



Islamic financial instruments in Algeria between the challenges of reality and the requirements of application

Manel MANSOUR

¹University Center of Tipaza (Algeria),
mansourmanel98@gmail.com

Hanane BALAL

University Continuing Education Center
of Ain Defla (Algeria),
h-belal@ufc.dz

Abstract

This study aims to present the basic stages of the emergence and development of Islamic finance in Algeria, know its reality, and highlight the challenges and obstacles it faces, as we found that Algeria issued a set of laws and legislation regulating all operations related to Islamic banks, while it did not address the law of issuing Islamic sukuk. This makes its application vulnerable to many legal and regulatory challenges, which requires a set of requirements to approve the process of issuing Islamic sukuk.

Keywords: *Islamic finance; Islamic financial products; Islamic sukuk; Algeria*

Les instruments financiers islamiques en Algérie entre les défis de la réalité et les exigences d'application

Résumé

Cette étude vise à présenter les étapes fondamentales de l'émergence et du développement de la finance islamique en Algérie, à connaître sa réalité et à mettre en évidence les défis et les obstacles auxquels elle est confrontée. Nous avons en effet constaté que l'Algérie a promulgué un ensemble de lois et de textes réglementaires régissant toutes les opérations liées aux banques islamiques, sans toutefois aborder la question de la loi relative à l'émission de sukuk islamiques. Cela rend son application vulnérable à de nombreux défis juridiques et réglementaires, ce qui nécessite un ensemble d'exigences pour approuver le processus d'émission de sukuk islamiques.

Mots clés : *Finance islamique ; Produits financiers islamiques ; Sukuk islamiques ; Algérie*



Introduction

The Islamic financial industry has a group of components that include Islamic banks, Islamic investment funds, Takaful insurance institutions, and Islamic sukuku traded in the Islamic financial market;

Algeria is an Islamic country that works to keep pace with developments taking place in the global system, and to keep pace with everything that is halal, far from what violates Islamic Sharia on the one hand, which requires it to move towards the Islamic financial industry Accordingly, the Algerian government is examining ways to adopt the Islamic financial industry by reforming the banking system and issuing various regulations related to Islamic banking services that regulate the work of Islamic banks by opening Islamic windows in traditional banks and issuing regulations related to Takaful insurance and the charitable sector While these efforts are still insufficient to strengthen the Islamic financial industry in Algeria, which requires the Algerian government to work more to include Islamic financial products in general and Islamic sukuku in particular, based on the above, we can ask the following main question:

What is the future of Islamic financial products in Algeria?

The importance of the study: The importance of this study lies in the fact that it talks about Islamic financial products, especially Islamic sukuku, and Algeria's issuance of legislation regulating transactions related to this type of financial products will pave the way for the adoption of Islamic financing formulas in Algeria.

1. The development of Islamic finance in Algeria:

The development of Islamic finance in Algeria went through two basic stages:

- ✓ The first stage is considered the stage of intellectual initiative from which the idea of Islamic finance emerged
- ✓ The second stage is considered the actual stage of its launch.

Which we summarize as follows:

1.1 The stage of intellectual initiative (1929-1990):

Researcher Abdel Razzaq Belbas presented a study stating that the idea of establishing the first Islamic bank dates back to 1929 at the initiative of Sheikh Abu Al-Yaqzan in an article entitled "Algeria's Need for a Community Bank" in the Wadi Mizab newspaper on July 29, 1928. He called on all notables and businessmen in the major Algerian states to restructure the idea of the bank in accordance with the provisions of Islamic Sharia. This call was greatly welcomed by senior businessmen residing in the capital. They then submitted a complete file regarding the establishment of a bank under the name of the Islamic Bank of Algeria, and the occupation authorities opposed it.

The French categorically rejected the project, after completing the basic laws regulating the bank's work and providing the necessary capital for its establishment to preserve the usurious system that serves its interests.

