

A Model for Regulating Islamic Finance Contracts in The Civil Code of The Republic of Uzbekistan: Codification, Shariah Compliance and Judicial Protection

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	Abstract The article examines the imbalance that has emerged since the introduction of Islamic banking in Uzbekistan between a well-developed public-law regulatory framework and an insufficiently codified private-law foundation. Law No. O‘RQ-1126 of 27 March 2026 addressed banking operations, licensing, Islamic finance councils and tax neutrality, yet it did not introduce murabahah, salam, istisna’, ijarah, mudarabah and musharakah into the Civil Code as distinct nominate contracts. Three models are compared: functional subsumption under existing contract types, a stand-alone special statute, and a framework chapter in the Civil Code. The article argues that the optimal solution is a Civil Code framework chapter consisting of general provisions and contract-specific sections, with operational details left to Central Bank standards. It develops a concept of provisions on the legal status of Shariah standards, the evidentiary weight of council opinions, the consequences of Shariah non-compliance, consumer disclosure, late-payment sanctions, the charitable allocation of late-payment amounts, and dispute resolution.
Keywords: Civil Code, Islamic banking, codification, Shariah compliance, contractual standard, judicial protection, consumer protection, invalidity.	

Introduction

Annotatsiya:

Maqolada O‘zbekistonda islomiy bank faoliyati joriy etilganidan keyin yuzaga kelgan “rivojlangan ommaviy-huquqiy tartibga solish — yetarli kodifikatsiyalanmagan xususiy-huquqiy asos” nomutanosibligi tadqiq etiladi. 2026-yilgi O‘RQ–1126-son Qonun bank operatsiyalari, litsenziya, islomiy moliya kengashlari va soliq neytralligini nazarda tutdi, ammo Fuqarolik kodeksiga murobaha, salam, istisno’, ijara, muzoraba va mushorakaning mustaqil shartnoma turlari kiritilmadi. Maqolada uch model — mavjud shartnomalarga funksional subsumsiya, alohida maxsus qonun va Fuqarolik kodeksidagi ramkaviy bob — solishtiriladi. Eng maqbul yechim sifatida Fuqarolik kodeksida umumiy qoidalar va maxsus paragraflardan iborat ramkaviy

bob, Markaziy bank standartlarida esa operatsion tafsilotlar taklif etiladi. Shariat standartining huquqiy maqomi, kengash xulosasining daliliy kuchi, shariatga nomuvofiqlik oqibatlari, iste'molchi axboroti, kechikish sanksiyasi, xayriya ajratmasi va nizolarni hal qilish bo'yicha moddalar konsepsiyasi ishlab chiqildi.

Kalit so'zlar: Fuqarolik kodeksi, islomiy bank faoliyati, kodifikatsiya, shariat muvofiqligi, shartnoma standarti, sud himoyasi, iste'molchi, haqiqiy emaslik.

Аннотация:

В статье исследуется дисбаланс между развивающимся публично-правовым регулированием исламского банкинга и недостаточно кодифицированной частноправовой основой в Узбекистане. Закон № ЗРУ–1126 от 27 марта 2026 года установил банковские операции, лицензирование, советы по исламским финансам и налоговые правила, но не ввел в Гражданский кодекс самостоятельные договоры мурабахи, салама, истисна, иджары, мударабы и мушараки. Сопоставлены три модели: функциональная квалификация через действующие договоры, отдельный закон и рамочная глава Гражданского кодекса. Обоснована последняя модель с общими нормами и специальными параграфами. Предлагаются правила о статусе стандартов, доказательственном значении заключений советов, последствиях несоответствия шариату, защите потребителя, просрочке и разрешении споров.

Ключевые слова: Гражданский кодекс, исламский банкинг, кодификация, соответствие шариату, договорный стандарт, судебная защита, потребитель.

Social and legal processes surrounding Islamic finance in Uzbekistan continue to evolve, as the sector has now become one of the financial segments formally recognized by the country's legal and regulatory framework. The Regulation "On the Procedure for the Provision of Islamic Financing Services by Microfinance Organizations", approved by Resolution No. 23/4 of the Board of the Central Bank of the Republic of Uzbekistan dated 19 July 2024, governs five types of services offered by microfinance organizations, namely Islamic ijarah, murabahah, salam, mudarabah and musharakah¹. Law of the Republic of Uzbekistan No. O'RQ-1126 of 27 March 2026, in turn, introduced the concept of Islamic banking, a special license, Islamic finance councils within banks and under the Central Bank, as well as trade-based, advance-financing, partnership and lease-with-purchase-option operations². According to the Central Bank, the Islamic finance services of microfinance organizations reached UZS 11.2 billion in the first quarter of 2026, having grown nearly eightfold year on year³.

