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**THE FEATURES OF DEVELOPMENT ISLAMIC BANKING**

In the last few decades the increasing significance of Islamic finance has been observed. Among all the Islamic financial institutions, banks emerged at the earliest. Up to now banks have been playing a dominant role in Islamic financial industry. The value of their assets accounts for over 90% of assets of all Islamic financial institutions. Islamic banks operate in over 75 countries,not only Muslim ones but also those where Muslim minority live, such as the UK, the USA or France.

A distinctive feature of Islamic banks is the obligation to conduct operations in accordance with principles of sharia, which is the religious law of Muslims. The basic sharia principle applied by Islamic financial institutions is the prohibition of usury (arab. *riba*). *Riba* is sort of increase over the principal amount. The prohibition of *riba* has huge implications on operations con-ducted by Islamic banks since none of them can be based on interest. Other important principles include: avoidance of uncertainty (*gharar*), prohibition of speculation (*maysir*) and prohibition of trading in illegal (*haram)* products (e.g. alcohol, pork, pornography, tobacco).

Conventional banks have access to a number of liquidity tools: interbank deposits, foreign ex-change swaps, repo operations, treasury bills and commercial papers. This tools are based on interest rate and that is why they are not accessible to Islamic banks. Thus the problem with the access to liquidity management instruments constitutes one of the most serious problems for Islamic banks.

Some initiatives have been already taken aiming at closer collaboration between different Islamic countries, such as establishment of International Islamic Liquidity Management Corporation (IILM), International Islamic Financial Market (IIFM) and Liquidity Management Center. Those bodies are expected to play a key role in the process of harmonization and standardization of transactions across the Islamic countries which would facilitate the creation of cross-border money market.

The Islamic banking system is still at the stage of formation, there are many contradictions and inconsistencies in it. For example, each bank has its own Shariah Council, which in its own way interprets Sharia law.

Along with adherence to strict sharia rules, that require crediting of real objects excluding operations with alcohol, pork, intentional risk, speculation, entertainment business, Islamic banks are adapting to the global banking system through various hybrid versions of profit sharing, responsible storage, joint venture, rent, etc.

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