLOLR) mechanism: the bank must be facing temporary liquidity problems; assistance is not provided to insolvent banks; the bank must have a recovery plan; Sharia-compliant assets must be accepted as collateral; the duration of the assistance must be short; the allocated funds must be used only for the purpose of restoring liquidity. IFSB-12 emphasizes the need for supervisors to clearly define their role in the liquidity assistance process and to expand the scope of collateral assets in accordance with Sharia.

Sukuk and Sharia-compliant liquid asset market. The Central Bank and the Ministry of Finance should jointly develop a market for Islamic liquid assets, such as government sukuk, Central Bank sukuk or government-backed Islamic liquid assets. These assets can be recognized as high-quality liquid assets for the purposes of calculating the LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio). IFSB-12 provides for the use of sukuk and other Sharia-compliant instruments issued by governments, central banks, multilateral financial institutions or sovereign issuers as collateral for liquidity support.

Prudent use of Commodity Murabaha. The central bank should allow commodity murabaha transactions only in a limited manner as a short-term interbank liquidity management tool. Its excessive use for deposit-taking or income-generating purposes can increase banks' leverage and increase liquidity risks. IFSB-12 emphasizes the need to strictly separate the role of commodity murabaha as a short-term liquidity tool from its use for long-term income-generating purposes.

Separate reporting for Islamic windows. Liquidity for Islamic windows operating within conventional banks should be calculated separately. The central bank should assess the separate liquidity position of the Islamic window in addition to the overall liquidity position of the bank. Islamic funds should not be mixed with conventional interest-bearing funds, and liquidity shortages should not be transferred from one segment to another. IFSB-12 stipulates the need to assess liquidity risk in Islamic windows both at

the bank group level and at the Islamic activity level.

Stress testing and contingency funding plan. Every Islamic bank and Islamic window should have a contingency funding plan. This plan should address scenarios such as deposit outflows, liquidity crunch in the sukuk market, foreign exchange liquidity shortages, Sharia compliance risks, and reputational risk. According to IFSB-17, banks should have a contingency funding plan that is documented, regularly tested, and does not rely excessively on the lender of last resort (LOLR).

Special disclosure requirements for investment accounts. Investment accounts based on mudarabah or wakala are not considered ordinary deposits. Therefore, the Central Bank should establish special disclosure requirements for them. In particular, it is necessary to determine how profits are distributed, who is responsible for losses, how the profit equalization reserve (PER) and investment risk reserve (IRR) are formed, the conditions for early withdrawal of funds, and the procedure for disclosing investment risks. According to IFSB-12, losses on unrestricted profit-sharing investment accounts (PSIA) are typically borne by investment account holders, but the risk of fraud and reputational risk can have a significant impact on a bank's liquidity.

The practical significance of the Profit Equalization Reserve (PER) and Investment Risk Reserve (IRR) mechanisms. In Islamic banks, funds in investment accounts are managed on the basis of mudarabah or wakala agreements. In these accounts, the owner of the funds bears the investment risk. Therefore, a sharp change in investment income or losses arising from investment activities may lead to the migration of depositors' funds to other banks. In order to mitigate this situation, the AAOIFI and IFSB standards recommend the use of Profit Equalization Reserve (PER) and Investment Risk Reserve (IRR) mechanisms.

Profit equalization reserve (PER) - profit equalization reserve PER is designed to smooth out sharp fluctuations in investment account returns over time. In years of high returns, a portion of the profit is set aside as a reserve, and in years of low returns, additional income is paid to investors from this reserve.

Table 1.

Practical model of the PER mechanism (on the example of an investment portfolio of 100 billion soums)

Year	Investment portfolio (billion soums)	Real income (%)	Real profit (billion soums)	Allocation to PER (billion soums)	Profit paid to investors (%)
2021	100	12.0	12.0	2.0	10.0
2022	110	11.0	12.1	1.1	10.0
2023	120	7.0	8.4	-2.0	8.7
2024	130	6.0	7.8	-1.1	6.8
2025	140	10.0	14.0	0.0	10.0

Source: developed by the author.