¹ <https://lex.uz/docs/-7036330>

² <https://lex.uz/uz/docs/-8099403>

³ Central Bank of the Republic of Uzbekistan. "The Volume of Islamic Finance Services Reached UZS 11.2 Billion" [press release], 2026. https://cbu.uz/uz/press_center/releases/3916363/

Amendments to the Civil Code of the Republic of Uzbekistan have adapted certain rules relating to earnest money, bank deposits, bank income and trust management⁴. The most significant achievement of the Law of the Republic of Uzbekistan of 27 March 2026 “On Amendments and Additions Aimed at Introducing Islamic Banking in the Republic of Uzbekistan” is its explicit recognition of Islamic banking as a lawful banking activity. The Law also introduced the concept of “Islamic finance standards” into legislation. Contractual relations occupy a central place in Islamic finance. In particular, Article 354 of the Civil Code recognizes contracts not provided for by law as well as mixed contracts, while Article 5 permits the application of legislation by analogy⁵. Another achievement of the Regulation “On the Procedure for the Provision of Islamic Financing Services by Microfinance Organizations” is that it underpins contractual content with specific operational rules. For instance, in murabahah the purchase price and the mark-up must be disclosed; in Islamic ijarah the ownership risk of the asset remains with the institution; in mudarabah ordinary financial losses are borne by the capital provider; in musharakah losses are shared in proportion to capital contributions; and a separate late-payment amount is directed to charity on the client’s behalf⁶. However, the Central Bank regulation is not equivalent to the general contractual regime of the Civil Code, as its scope in terms of both persons and activities is limited. Where a transaction bearing the same name is concluded between other parties, the same private-law outcome is not guaranteed. To resolve these and similar issues, and in view of the intersection of different regulatory instruments, the following three models are proposed:

Proposed models		
1	2	3
Functional subsumption under existing contract types	A separate Law “On Islamic Finance”	A separate chapter in the Civil Code

These models may be described in full as follows. The first model is closest to the current state of affairs. Under it, the parties conclude a mixed contract on the basis of Article 354 of the Civil Code, and the court relies on the existing contract types. This model allows new products to be launched quickly, but one and the same document may be characterized by different courts as a loan, a financial lease or a sale. Even where a Shariah council has approved the product, its civil-law consequences remain uncertain.

The second model consolidates terminology, standards, councils, operations, taxation and dispute resolution in a special statute. However, moving contractual institutions outside the Code weakens the unity of civil legislation. Questions of subsidiary application—between an ordinary sale and murabahah, or between an ordinary lease and Islamic ijarah—would give rise to conflicts between legal rules.

⁴ Law of the Republic of Uzbekistan No. O’RQ-1126 of 27 March 2026 “On Amendments and Additions Aimed at Introducing Islamic Banking in the Republic of Uzbekistan”. <https://lex.uz/docs/-8099403>

⁵ <https://lex.uz/docs/-111189>

⁶ <https://lex.uz/docs/-7036330>

Under the third model, a chapter entitled “Islamic Financing Contracts” is incorporated into Part Two of the Civil Code. The general section of the chapter sets out the principles and remedies applicable to all such contracts, while the subsequent sections lay down minimum rules for murabahah, salam, istisna’, Islamic ijarah, mudarabah, musharakah and the wakalah investment account. The Central Bank, for its part, develops the detailed requirements for licensed entities concerning documentation, risk, reporting, councils and product approval.

5. General Provisions of the Proposed Framework Chapter

The first provision should define an “Islamic financing contract” as a contract that links return to an asset, a service or entrepreneurial risk on the basis of sale, lease, partnership, agency or another lawful legal structure. The definition is aimed at identifying the legal mechanism rather than at scrutinizing religious doctrine. What is decisive is not the name of the transaction but the actual rights and obligations it creates.

