

# Towards a Russian Model of Islamic Banking: Legal Lessons from Bahrain, Indonesia, and the UAE

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**Abstract:** Islamic banking law is a growing matter in the Islamic world. This kind of banking law which is based on Sharia, recently has played a big role in attracting foreign investments in Islamic states. The significant impact of this banking system has made some states to adopt a precise legal framework for their Islamic banking; As the United Arab Emirates in 1985, Bahrain in 2006 and Indonesia in 2008 have approved their Islamic banking laws. Russia, as a state with Muslim republics, adopted the Islamic Banking Law which entered into force in four republics, namely Republic of Bashkortostan, Tatarstan, Dagestan and Chechnya on September 1, 2023.

**Purpose:** The main purpose of the paper is to answer the basic question: What is a good framework of Islamic banking law which can attract foreign investments?

**Method:** the qualitative and general logical methods, as well as research techniques are used in analyzing shariah law especially Islamic banking contracts and the complying the Russian banking law with the Sharia framework.

**Results:** considering the United Arab Emirates Law No. 6 of 1985 on Islamic banks, the law No. 21 of 2008 on Islamic banking of Indonesia and Bahrain Islamic banking regulatory framework No. 64 of 2006 as a comprehensive Islamic banking laws and analyzing the new Russian banking law, I came to the conclusion that a good framework of Islamic banking law which attracts foreign investment is based on four criteria *i.e.* Islamic basis, Islamic contracts, Islamic financial institutions and Islamic supervision.

**Keywords:** Islamic banking law, Foreign investment, Russia, UAE, Bahrain, Indonesia.

## INTRODUCTION

Islamic economics is the knowledge and application of rules and injunctions of the Shariah which prevent injustice in the acquisition and disposal of material resources in order to provide satisfaction to human beings and enable them to perform their obligations to Allah and the society (Marifa Academy, 2014, p. 17). In Arabic, shariah literally means path and has been commonly used in reference to 'a prophetic religion in its totality, generating such phrases as *shariat Mūsā*, *shariat al-Masīh* (the law/religion of Moses or the Messiah) (Nesrine Badawi, 2009, p.2). So, in Islam, Shariah Law is the religious law and moral code of Islam, described as the infallible law of God, which deals with policy, society, crime, finance, and human (Abadikhah, Mostafa, 2024, p 136). The Shariah-compliant financial assets and Islamic finance which establish the core of Islamic banking have become one of the fastest growing segments of the financial market industry (Kstherine Johnson, 2013, p. 1), operating through more than 400 institutions in 80 countries (Kit Gillet, 2020). The elements of Islamic banking attract foreign investment (Selimović, Dino, 2024) and most likely impact economic growth; As from the very beginning, Islam has paid attention to it. In Surah Al- Qasas (28:77), Allah says,

- Rather, seek the 'reward' of the Hereafter by means of what Allah has granted you, without forgetting your share of this world; And be good 'to others' as Allah has been good to you. Don't seek to spread corruption in the land, for Allah certainly doesn't like the corruptors."

The Verse 77 shows the main purpose of Islamic economy, which is to prevent corruption and help economic growth and prosperity in the international community. Undoubtedly, Islamic banking contributes to this valuable purpose by attracting foreign investment. Islamic banking system attracts investors from Muslim-dominant countries (states from the Middle East) who are looking for Shariah-compliant alternatives (Abadikhah, Mostafa, 2025, p 68). Over the last few years, the rise of Islamic banking and finance has helped increase the number of foreign investments from Muslim states to European ones (Selimović, Dino, 2024, p. 1). Apart from the establishment of Islamic banks in European states, many European conventional banks have also commenced proposing Shariah-compliant assets or Islamic banking operations due to attract Muslim foreign investors (Rodney Wilson, 2007/2).