The table shows that in 2021–2022, due to the high income of the investment portfolio, part of the profit was directed to the PER reserve. In 2023–2024, as a result of the deterioration of market conditions, income decreased, and additional income was paid to investors at the expense of the PER formed in previous years. As a result, a sharp decrease in income on investment accounts was prevented.

In practice, this approach is used in banks that implement AAOIFI and IFSB standards, such as Bank Islam Malaysia, Kuwait Finance House, and Bahrain Islamic Bank [15].

Investment Risk Reserve (IRR) - investment risk reserve. Investment Risk Reserve (IRR) is established to cover possible losses resulting from investment activities. This reserve is formed from the profit share of investment account holders and is used to partially cover future losses.

Table 2.
Practical model of the IRR mechanism (on the example of an investment portfolio of 100 billion soums)

Year	Investment portfolio (billion soums)	Profit/Loss (%)	Result (billion soums)	Allocation to IRR (billion soums)	IRR balance (billion soums)
2021	100	10.0	10.0	1.0	1.0
2022	110	9.0	9.9	1.0	2.0
2023	120	8.0	9.6	1.0	3.0
2024	130	-4.0	-5.2	-3.0	0.0
2025	140	7.0	9.8	0.5	0.5

Source: developed by the author.

The table shows that in 2021–2023, a certain part of the profit was directed to the IRR reserve, and the volume of the reserve reached 3 billion soums. In 2024, the investment portfolio suffered a loss of 5.2 billion soums. 3 billion soums of this loss were covered by the IRR, and the real losses of investors were significantly reduced. In 2025, as the portfolio again brought profit, the IRR began to be re-formed.

This mechanism does not fully guarantee the owners of investment accounts, but serves to reduce the negative impact of investment risks. Therefore, the AAOIFI and IFSB standards recognize IRR as an important element of prudential management of investment accounts.

The Profit Equalization Reserve (PER) and Investment Risk Reserve (IRR) mechanisms are important tools for ensuring the stability of investment accounts in Islamic banks. While PER serves to smooth out sharp fluctuations in income, IRR allows for partial compensation of losses arising from investment activities. In the process of introducing Islamic banking services in Uzbekistan, it would be appropriate for the Central Bank to establish the procedure for the formation, use and disclosure of these reserves in financial statements. This will serve to protect the interests of investment account holders, increase confidence in the banking system, and form a prudential control system in accordance with IFSB and AAOIFI standards.

5. The ecosystem in terms of Takaful, human resources, and market literacy is still in its infancy.

On December 6, 2024, a roundtable discussion on the introduction of takaful insurance was held in Tashkent with the participation of the United Nations Development Programme (UNDP) and the National Agency for Promising Projects (NAPP) of the Republic of Uzbekistan. It was attended by more than 40 participants, including representatives of insurance companies, the Islamic Development Bank (IsDB), the Office of Muslims of Uzbekistan, the Association of Professional Participants of the Insurance Market and other organizations. During the discussions, the need to form the minimum necessary legislative framework for the introduction of the takaful system in Uzbekistan, regulate the activities of takaful funds, and introduce the institution of the Sharia Supervisory Board was noted.

Also, on December 23, 2024, the Central Bank of the Republic of Uzbekistan officially became a member of the Islamic Financial Services Board (IFSB). According to the Central Bank, the IFSB is engaged in the development of international standards for the regulation and supervision of Islamic financial institutions, the development of corporate governance and risk management mechanisms, conducting research and building the capacity of specialists. Membership will allow Uzbekistan to study the experience of other countries and introduce advanced international practices in the field of Islamic finance.

The creation of a legal framework for Islamic banking in Uzbekistan creates a need to train specialists with new qualifications for the banking and financial system. This process requires the organization of training in Islamic finance in the higher education

system, not limited to the organization of a separate bachelor's or master's degree, but rather integrating the stages of bachelor's, master's, professional certification and retraining. Currently, Islamic finance programs have been established at the International Academy of Islamic Studies of Uzbekistan, UDEA University, Tashkent University of Economics and the Academy of Banking and Finance, in which the principles of Islamic finance are integrated with business administration, financial management and other management disciplines. It is not enough to provide an Islamic bank with only an "Islamic finance specialist". Each bank is required to form personnel with specific professional competencies in the following areas:

- Islamic finance products specialist;
- Sharia compliance specialist;
- Sharia auditor;
- Islamic bank accountant;
- Islamic bank risk manager;
- liquidity specialist;
- Specialist in PSIA, PER and IRR;
- Sukuk and investment instruments specialist;
- Islamic FinTech expert;
- lawyer in Islamic banking law;
- internal audit specialist;
- members of the Islamic Finance Council.