The second provision establishes a hierarchy of standards. An Islamic finance standard designated as mandatory by law or by an act of the Central Bank constitutes a regulatory requirement for a licensed entity. Any other standard to which the parties refer in the contract, citing a specific edition and clause, applies as a contractual term. Where a general reference is ambiguous, it may not be interpreted expansively to the detriment of the consumer. Mandatory national law prevails over any standard.

The third provision makes prior disclosure mandatory with respect to: the legal type of the transaction; all related contracts and their sequence; the asset and title to it; the final price or profit share; costs and fees; the key risks; the consequences of early termination and breach; and the approval of the Shariah council together with the standard applied. The client should be provided with a short “key terms sheet”.

The fourth provision establishes the link between return and risk. A trade mark-up is earned in return for the seller’s acquisition of the asset and assumption of sale risk; rent, in return for providing the usufruct of the property; and partnership profit, in return for participating, through capital or management, in the risk of the venture. If the documents shift this risk entirely to the client, leaving the financier with nothing but a guaranteed monetary return, the court recharacterizes the transaction according to its substance.

The fifth provision reconciles the independence of related contracts with their joint interpretation. Each sale, lease, agency or promise is concluded separately and binds its own parties; at the same time, the economic purpose of the entire operation is taken into account when assessing consumer rights and artificial structures. This approach avoids the two extremes of formalism and economic recharacterization.

The sixth provision governs the promise (wa’d). The unjustified withdrawal of a party that has given a clear and credible promise to enter into a contract in the future obliges it to compensate the actual, documented loss incurred by the other party in reasonable reliance on that promise. Unless the law or the parties expressly provide otherwise, the promise itself is not deemed to be the principal asset contract.

6. Contract-Specific Sections and the Minimum Mandatory Core

The murabahah section should require the financier to acquire ownership of, or lawful possession over, the asset before selling it to the client; to state the purchase cost and the mark-up separately; to refrain from increasing the sale price in exchange for extending the payment term; and to separate the client's role as agent from the subsequent sale. The salam section establishes full advance payment, a precise description of goods defined by generic characteristics, and the independence of parallel salam. The istisna' section regulates technical specifications, staged payments, acceptance, defects, design changes and parallel istisna'.

The Islamic ijarah section should entrench the financier's ownership risk, the absence of rent until the asset is delivered, a reduction in rent where the possibility of use diminishes, major maintenance, and a separate transaction for the transfer of title. For mudarabah, it provides that one party contributes the capital and the other the management; that profit is a share of the actual result; and that ordinary losses are borne by the capital provider, whereas losses caused by fault are borne by the manager. In musharakah, losses are proportionate to capital shares, while profit is distributed in the agreed ratio; in diminishing musharakah, each sale of a share is documented separately.

The special core should be mandatory for two reasons. The first is the legal identity of the product: a time-based return earned by a "seller" who has never acquired the asset is not murabahah. The second is the protection of the weaker party: where a standard-form contract places all the risk on the client, the client's "consent" may be merely formal owing to market and information asymmetries. Mandatory rules do not abolish commercial freedom; they set the minimum condition for offering a product specifically as Islamic finance.

7. Shariah Compliance and Judicial Protection

The legal force of a Shariah council opinion must be clearly delineated. The council approves a product for internal and regulatory purposes, but it does not replace the jurisdiction of the court in a civil dispute. Official standards and interpretations issued by the central council under the Central Bank may be binding within the scope of its regulatory mandate, whereas an opinion on a particular dispute is assessed as evidence based on specialized knowledge. The court itself reaches the final legal conclusion on the basis of the contract, the law and the facts.

Shariah non-compliance should not automatically render the entire contract invalid. A three-tier system of consequences is proposed. If the non-compliance violates mandatory law, the general rules on invalidity apply. If it breaches a standard that the parties have expressly incorporated as an "essential term", the aggrieved party may demand rectification, a price adjustment, compensation for loss or, in the event of a material breach, termination. If the non-compliance concerns only an internal council procedure and does not affect the client's rights or the outcome of the transaction, regulatory measures may be applied to the institution, but the contract of the client acting in good faith remains in force.

Late-payment sanctions require a clear distinction between compensation and penalty. The creditor may claim the reasonable costs of recovering the debt and the actual loss directly caused by the debtor's culpable breach. By contrast, turning a pre-agreed additional sum into income for the creditor increases the debt in exchange for time. The model adopted in Regulation No. 3536, under which such sums are directed to charity on the client's behalf, separates the disciplinary

effect from the creditor's profit [4]. The Code should provide that such a sum is not the property of the creditor, is held in a separate account, is disclosed to interested persons, and may be reduced by the court.