Although Islamic banking is based on Sharia law, it cannot guarantee the attraction of foreign investment; Rather, states need a regular framework, or in other words, precise and clear modern banking laws and regulations in accordance with Sharia law, to facilitate the foundation to attract foreign investments through Islamic banking. As Egypt by the establishment of the

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Mit Ghamr Local Savings Bank in 1963 marked a new milestone in the development of the modern Islamic banking system (Sudin Haron, Norafifah Ahmad, 2011, p. 155). In addition, the United Arab Emirates Law No. 6 of 1985 on Islamic banks, the law No. 21 of 2008 on Islamic banking of Indonesia and Bahrain Islamic banking regulatory framework No. 64 of 2006 as a comprehensive Islamic banking laws have been approved by relevant states. Russian Federation, as one of the states with Muslim republics, recently adopted its Islamic Banking Law titled “on conducting an experiment to establish special regulation in order to create the necessary conditions for the implementation of partner financing activities in certain subjects of the Russian Federation and on amendments to certain legislative acts of the Russian Federation”, which entered into force in four republics, namely Bashkortostan, Tatarstan, Dagestan and Chechnya on September 1, 2023.<sup>1</sup> According to Russian Deputy Finance Minister Alexey Moiseev, the Ministry of Finance anticipates attracting foreign investments through the implementation of Islamic finance instruments within the framework of the partnership (Islamic) banking experiment launched in selected regions (Russia-Islamic world, 2023).<sup>2</sup>

It is clear that Russia seeks three main purposes by such Law: first, greater cooperation and partnership with Islamic states, second, attracting investors who are looking for opportunities based on Sharia law, and finally, the development of the Russian economy, especially in the four specified republics. Hence, the fundamental question of this article is: what is the framework of the Russian Islamic banking law which can attract foreign investments? In line with the answer to the question, there are three hypotheses here: 1. Attracting foreign investment by Islamic banking, requires a legal framework that is based on Sharia law. 2. Leading Islamic countries like United Arab Emirates, Bahrain and Indonesia approved comprehensive Islamic banking laws which are based on four criteria Islamic basis, Islamic contracts, Islamic financial institutions and Islamic supervision. 3. the new Russian Islamic banking law is in accordance with the leading Islamic banking legislations which pave the way of attracting foreign investments.

According to the main question and hypotheses, the article proceeds in four steps: Part 1 deals with the dimensions of finance and its features in sharia law. Part 2 focuses on the basis of good Islamic banking law

which can attract foreign investors. Third part refers to Russian Islamic banking law and analyzes the framework of the law. The last part concludes.

## 1. ISLAMIC FINANCE IN SHARIAH LAW

The laws regarding finance come under the Shariah branch which is called “Muamalaat”<sup>3</sup> in Arabic language. The main Shariah rule in connection with business transactions is that, “Unless there is a clear prohibition in either the Quran or Sunnah, every business or transaction is permitted” (Marifah Academy, 2014, p 25). The Qur’an is the main holy book of Muslims. It is the most authoritative and sacred text in the Muslim tradition. The contemporary form of the Qur’an is the same across the Muslim world. There is a general agreement that the number of legal verses in the Qur’an amount to around 500 verses (Nesrine Badawi, 2009, p 3). The Sunnah is the collection of traditions and practices of the Prophet Muhammad, as recorded in hadith. The Qur’an and the Sunnah are foundational to all aspects of Islamic life, from religious beliefs and practices to social, commercial and political systems (Al-Marjan, 2023). In accordance with the Qur’an and Sunnah, the most important features of Islamic finance are based on two dimensions, *i.e.* “encouragement to establish justice and equity” and “prohibitions of riba, gharar, maysir and unlawful goods and services” which can be seen as follows:

### 1.1. Establishing Justice and Equity

Islamic finance tries to boost social justice and equity in human community. Justice in business or partnership requires that both the parties should contribute cash, assets or work and bear or share the risk in business. On the basis of contribution and risk bearing or sharing, the profit and loss are distributed to the parties all. So, the application of Islamic law in finance is not just for cleaning the financial system from interest and benefits like Gharar, rather it is to establish justice in finance for which Riba and Gharar have been prohibited (Marifa Academy, 2014, P 27). In Qur’an, Allah says,

- And give full measure and weight in justice. We do not charge any soul except [with that within] its capacity. And when you speak [*i.e.*, testify], be just, even if [it concerns] a near relative. And the covenant of Allāh fulfill. This has He instructed you that you may remember (Al-An’am, Verse 152).