Contrary to his claim that the first attempt to embody the idea of Islamic banks dates back to the late 1950s in Pakistan, or in Egypt through the local savings funds project in the 1960s, and the Tabung Haji project in Malaysia, the idea of



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Islamic finance has been in Algeria since the 1920s. (Belabbas, 2013, pp. 5-6)

1.2The actual start-up phase

Within the framework of the Islamic Economics Conference held in Algeria in 1988, the intellectual and actual features of Islamic finance began to appear in the banking system through Algeria's first attempt to establish Islamic banks by concluding an agreement between the Director General of the Bank of Agriculture and Rural Development and the General Representative of the Bank Group more than sixty years later in order to establish The first Islamic bank operating in accordance with the provisions of Islamic Sharia in Algeria with mixed capital (public and private) The idea of establishing an Islamic bank was actually embodied on the ground through the establishment of Al Baraka Bank of Algeria on May 20, 1991. (masoudi, 2017-2018, p. 242)

By establishing the first Takaful insurance company in Algeria under the name Al Baraka and Al Aman (currently Salama Insurance Company) on March 26, 2000, the government attempted to strengthen the position of Islamic banks in Algeria, and Islamic banking services were applied on a limited scale through a public institution represented by the Zakat Fund of the Ministry of Religious Affairs. And Endowments, which was launched in 2003 It financed small and medium enterprise projects for young people without usurious interest under the slogan "Give him the money so that it becomes zakat as well." As for the Second Islamic Bank, it was established in 2006 with the approval of an Islamic insurance company in the same year, which is a joint

stock company with most of its shares owned by the Emirati company.(Ben Azza & Beldagham, 2008, p. 82)

In 2013, Islamic assets recorded more than 3 billion dollars, or about 2.44% of total banking assets, and the growth of Islamic banks was faster than their conventional counterparts, recording 15% in 2013, and the assets of Al Baraka Bank were estimated at 2.01 billion dollars, ABC Islamic Banking Corporation's assets were estimated at 0.66 billion dollars, and Bank Al Salam's assets were estimated at 0.41 billion dollars.(Moussaoui, 2019, p. 761)

In 2009, by opening an Islamic window, some traditional private banks provided some financial services compatible with the provisions of Islamic Sharia. AGB Gulf Bank also offered a wide range of banking products that are compatible with the provisions of Islamic Sharia, the most important of which is the Murabaha formula, in order to achieve development by activating the finance industry. Islamic and in response to Algerian consumer demand. Loans granted from the Islamic window of this bank represented 22% of total bank loans in 2013.

Through a participatory savings account that allows the bank to share its profits with customers, Trust Bank of Algeria has also opened an Islamic window that provides financing opportunities according to the Murabaha formula (Ben issa & Qarsh, 2017, pp. 267-268). With the aim of providing financing solutions to its customers, the Algerian Housing Bank for Trade and Finance launched in 2015 banking services for Islamic banking products such as: Murabaha, Ijarah, Musharaka, Mudaraba, Istisna and Salam. It also provides other Islamic banking services such as investment bonds, time deposits and savings accounts



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(<https://housingbankdz.com/index.php/fr/nos-produits/produits-islamique>, 2024)

In 1980, the Arab Banking Corporation (ABC) was established in Bahrain, an international bank located on five continents. A representative office was established in Algeria in 1995. The representative office was transformed into a full-fledged bank in December 1998, thus being considered the first private international bank to establish itself in Algeria. The first window for marketing Islamic banking products in Algeria was opened on 02/15/2021. (<https://www.bankabc.com/world/Algeria/Ar/AboutABCNew/Pages/default.aspx>, 2024)

In 2017, the Algerian government made an important amendment to the Monetary and Credit Law, where Article 45 was amended to allow the use of non-traditional financing mechanisms or what is known as cooperative or participatory loans in accordance with the principles of Islamic law (Ben Azza & Beldagham, 2008, p. 82)