This issue is particularly important, since according to the Central Bank's 2026 regulations, the knowledge and skills of the members of the Islamic Finance Council of the bank should collectively cover Islamic finance standards, the main areas of Islamic banking, identifying and managing its inherent risks, and the legislation of Uzbekistan on Islamic banking. In addition, Islamic law specialists in the Islamic Finance Council are required to know Arabic at the level of understanding and interpreting primary sources in Arabic. Based on the above, it is proposed to introduce a "4-step personnel training process" in training personnel for the Islamic banking system in Uzbekistan:

Step 1 — Foundation: formation of fundamental economic, banking, and Sharia knowledge through a bachelor's degree;

Step 2 — Specialist: Deep specialization in risk management, accounting, audit, sukuk, Sharia governance, and other areas through an MSc degree;

Step 3 — Professionalism: Retraining of current bank employees using professional programs based on AAOIFI/IFSB;

Step 4 — Practice: formation of practical competencies through mandatory practice in commercial banks, the Central Bank, and Islamic financial institutions, case studies, and the development of real Islamic banking products.

An important aspect of this approach is that universities do not repeatedly train specialists in the same content, but specialize based on their institutional advantages.

In addition, Accounting and auditing organization for Islamic financial institutions (AAOIFI) is implementing international certification programs to train professionals for the Islamic finance sector. In particular, the Certified Islamic Professional Accountant (CIPA) program was introduced in 2006 and aims to train specialists in Islamic accounting, auditing, risk management, corporate governance, and Sharia standards. Also, the Certified Shari'ah Adviser and Auditor (CSAA) program serves to train professionals in the fields of Sharia auditing and Sharia governance. According to AAOIFI, these certificates form an important professional infrastructure for the implementation of international standards in Islamic financial institutions.

4. Discussion

The results show that the challenges of implementing Islamic finance in Uzbekistan are largely consistent with those identified by international organizations for new adopters: insufficient harmonization of regulation, limited Sharia governance capacity, unclear treatment of profit-sharing investment accounts, a shortage of Sharia-compliant liquid assets and underdeveloped safety-net mechanisms. At the same time, the adoption of Law No. ZRU-1126 in 2026 has shifted the focus of the problem. Whereas earlier studies

emphasized general legal obstacles to Islamic finance, the main issues now concern the secondary regulation needed to implement the law: the legal regime of restricted and unrestricted investment accounts, Sharia-compliant deposit insurance, the formation and disclosure of PER and IRR, Sharia-compliant liquidity instruments and the adaptation of AAOIFI standards to national practice.

The solutions proposed in this study, namely a two-tier Sharia governance system, differentiated deposit insurance coverage, separate liquidity regulation for Islamic banks and Islamic windows, and a four-step personnel training process, are interrelated. For example, the protection of investment account holders depends simultaneously on disclosure rules, on the proper use of PER and IRR, and on the availability of specialists capable of managing these mechanisms. Therefore, these measures should be introduced as a coordinated package rather than separately. Since the law has only recently entered into force, the effectiveness of the proposed measures should be assessed empirically in future studies as banking practice develops.

5. Conclusion

The main problem of introducing Islamic finance in Uzbekistan is not religious or political, but rather the problem of legal and institutional adaptation. The problem is that the current system sees the bank as a deposit-credit intermediary, while Islamic finance is often based on asset ownership, partnerships, leases, investment accounts and compliance with Sharia. Therefore, the solution cannot be fragmentary: banking law, civil law, taxation, capital markets, insurance, prudential supervision and personnel policy must be reformed as a package. International experience shows that it is precisely where this comprehensive approach is not available that Islamic finance often remains nominal or a narrow segment.

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