### 1.2. Prohibition of Riba

Riba is an increase or excess which accrues to the owner in an exchange or sale of a commodity, or, by

<sup>1</sup> State Duma, On conducting an experiment to establish special regulation in order to create the necessary conditions for the implementation of partner financing activities in certain subjects of the Russian Federation and on amendments to certain legislative acts of the Russian Federation, Adopted by the State Duma on July 19, 2023, Approved by the Federation Council on July 28, 2023, available at, [https://www.consultant.ru/document/cons\\_doc\\_LAW\\_453966/](https://www.consultant.ru/document/cons_doc_LAW_453966/)

<sup>2</sup> Bashkortostan, Tatarstan, Dagestan and Chechnya

<sup>3</sup> In Arabic: معاملات

virtue of a loan arrangement, without giving in re equivalent counter value to the other party (Engku Rabiah Adawiah Engku Ali, 2024). The Federal Shariah Court of Pakistan in the *Mahmood ur Rahman Faisal v Secy. Miny. of Law case*, held that riba is unlawful and all banks in Pakistan have to adopt Islamic principles in eliminating all elements of riba from its operation.<sup>4</sup> This mindset originates from the Qur'an because God has forbidden Riba. According to Surah Al-Baqarah (verse 275),

- Those who consume interest will stand 'on Judgment Day' like those driven to madness by Satan's touch. That is because they say, "Trade is no different than interest." But Allah has permitted trading and forbidden interest (Riba).

### 1.3. Prohibition of Gharar

Gharar literally means "deceit" (Md Akther, 2015, P. 4) and in banking law in related to contractual uncertainty. Under the Sharia'a law, one cannot sell a commodity not owned by the potential seller, and nor can the financier effect a forward sale. The bank is therefore bound to purchase the commodity from the supplier. Only then can he sell it to the client after having its physical or constructive possession (Brian Kettell, 2011, P. 54). Qur'an has prohibited Gharar and knows it as fraud and deception. In this regard, Allah describes the people who defraud and deceive as people with diseased hearts. Also, Qur'an considers fraud and deceit to be linked to the habit of lying. According to Al-Baqarah, all the above conduct are described as corruptions and the people who are doing them as corrupts,

- They seek to deceive Allah and the believers, yet they only deceive themselves, but they fail to perceive it (Al-Baqarah, verses 9,10 and 11).

In addition, Qur'an encourages people to avoid dealing with delusions which mean Qarar in Arabic (Nehad A, Khanfar, 2016, p. 6).

### 1.4. Prohibition of Maysir

Maysir literally means gambling. It refers to the easy acquisition of wealth by chance, whether or not it deprives the other's right. Islam has also categorically prohibited all forms of gambling. For example, uncertainty of the timing of benefits of a pure life insurance contract creates an element of Maysir. Casinos are also common example of Maysir, where simply transfer of wealth take place from losers to winner without creating a new stock of wealth. In brief,

contracts involving pure speculation, conventional insurance and derivatives are examples of Maysir (Md Akther, 2015, p 5). In Qur'an, Allah expressly has prohibited Maysir in surah Al-Baqarah and Surah AL-Maidah (Al-Quran, 5:93).

- They ask you 'O Prophet' about intoxicants and gambling. Say, "There is great evil in both, as well as some benefit for people—but the evil outweighs the benefit (Al-Baqarah 2:219).

### 1.5. Prohibition of unlawful services and goods

Islamic finance business holds a distance from trading in unlawful goods and services that are prohibited and are expressly mentioned in the Quran. Some of the prohibited goods and services include non-Halal foods such as pork, animals that are not slaughtered based on Islamic principles, pornography, intoxicating drinks, tobacco-related products and weapons. Non-involvement is not only limited to buying or selling but also includes all chains of distribution and production, such as packaging, transportation, warehousing and marketing of these prohibited goods and services (Marifa Academy, 2014, p 27). In Qur'an (Al-Nisa, 4:29), Allah says,

- believers! Do not devour one another's wealth illegally, but rather trade by mutual consent.

In addition, Allah says in Surah Al-Mutaffifin,

- Woe to the defrauders! (Verse 1) Those who take full measure 'when they buy' from people (Verse 2) but give less when they measure or weigh for buyers (Verse 3)

## 2. THE BASIS OF A GOOD ISLAMIC BANKING LAW

Islamic banking draws its merit propositions from the implementation of a various spectrum of Shariah contracts in financial transactions which provide for different risk and return profile. The strict adherence by Islamic financial institutions to Shariah principles under such distinctive contracts preserves the validity and sanctity of Islamic financial transactions. Therefore, it means that a law related to Islamic banking should contain four factors. First, the proper basis and precise framework based on Sharia law, second, considering the Islamic contracts. Third, mentioning the Islamic financial institutions' dimensions. Fourth, Islamic supervision. Hence, such Islamic banking rules can be divided into two categories.