In the same year, the Algerian government allowed some traditional banks, such as the Local Development Bank, the National People's Credit Bank, the Savings Fund Bank, and the National Reserve, to open windows providing Islamic financial services, and due to the lack of a legal and regulatory framework governing Islamic banking services, this was not achieved on the ground. This was followed in the following year by the issuance of Regulation No.18-02 dated November 4, 2018, which includes the rules for practicing banking operations related to participatory banking services by banks and financial institutions. Article Two specifies the products related to participatory banking services and is limited to seven products (Murabaha,

Musharaka, Mudaraba, Ijara, Istisna, Salam, and deposits in investment accounts). (Bank of Algeria, Regulation No. 18-02 of March 15, 2020, concerning the rules for the practice of operations related to participatory Islamic banking, 2018)

Regulation No.20-02 was issued regarding the regulation of banking operations related to Islamic banks and the rules for their practice in Algeria on March 15, 2020, which abolished the provisions of the previous regulation (18-02), in which the operations related to Islamic banking services were defined and the Islamic banking products that banks could provide were specified. To provide it to its customers, which are: Murabaha, Musharaka, Mudaraba, Ijarah, Istisna, Salam, deposit accounts, and deposits in investment accounts.

He also clarified the conditions for opening Islamic windows in public banks in Algeria, and obliging banks and financial institutions wishing to provide Islamic financial services to obtain a license from the Bank of Algeria and a certificate of compliance with the provisions of Islamic Sharia, issued by the National Sharia Authority, to issue a fatwa for the Islamic financial sector before submitting a license to the Bank of Algeria. Algeria and the need to establish a Sharia Council consisting of at least three members appointed by the General Assembly (Bank of Algeria, Regulation No. 20-02 dated March 15, 2020, defining banking operations related to Islamic banking and the rules for its practice by banks and financial institutions, 2020).

The Algerian government moved to issue Executive Decree No. Decree No.21-81 dated February 23, 2021 specifying the conditions and methods for practicing Takaful insurance in Algeria. This decree granted investors the right to practice this type of insurance by establishing



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Takaful companies or opening independent windows, within the framework of stimulating and expanding Takaful insurance activity in Algeria .Algeria by diversifying its products.

In order to organize the Awqaf and Zakat sector, the government established the National Office of Awqaf and Zakat by Executive Decree 21/179 of May 03, 2021, which is a public institution of an industrial and commercial nature with financial independence and legal personality and operates under the administrative tutelage of the Ministry of Religious Affairs and Awqaf.(Ben tunis, 2021, p. 31)

2. Obstacles to the issuance of Islamic financial products in Algeria

Despite the widespread success of Islamic financial products globally, especially Islamic investment sukuk, Algeria is still far from implementing them due to several challenges facing the Islamic finance industry in Algeria:

2.1 Legislative Challenges for Sukuk Issuance in Algeria

The legislative challenges of issuing sukuks in Algeria are:

2.1.1. At the level of the Monetary and Credit Law:

The legal obstacles to practicing Islamic banking within the framework of monetary and credit law appear in the following:

- ✓ Deposits and funds granted and received from banks are considered loans to or from the bank, which contradicts the principles of the Islamic financing formula because the principle of sharing profits and

losses is abolished, because Islamic banks, after the approval of the Bank of Algeria, are allowed to issue new savings and credit products before they can issue them to their customers. In Regulation No.13 of 2011, Law No.13-01 of 2013 relates to banking services This step could pave the way for Islamic financial products.

- ✓ -The lack of a legal framework to address the liquidity shortage of Islamic banks, as the central bank deals with commercial banks with traditional refinancing instruments and interest-rate-based guarantees, private public bonds, Credit and discount transactions as well as the demand for foreign exchange and gold are an obstacle for Islamic banks in establishing alternative financial instruments..
- ✓ The Bank of Algeria's monetary policy instruments in the minimum compulsory reserve set in Regulation No. 90-02 issued in 2009 are based on usurious debt securities or usurious deposit and loan operations, which puts Islamic banks outside the realm of monetary policy.(Chaudar, 2015, p. 254)

As part of efforts to strengthen the Islamic financial sector in Algeria, the Algerian government launched Regulation No.18-02 regulating the conditions for participatory banking services. However, this regulation faced some gaps, most notably the absence of a clear definition of Islamic banking products, and the failure to oblige institutions to obtain certificates accredited by competent government agencies proving the conformity of these products with the provisions of Islamic Sharia, without a clear definition of this entity or the legal mechanisms regulating the work of Islamic banks.



