**ABSTRACT**

The development of Islamic finance, their crisis-resistance and possibilities for using experience of this sector in conventional banking industry are being subject of studies in many countries, also non-Muslim ones. In this paper the author presented the analysis of Islamic finance development and its determinants basing on examples from Europe. Such banks and investment funds have a growing share in European markets, which is confirmed by the latest EY’s data. Main obstacles to Islamic finance development include, among others: incompatibility of legal regulations in non-Muslim countries, low demand among Islamic diaspora in Europe, shortage of qualified Sharia scholars, unsatisfactory standardization of Islamic financial products and accounting policies. International Islamic finance institutions (incl. AAOIFI and IFSB) play a significant part in overcoming them. Particularly beneficial legislative changes were introduced in Luxembourg, Germany, Russia and in the United Kingdom. Emerging of other Islamic banks, increase in number of Islamic windows in traditional banks and further development of Islamic investment funds in Europe are to be expected.