1. the law which more focuses on the basis in accordance with the Sharia law and dimensions of Islamic financial institutions. The Russian

<sup>4</sup>. Ibid, P 1.

Islamic Banking Law titled “on conducting an experiment to establish special regulation in order to create the necessary conditions for the implementation of partner financing activities in certain subjects of the Russian Federation and on amendments to certain legislative acts of the Russian Federation”, can be considered in this category (state Duma, 2023).

2. the law which, in addition to a precise framework based on Sharia, also considers the Islamic contracts and dimensions of Islamic financial institutions. For example, the Islamic Financial Services Act of Malaysia can be placed in this group (Bank Negara Malasia, 2013).

### 2.1. Islamic Banking Contracts

It is necessary that the Islamic banking laws pay attention to the types of Islamic banking contracts or at least describe their main orientation in detail. Below, I will briefly show the types of contracts and ultimately, mention their main orientation. The Islamic banking contracts are as follows: “*Murabahah, Istisna’, Ijarah, Tawarruq, Mudarabah, Musharakah, Wakalah, Kafalah, Rahn, Wadi’ah, Qard Al-Hassan*”

- *Murabahah* is a term of Islamic *Fiqh* (Islamic jurisprudence). It refers to a particular kind of sale having nothing to do with financing, in its original sense. If a seller agrees with the purchaser to provide him with a specific commodity with a certain profit being added to his cost, it is called a Murabaha transaction (Brian Kettell, 2011, p. 43).
- *Istisna’* is a long-term sales contract between a customer and the bank, whereby the Bank agrees to construct and deliver an asset at a pre-determined future time, at an agreed price (Dubai Islamic Bank, 2024).
- *Ijarah* is an agreement that shifts possession for the benefit of assets for a quantified interval in exchange for a specified consideration to another person (Yusuf, M.S, 2021, p.50).
- *Tawarruq* means to purchase a commodity at deferred price, either by negotiation or *Murabahah*, and then sell the commodity to a third party, in order to obtain liquidity. In this sense, *Tawarruq* is a mutual trade, because there is no difference between buying at cash and selling at cash or deferred price (Nur Yuhani Bt Ismon, p 84).
- *Mudarabah* refers to a form of business contract in which one party brings capital and the other brings personal effort and time to a business transaction. The proportionate share in profit from the business deal is determined by mutual agreement. But the loss, if any, is borne only by the owner of the capital, in which case the entrepreneur gets no share of the profits for his labour (Brian Kettell, 2011, p 63).
- *Musharakah* is a joint partnership arrangement in Islamic finance in which profits and losses are shared. Profits from interest are not permitted in Islamic practice, necessitating the need for *musharakah* (Will Kenton, 2024).
- *Wakalah* is an agency contract, where the account holder (principal) appoints an Islamic finance institution (agent) to carry out investment activities. Islamic banks and financial institutions offer *wakalah* contracts in many different forms, including letter of credit, Islamic monetary certificate, Islamic bonds, term deposit, and Islamic insurance (Suhaimi, M, 2016, p 160).
- *Kafalah* is the guarantee for a loan and all loans must be re-paid in due course according to shariah law. The law allows the lenders to demand some sort of security for the loan in the cases where the borrower fail to repay the loan (Ibid).
- *Rahn* or better known as Islamic pawn broking can be defined as a method of providing short-term financing to a person by pawning his or her gold to the banks or any Islamic pawnshop as a security. It is one of the micro financing facilities that is available for medium and lower income group who are seeking financial assistance to meet their purposes (Nor Aishah Mohd Ali, 2016, p. 1).
- *Wadi’ah* in the literal sense means leaving something to somebody’s custody. In the legal sense signifies a thing entrusted to the care of another. In modern Islamic banking system it has been defined as the consent of the depositor to deposit a certain amount of money with the bank with different terms according to the type of deposit, either deposit base on withdrawal upon demand or deferred to a specific later date as agreed between the two parties and create from this deposit responsibility on the bank to refund a certain amount of money upon demand or upon the fulfilment of the specified period which ever come first (Ahmad Basri bin Ibrahim, 2024, p 77).