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To overcome these challenges, the authorities issued Regulation No.20-02 on May 15, 2020, which expanded the scope of regulation and included clearer detail across 24 articles, setting the rules for practicing Islamic banking activities, while enhancing transparency in financing mechanisms related to major financial projects and instruments such as Islamic bonds and financial markets. This regulation also contributed to activating local stock exchanges and supporting the state budget by providing alternative sources of financing.

In a complementary step, on April 2, 2020, the Central Bank of Algeria issued Resolution No.20-03, which specified in detail Islamic banking products in accordance with Article 4 of Regulation 20-02, which strengthened the legislative framework for this sector and laid solid foundations for its future development.

These instructions also allowed the Regulation of sukuk by Islamic banks for their own benefit and for others under the treaties set out therein. However, there is still a problem with the Treaties, as they do not have a legal basis in the Civil Code and Directive 20-03 remains without legal effect compared to the Civil Code. Although the structure of the sukuk is adopted in accordance with these instructions, the problem remains who is responsible for the process of issuing the sukuk: The Algerian Bank or the Commission for controlling and regulating the operations of the stock exchange? Ultimately, sukuk, who relies primarily on Islamic financial treaties, must be proved in civil law after consulting the Sharia authorities and Sharia scholars (Ghazal, 2023, p. 126) The process of extradition of sukuk

remains dependent on the need to provide an appropriate legal environment to govern the sukuk process.

2.1.2 At the level of commercial law:

The Algerian Trade Law is considered the basic legislative framework for issuing securities on the stock exchange, as it specifies through Article 715 the types of securities permitted, which are:

- Shares or investment certificates (expressing an ownership right in the company's capital).
- Bonds of various types (representing debts of the company).

The law excludes the inclusion of "sukuks" that embody equal ownership shares unless their holders are shareholders, which indicates the incompatibility of current legislation with the mechanisms of Islamic sukuks without legal amendments. (General Secretariat of the Government, 2007, pp. 217-187)

2.1.3 At the level of the Civil Code:

The Algerian Civil Code does not include a clear definition of Islamic financing contracts used in structuring sukuks, such as: leasing, agency, murabaha, salam, and mudaraba contracts. For example, the law regulates the leasing contract in Articles (467-537), but it does not include detailed terms and conditions consistent with Islamic standards, nor does it cover innovative types of these contracts.

Therefore, it is recommended to amend the legislation to keep pace with modern directives (such as Instruction 20-03), by including specific definitions of Islamic finance contracts (such as Murabaha, Salam and Mudaraba), which



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allows for the diversification of sukuk instruments instead of limiting them to leasing and agency contracts only.(Ghazal, 2023, p. 123)

Another negative aspect of the Civil Code is that it does not separate between legal and beneficial ownership as stipulated in Articles 674 and 675 of the Civil Code, except for shares and investment certificates in terms of its fragmentation and circulation, and this increases the possibility of issuing Sukuk in the Algerian securities market.(Bada a. , 2021, p. 160)

2.1.4. At the level of insurance law:

The circulation of Islamic instruments requires the existence of an insurance formula in line with their principles. It is noteworthy that the Algerian legislator, under Ordinance 95-07 of January 25, 1995 on insurance, relies on traditional insurance, which is based on usury, but Executive Decree No. 09- 13 of January 11, 2009, which defines the model statute of mutual aid companies, opened the way for takaful insurance. 13 of January 11, 2009, which defines the model statute of mutual insurance companies to open the way for takaful insurance, which it approved in its first article, but it included in its texts many differences with the foundations on which takaful insurance is based, while the picture remained unclear before the application of takaful insurance, Takaful insurance companies in Algeria are subject to the same legal framework regulating traditional insurance companies, but Executive Decree No.21-81 (dated February 23, 2021) is unique in detailing the conditions and mechanisms for practicing Takaful insurance activity. It can be practiced in one of two ways:

-Establishing companies specialized in Takaful insurance exclusively.