The subject matter of expert examination in judicial proceedings must also be delimited. An expert explains the content of an international standard, the stages of an operation or the practice of a council; the expert does not answer the legal question of "whether the claim should be granted". The parties may opt for arbitration, but an arbitration agreement in a consumer contract must be based on informed and separate consent. The applicable law remains the law of Uzbekistan; a Shariah standard, as an incorporated term, may not be used to circumvent its mandatory rules.

8. Outline of the Proposed Provisions

Proposed provision	Summary of content	Expected legal effect
General definition and substance over form	Return is linked to an asset, service or risk; actual rights, not the label, are decisive	Sham labeling and disguised lending are curtailed
Hierarchy of standards	Mandatory reference—regulatory requirement; specific incorporation—contractual term; mandatory rules of the CC prevail	The sources and limits of interpretation become clear for the courts
Prior disclosure of information	Chain of documents, price, share, fees, ownership and risk set out in a "key terms sheet"	The consumer's informed consent is strengthened
Promise and actual loss	A promise is not the principal transaction; reliance loss is compensated upon unjustified withdrawal	The purchase stage of murabahah/ijarah is protected
Consequences of Shariah non-compliance	Breach of mandatory law, breach of an essential term and breach of internal procedure are distinguished	The risk of automatic invalidity and unjust enrichment is reduced
Council opinion and the court	The status of a regulatory standard is treated separately; an individual opinion is expert evidence, not automatically binding on the court	Secular judicial authority and specialized knowledge are harmonized
Late payment and charity amount	Actual loss goes to the creditor; the disciplinary amount goes separately to charity, with transparent accounting	Increasing the debt in exchange for time is prevented

If these provisions are placed in the Civil Code, a single private-law foundation will be established for all market participants. The Central Bank will impose additional prudential and operational requirements on licensed institutions, while each institution's internal Islamic finance council will oversee products and processes for compliance with the standards. Once powers are allocated in this way, three conflicting "final" authorities on the same issue will no longer emerge.

9. Phased Implementation

In the first stage, the framework chapter of the Civil Code and the mandatory particulars of the key terms sheet provided to consumers are adopted. A transitional rule is established for existing contracts: the new mandatory rules apply only to transactions concluded after their entry into force, whereas the rules on disclosure and dispute resolution apply to ongoing relationships to the extent possible.

In the second stage, the Central Bank publishes a methodology for the selective adoption or adaptation of AAOIFI and IFSB instruments. Each national standard specifies its international source, national modifications, effective date and effect on prior transactions. Translation terminology is unified through a single glossary, so that variants such as murobaha/murabaha and mushoraka/musharaka do not hinder document searches.

In the third stage, a guide is developed for judges, mediators and arbitrators on the criteria of contractual structure, ownership and possession, risk, and profit and loss. The publication of anonymized commentaries on court decisions will enable market participants to correct their documentation. Statistical monitoring should cover data on complaints, recharacterizations, instances of non-compliance, charity amounts and early terminations.

In the fourth stage, an impact assessment is carried out after two years of practice. The assessment should rely not only on the volume of services, but also on indicators such as the number of disputes, client understanding, the consistency of court outcomes, the funds channeled into real-sector assets, and the fair allocation of losses.

10. Conclusion

In 2024–2026, Uzbekistan made a decisive leap forward in the regulatory recognition of Islamic finance. The next step is to strengthen its private-law foundation. A list of permitted operations, licensing and tax neutrality are all necessary; however, unless the Civil Code defines the property, risk, return and remedies of the contracting parties, market confidence in the legal framework will not fully take shape.

The optimal model is one in which the framework chapter of the Civil Code contains the general principles and the minimum mandatory core of the six principal contracts; Central Bank standards contain the operational details; Islamic finance councils exercise product oversight; and the courts retain the final legal characterization. The differentiated consequences of Shariah non-compliance, the evidentiary status of council opinions, the key terms sheet for consumers and the transparent allocation of late-payment amounts to charity are essential elements of this model. This solution safeguards the substantive features of Islamic finance while preserving the unity of civil legislation.

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