**Table 1: The Main Orientation of the ISLAMIC Banking Contracts (Source: Bank Negara Malaysia)**

Main Orientation		
Axis	Sub-axis	Contracts
Liability-based	Islamic Deposits	<ul style="list-style-type: none"> <li>• <i>Wadi'ah</i></li> <li>• <i>Tawarruq</i></li> <li>• <i>Qard</i></li> </ul>
	Investment Accounts (Equity)	<ul style="list-style-type: none"> <li>• Mudarabah</li> <li>• Musharakah</li> </ul>
	Investment Accounts (Other)	<ul style="list-style-type: none"> <li>• Wakalah</li> </ul>
Asset-based	Sale-Based	<ul style="list-style-type: none"> <li>• Murabahah</li> <li>• Istisna'</li> <li>• Ijarah</li> <li>• Tawarruq</li> </ul>
	Equity-Based	<ul style="list-style-type: none"> <li>• Mudarabah</li> <li>• Musharakah</li> </ul>
	Fee-Based	<ul style="list-style-type: none"> <li>• Wakalah</li> <li>• Kafalah</li> <li>• Rahn</li> </ul>

**Table 2: The Good Framework of Islamic Banking Law (source: investigation of author)<sup>5</sup>**

Main Framework Based on the Islamic Banking Law of Bahrain, Indonesia and United Arab Emirates	
<b>Islamic basis</b>	the Islamic banking law must be in accordance with the main features of Islamic finance. As I mentioned, the significant features include "encouragement to establish justice and equity" and "prohibitions of riba, gharar, maysir and unlawful goods and services" <sup>6</sup> Article 1 of "the United Arab Emirates Law No. 6 of 1985 on Islamic banks" speaks about the Islamic basis of the law (Federal law No. 6 of 1985 on Islamic banking). The Central Bank of Bahrain in Volume 2 speaks about Islamic basis and shariah compliance of the Bahrain Islamic banking regulatory framework No. 64 of 2006. Article 1, para. 1 of the law No. 21 of 2008 on Islamic banking of Indonesia, states that the law is based on the shariah principles and in accordance with Islamic law.
<b>Islamic contracts</b>	In this section, the Islamic banking contracts and their dimensions should be considered. In addition, management of Islamic banking relations and Islamic partnership are other issues which need to be mentioned in this part. Articles 6 to 12 of the law No. 21 of 2008 on Islamic banking of Indonesia, fully explain the Islamic operations, contracts and their dimensions. Article 1 and 5 of "the United Arab Emirates Law No. 6 of 1985 on Islamic banks" focuses on the Islamic banking contracts. The Central Bank of Bahrain in Volume 2 titled Islamic banking regulatory framework No. 64 of 2006, pays attention to the types of the Islamic banking contracts.
<b>Islamic financial institutions</b>	Islamic banking services are mainly provided by banks. In this regard, banks can be divided into three categories. First, the banks which established aim at Islamic banking, such as Dubai Islamic Bank. Second, the banks which have been established based on conventional banking, but in accordance with the will of the society, are also engaged in Islamic banking operations. Third, the banks which were created based on conventional banking operations, but due to a series of events like the revolutions, their nature has changed, such as the Bank Meli Iran, which operated in Iran under the glorious Pahlavi dynasty before the Islamic Revolution of 1979 in accordance with conventional bank. The Islamic banking law must pay attention to the institutions and their types which operate Islamic banking. The Central Bank of Bahrain in Volume 2 (chapters 1 to 4) titled Islamic banking regulatory framework No. 64 of 2006, pays attention to the dimensions and operations of Islamic financial institutions. Article 1 4, 5 and 7 of "the United Arab Emirates Law No. 6 of 1985 on Islamic banks" focus on the Islamic financial institutions and their economic operations. Articles 1, 6, 7, 8 and 20 of the law No. 21 of 2008 on Islamic banking of Indonesia, fully pay attention to the Islamic financial institutions.
<b>Islamic Supervisions</b>	This part is so important one; because definitely the government needs to know about the positive or negative results of the application of the law. So, in this regard, there might be some committees to analyze the situation and manage it. The law No. 21 of 2008 on Islamic banking of Indonesia, refers to the Islamic supervision considering the role of supervisory board and Bank of Indonesia in articles 7, 11, 21, 22, 26 and 28. The Central Bank of Bahrain in Volume 2, titled Islamic banking regulatory framework No. 64 of 2006, focuses on the shariah supervisory board which is the main governmental body to analyze the shariah compliance issues. Article 25 of "the United Arab Emirates Law No. 6 of 1985 on Islamic banks" considers the role of shariah supervision in Islamic banking operations.