-Allocating a "Takaful window" within traditional insurance companies, which operate with two Takaful systems (family or general).

In their work, these companies rely on Islamic contractual models such as speculation, agency, or a combination of them. However, their market share is still limited compared to traditional insurance companies, reflecting the need to develop a supportive legislative environment to enhance their reach.

2.1.5. At the level of tax law:

The process of issuing Islamic sukuks in Algeria relied on financing formulas such as deferred sale, salam, and istisna, which are regulated by the rules of Islamic Sharia through the transfer of ownership of assets. However, the absence of a legislative framework for Islamic finance contracts leads to them being subject to a tax system similar to their traditional counterparts, including:

- Value added tax.
- Professional activity tax.
- Securities proceeds taxes (such as gross income tax and corporate profits tax).

While the tax on traditional bonds is determined based on the interest rate, taxes are applied to Islamic finance sukuks according to the full selling price or istisna contracts, which increases the tax burden and weakens their competitiveness against traditional financial instruments.



2.1.6. At the level of the Committee for the Regulation and Supervision of Stock Exchange Operations:

In 2010, the Committee for Regulating and Monitoring the Operations of the Algerian Stock Exchange rejected the project to list Islamic sukuku under the name "Islamic bonds," citing the absence of a legal basis for them. It considered that the instruments are not considered "movable values" according to the definition contained in the Commercial Code, because they rely on the concept of "restricted ownership" (without the right to use), which contradicts the legal definition of securities in the Civil Code. The committee also indicated that the issuance of sukuku passes through a special issuing body that is not legislatively regulated, unlike traditional bonds, which are classified as debt to the issuer. In light of this, the government called on the committee to begin studying a legal framework dedicated to the issuance of Islamic sukuku in the Algerian financial market, and to develop a proposed regulation for the issuance process. (Bada a. , 2021, p. 158)

2.2. Regulatory challenges for issuing Sukuk in Algeria

The obstacles related to this aspect can be summarized as follows:

2.2.1. The Central Fatwa and Sharia Supervision Authority:

What distinguishes Islamic financial products from their traditional counterparts is that they are subject to Sharia supervision. This requires Islamic financial institutions to resort to a Sharia Supervision Authority to grant them approval to issue financial products after ensuring that they comply with Sharia standards and controls and ensuring

that they are free of any Sharia prohibition of usury, uncertainty, and other transactions prohibited by Sharia. This authority also works to propose alternative formulas in the event of any formula that is suspicious by Sharia.

Article 4 of Regulation 18-02 issued by the Bank of Algeria stipulates that financial institutions wishing to offer Islamic financial products must obtain a certificate of conformity with the provisions of Sharia from an authorized national body, while the bank retains the authority to grant licenses. In this context, in 2017, the Algerian National Islamic Council supported the establishment of a "National Sharia Authority for Fatwa in the Islamic Financial Industry," as an initiative to enhance the legal accreditation of these products.

However, Regulation 20-02 (2020) abolished Article 14, which referred to the obligation to obtain a Sharia certificate before licensing, and replaced it with a text in Article 15 obligating banks to establish an "internal Sharia supervisory body," while Article 21 added the requirement that all Islamic products be subject to the provisions General law applicable to financial institutions. These amendments may be seen as a potential source of conflict between Sharia controls and existing legal frameworks. (Bada a. , 2021, pp. 161-162)

2.2.2. Absence of a special purpose company:

Issuing Sharia-compliant financial products requires the establishment of a special purpose vehicle (SPV) to act as an agent for sukuk holders, with the aim of protecting investors' rights. However, it is noted that the Algerian commercial law did not regulate - explicitly or implicitly - a legal framework for these companies, which constitutes a



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legislative obstacle to the development of mechanisms for issuing Islamic sukuk in the market.(Bada & Ghazal, 2021, p. 41)

2.2.3 The absence of appropriate central bank oversight mechanisms for the work of Islamic banks:

Order No.03-11 (dated August 26, 2008) regulates banking work in Algeria, defining the powers of the Bank of Algeria and oversight mechanisms for banks and financial institutions, including improving their performance and ensuring their legislative compliance. This matter is also related to Regulation 09-02 on monetary policy and its application tools.

However, it is noted that this legislation (including Regulations 18-02 and 20-02) does not make special provisions for Islamic banks, subjecting them to the same oversight mechanisms applied to conventional banks, without considering the legitimate nature of their transactions. Which may cause a contradiction with the principles of Islamic Sharia, especially in aspects related to usury or contractual conditions. (Bada a. , 2021, p. 163)

2.3 Requirements for listing Islamic Sukuk on the Algerian Stock Exchange

The adoption of the process of issuing Islamic Sukuk in Algeria is linked to a set of requirements that help to launch and then popularize transactions in it:

2.3.1 Legal and regulatory requirements:

This is done by reforming the legal framework by amending the laws governing Algerian banking and drafting new laws that allow the practice of activities related to Islamic banking, including laws regulating the process of issuing and trading Sukuk in the Algerian financial market.

- **At the level of the Monetary and Credit Law:** This is done by adding amendments that are in line with the nature of Islamic financial products, the most important of which are:
 - Working on adding provisions to the Monetary and Credit Law that recognize Islamic financing contracts and highlight the most important differences between them and their traditional counterparts, and using the term financing instead of loans, as Islamic financing contracts such as speculation and participation are based on the opposite of the principle of bank loans, as they require participation in profit and loss without the need to contribute to the capital of companies;
 - Adding provisions related to banking supervision in order to determine how to supervise Islamic financial institutions dealing with sukuk, in order to ensure that financial institutions respect the Sharia controls in the process of issuing and trading Islamic sukuk;
 - Based on the Sharia standards of the Accounting and Auditing Organization for Islamic Financial Institutions as a basic reference for evaluating



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financial institutions on the extent of their commitment to Sharia controls;

- Amendment of System 20-02 by adding an article that allows the issuance of bonds for both traditional and Islamic institutions. It is also necessary to add other formulas that were not mentioned, such as sharecropping, irrigation, and plantation in Article 4 of the system.

▪ **At the level of commercial law:**

- - It is necessary to work on integrating Islamic financial institutions with the concept of commercial companies in Article 03 of the Commercial Law, and it is also necessary to amend Article 02 of the same law by adopting Islamic financial activities, in order to facilitate the process of issuing sukuk by establishing laws and regulations that manage Islamic financial institutions.
- - Addressing the issuance of Islamic sukuk in commercial law as common property rights in the assets, benefits or assets of a specific project, unlike bonds, which are considered debt instruments, and getting out of the vague allusion in which the Algerian legislator addressed sukuk in Article 715 bis 74 defining shareholding bonds, by adding a new section after the second subsection defining shares 715 bis 60 that defines the characteristics of issuing and trading sukuk and highlighting the difference between them and shares and bonds.

- **At the level of tax law:** The tax system must be reviewed and adapted in line with the specificity of Islamic Sukuk by adding a legal clause stipulating the principle of tax parity between Islamic financial transactions and their conventional counterparts to avoid the principle of double taxation. It is also necessary to exempt Islamic Sukuk from any tax treatment as applied to the returns of stocks and bonds in order to attract investors and stimulate their issuance and trading.
- **Issuing a sukuk law:** Algeria should issue a special law regulating the issuance and trading of Islamic Sukuk on the Algerian Stock Exchange, including all the steps of the process by defining the conditions and procedures of the issuance process and the parties and bodies involved in this process, indicating the formula adopted and the nature of the projects financed, in addition to defining the method of trading with all the rights and obligations of the issuers and investors. This law plays an important role in revitalizing the stock exchange, which has been stagnant since its inception.
- **Creating an SPV:** Establishing an SPV in Algeria is difficult, so the SRH Mortgage Company can take care of it by adding a clause in Article 2 of Law 06/05 on Securitization of Mortgage Loans, adding an article in Chapter 2 that includes how to issue, trade and extinguish the instruments, and various provisions related to the SPV.