- *Qard AL- Hassan* is a mechanism for welfare and not for purposes of business transactions. It is a loan that is free from usury, and given to charitable causes. The borrower is only required to repay the amount borrowed (Wan Nor Aisyah Wan Yussof, 2015, p 14).

In line with the Islamic banking contracts, the main orientation of the contracts in Islam can be considered as follows (Table 1):

## 2.2. The Good Framework of Islamic Banking Law

As I mentioned a good framework of Islamic banking law can attract foreign investment. Considering the leading Islamic banking laws in various

<sup>5</sup> For more information see, Bank Negara Malaysia, financial stability and payment systems report 2012: Contract-Based Regulatory Framework for Islamic Finance, 2012, available at, [https://www.bnm.gov.my/documents/20124/856383/cp02\\_003\\_box.pdf](https://www.bnm.gov.my/documents/20124/856383/cp02_003_box.pdf) (accessed May 28, 2024)

<sup>6</sup> See, supra section 1.

**Table 3: The framework of Islamic banking law of Russia (source: investigation of Author)**

<b>The Main Framework of Russian Islamic Banking Law</b>	
<b>Islamic basis</b>	<p>The interesting thing about this law is about being Islamic; in fact, this law doesn't mention anything that this is Islamic banking or finance law, but we can get the point by considering two things: first, some Islamic rules like prohibition gambling<sup>7</sup> and second, the place of entry into force which this law entered into force in four Islamic republics of Russia. According to article 1(3), The experiment is carried out on the territories of the Republic of Bashkortostan, the Republic of Dagestan, the Republic of Tatarstan (Tatarstan), the Chechen Republic (Russian Islamic Banking, 2023).</p> <p>The Shariah-compliant basis of this law is placed in article 2. In accordance with para 3 of this article some Islamic prohibitions have been regulated as follows, "The participants of the experiment, when carrying out partner financing activities, are not entitled to finance activities related to the production of tobacco and alcohol products, weapons, ammunition, trade in such goods, as well as gambling (Ibid, article 2 and 3)."</p>
<b>Islamic contracts and operations</b>	<p>The federal law doesn't speak about types of Islamic contracts or their features<sup>8</sup> but throughout the law discuss about business transactions or contracts, which by considering the goals of the law, it is easy to see all the operations and contracts are Islamic ones. Like paras 8 and 9 of the article 2 which speak about purchase of residential premises with a deferred (installment) payment; such installment can be placed under the <i>Al-ijarah Muntahia bi tamlik</i>. (Nazala Kirana Burhanudin, 2023)</p> <p>In addition, in this part some rules regarding the management, payments and risks have been cited which need to be controlled and based on the federal law. According to the para 10 of article 3, "The Bank of Russia may establish additional requirements for the activities of the participant, including standards, the procedure for calculating them and their values, additional requirements for the procedure for determining the amount of own funds (net assets), risk coefficients for certain types of assets, the maximum amount of remuneration for the participant of the experiment and (or) other payments (including in for the benefit of third parties) charged when carrying out partner financing activities, the maximum values of funds attracted and placed during the implementation of partner financing activities, the requirements for the organization of the risk management and internal control system of the participant of the experiment."</p> <p>Determining the values and benefits which mentioned in this para is one of the important features of Islamic finance that prohibits <i>Gharar</i>.<sup>9</sup></p>
<b>Islamic financial institutions</b>	<p>The milestone of this law is related to financial institutions. In fact, the most contents under this law are in connection with the institutions and their partnerships including partner financing activities, Requirements for the activity of the participants, acquisition of the status of a participant, maintaining a register of participants, Refusal to enter information about a legal entity in the register of participants, Exclusion of information about a legal entity from the register of participants in the experiment, requirements for the control bodies of the participant, requirements for shareholders (participants) of the participant. In other words, it is fully obvious that how the operations and transactions might be done.</p>
<b>Islamic Supervisions</b>	<p>As I mentioned, in line with analyzing a good framework, the Islamic supervision is a matter of importance. Because not only adopting the law, but also operating in conformity with it is important and need to be controlled by some institutions or governmental branches. Hence, Article 10 with 7 paras have been devoted to supervisions. According to para 1, "The Bank of Russia shall regulate the activities of the participants, as well as control and supervision over the compliance of the participants in their partner financing activities with the requirements of this Federal Law and the regulations of the Bank of Russia issued in accordance with it."<sup>10</sup></p>

states like the United Arab Emirates Law No. 6 of 1985 on Islamic banks, the law No. 21 of 2008 on Islamic banking of Indonesia and Bahrain Islamic banking regulatory framework No. 64 of 2006 as comprehensive Islamic banking laws, I came to conclusion that the good framework of an Islamic banking law should contain four sections, which I explain as follows (Table 2).

### 3. RUSSIAN ISLAMIC BANKING LAW

The State Duma has adopted new Russian banking law titled "On conducting an experiment to establish special regulation in order to create the necessary

conditions for the implementation of partner financing activities in certain subjects of the Russian Federation and on amendments to certain legislative acts of the Russian Federation" in July 2023, which entered into force in Bashkortostan, Tatarstan, Dagestan and Chechenia on September 1, 2023 for 2 years as an experiment one. The law includes 18 articles which discuss about general provisions, partner financing activities, Requirements for the activity of the participants, acquisition of the status of a participant, maintaining a register of participants, Refusal to enter information about a legal entity in the register of participants, Exclusion of information about a legal entity from the register of participants in the experiment, requirements for the control bodies of the participant, requirements for shareholders (participants) of the participant, Regulation of the activities of the participants, control and supervision of such activities, Expert Council, and ultimately amendments. Although the federal law is in general version in connection with the Islamic finance features and Islamic banking contracts, it has followed the path of establishing a

<sup>7</sup> It is exactly like Iranian Islamic banking law; because the Iranian parliament haven't said anything that the law is Islamic one but we can see such thing in accordance with the title of law which is called, "banking operations without Riba". It is obvious that riba is one of the operations against Islam and God prohibited it. For more information, refer to the Iranian banking law (1988), available at, <https://rc.majlis.ir/fa/law/show/90388> (in persian)

<sup>8</sup> As I mentioned in section 2.1.

<sup>9</sup> For more information about Gharar refer to section 1.3.

<sup>10</sup> Islamic banking law of Russia, article 10 (1)

good framework. Hence, considering the Table 2, I analyze the Russian law as follows (Table 3).

It is noteworthy that, apart from these four factors which show the Russian Islamic banking law placed in good framework, there is another great point about this federal law *i.e.* expert council. According to article 12, for the purposes of scientific, methodological, analytical and expert support of the experiment, an expert council is formed under the Government of the Russian Federation. The Expert Council evaluates the effectiveness and efficiency of the experiment according to the criteria established by the Government of the Russian Federation. In this regard, the council presents some proposals to the Russian Government. Ultimately, based on the results of consideration of the proposals, the Government makes one of the following decisions:

- on improving the mechanisms of the experiment;
- on the expediency of making amendments to the legislation of the Russian Federation;
- on the in expediency of introducing amendments to the legislation of the Russian Federation<sup>11</sup>

#### 4. CONCLUSIONS

Although Islamic banking law is based on the Shariah law, as it is ordered in the Qur'an in verse 77 of Surah Al-Qasas to don't seek spread corruption, and in line with this general order, the types of corruption such as *riba*, *gharar* and *maysir* has been defined in Islamic economic relations, but the Shariah law alone isn't enough to attract foreign investment and states need to regulate laws in accordance with Sharia law. In this article, I specified that the framework of a good Islamic banking law should contain the Islamic basis, Islamic contracts, Islamic institutions and Islamic supervision, and basically governments containing Islamic banking system such as Indonesia, Bahrain and United Arab Emirates have observed such dimensions. Russia has recently adopted its Islamic banking law titled "On conducting an experiment to establish special regulation in order to create the necessary conditions for the implementation of partner financing activities in certain subjects of the Russian Federation and on amendments to certain legislative acts of the Russian Federation." Analyzing the content of this law, I came to the conclusion that this federal law can facilitate the attraction of foreign investment in the republics of Bashkortostan, Tatarstan, Dagestan and Chechnya; Because the law, although in some cases, such as the

Islamic contracts, has dealt with the issue in a general way, it has considered the four major criteria which are necessary for a good Islamic banking law as they were considered by leading Islamic banking laws like the United Arab Emirates Law No. 6 of 1985 on Islamic banks, the law No. 21 of 2008 on Islamic banking of Indonesia and Bahrain Islamic banking regulatory framework No. 64 of 2006. In addition, the most significant point in this law is the supervisory dimensions and the expert council, which can literally help to boost the law and eliminate deficiencies through the experiment.

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