2.3.2 Institutional and training requirements:

The process of issuing and trading Islamic Sukuk is based on the existence of institutions and research centers in Islamic finance, which requires the Algerian authorities to develop the responsible institutions and establish other supporting institutions, as the human element remains of great importance in the success of the process:

- **Developing the Algerian Stock Exchange:** The success of the issuance of Islamic Sukuk requires the existence of an active financial market. As for Algeria, as mentioned earlier, it is one of the weakest stock exchanges at the Arab and international levels in terms of market value, number of listed companies and trading volume, and in order for the latter to keep pace with the developments, it must benefit from the experiences of some countries such as Malaysia in adopting the Islamic financial industry in a manner that is appropriate to the nature of the Algerian environment.

- **Establishing a control and supervision body for the issuance of sukuk:** The Stock Exchange Regulation and Supervision Committee, the body responsible for the Algerian Stock Exchange, can form a body or a department affiliated with it to supervise the issuance and trading of sukuk while ensuring its independence. This body must include individuals with competence and expertise in the field of Islamic finance in order to prepare the necessary laws and

legislation for the issuance and trading of sukuk on the Algerian Stock Exchange.

- **Activating Islamic banking:** The number of Islamic banks operating in Algeria is still limited due to operational challenges resulting from the absence of a legislative framework dedicated to them. This prompted official authorities to issue regulations aimed at creating a supportive legal environment that facilitates these banks' activities in accordance with Islamic Sharia standards.

It is expected that these regulations will contribute to enhancing the efficiency of the Algerian financial market, especially by revitalizing the Islamic sukuk market and improving the management of financial liquidity within these banks, which will enhance their role in the national economy.

- **Establishing specialized centers in the field of Islamic finance:** To strengthen the Islamic Sukuk industry in Algeria, it is necessary to establish solid, efficient and effective institutional foundations. This includes establishing specialized centers for research and studies in Islamic finance, providing expertise, consulting and accounting, and establishing audit and review offices to ensure legal efficiency and regulate the work of financial institutions with dual regulatory structures
- **Coordination with international regional bodies specialized in the field of Islamic finance:** There are many international bodies that support Islamic finance, and it is necessary for Algeria to cooperate



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with them to benefit from their efforts. Examples of such bodies include: The Accounting and Auditing Organization for Islamic Financial Institutions, the Islamic Financial Services Board (IFSB) in Malaysia, and the Islamic Development Bank, which provides financing to Islamic financial institutions.

Conclusion

Despite the efforts made by the Algerian authorities to develop Islamic finance and issue systems supporting it, and after studying its current situation, the failure to address the project of issuing sukuk on the Algerian Stock Exchange remains a major obstacle to activating this type of financial instruments. Therefore, it becomes necessary to create the appropriate environment for its issuance by fulfilling the necessary requirements.

The main purpose of this research revolved around studying the possibility of the Algerian economy adopting Islamic financial products in the future, and seeking to find solutions to all obstacles that hinder their activation. The study paid special attention to Islamic Sukuk, as it is one of the most important of these products because of the pivotal advantages it offers in this regard, which mainly revolve around:

- As one of the tools adopted in the open market policy, it increases economic growth rates by providing real resources, optimizing their use, stabilizing exchange rates and reducing inflation rates.

- Has a key role in pooling resources from those with surpluses and directing them to those with financial deficits, making it a substitute for covering financial needs.
- -Serves as a tool to finance the state budget deficit, which some countries may resort to in order to finance their budget deficit.
- -Contributes to achieving social development by financing projects related to housing, health and educational units, in addition to absorbing a percentage of unemployment in the community.
- Supports infrastructure projects by providing real sources of financing.
- -Works to increase investor confidence in the country by co-financing its investments.

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