

Legislative Regulations of Islamic Banking in Algeria: An Analysis of Laws No. 18-02 and 20-02.

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Abstract: Like other legal systems that have fully or partially adopted Islamic banking in their operations, the Algerian legislator has sought to establish legal frameworks that take into account the specificities and principles of Islamic banking. As part of this effort, certain legislative systems have been introduced that outwardly reflect the particularities of Islamic banking practices. Among the economic reforms that have supported Islamic banking is Regulations 18-02 and 20-02.

Hence, this study is entitled: "The Legislative Framework for Islamic Banking in Algeria: An Analysis of Regulations 18-02 and 20-02."

Keywords: Islamic banking, Algeria, Regulations 18-02 and 20-02.

1. Introduction

In the last few decades, Islamic banking has experienced a spectacular development at both global and regional levels, reshaping the face of the world's finances. This has forced the majority of countries to adopt Islamic banking practices through enacting laws that reflect its special tenets and working characteristics.

With this global trend, the Algerian legislator has also attempted to establish regulatory frameworks capable of responding to the specificities of Islamic banking. This has been achieved by applying certain legislative provisions in order to integrate Islamic financial activities in the country's national banking system.

It must be added, however, that the Algerian experience of Islamic banking is not the product of recent legislative initiative alone. Rather, it lies on top of earlier genuine efforts—prior to, and after, independence—yet which did not, nonetheless, reach the legislative support necessary for eventual implementation then.

In light of this background, the present study examines the principal legislative frameworks proposed by the Algerian legislator in order to empower banking institutions, namely banks, to initiate Islamic banking activities. More specifically, it conducts a critical examination of Regulations 18-02 and 20-02, examining the principal reforms they

introduced, their most outstanding strengths, and the loopholes left in applying them.

Research Problem:

Accordingly, the principal research question is as follows: To what extent have the legislative frameworks embraced by the Algerian legislator—most notably Regulations 18-02 and 20-02—been effective in fulfilling the required norms of Islamic banking transactions?

1.1. Importance of the topic:

this research is of specific significance- In my view- as reflected in the following:

- 1-It presents a comprehensive examination and broad discussion of the most pertinent legislative reforms introduced by the Algerian legislator to regulate Islamic banking operations
- 2-It addresses both the key dispositions of these reforms and the points where they remain incomplete.
- 3-It has direct connections to current controversies in the nation's banking sector, which is itself relatively new to this type of legislation.

1.2.Objectives of the topic:

The study attempts to achieve some primary objectives, the most important among them being:

- 1-To analyze the most important legal provisions and reforms contained in the two regulations under study in the context of Islamic banking.
- 2-To identify the primary failures of these regulations that have curbed the competitiveness of Islamic banking in the banking and financial sector.
- 3-To investigate possible solutions that can fill the gaps left by these regulations and improve the competitiveness of Islamic banking relative to conventional banking in Algeria.

Reasons for Selecting the Topic

The principal reasons which encouraged me to choose the subject are:

- 1-Algeria's recent openness to Islamic banking with the passage of legal frameworks governing its operations.
- 2-The adoption of Islamic banking services by the majority of conventional banks.
- 3-The suspicions and controversies raised regarding Islamic banking, particularly when conventional banks open "Islamic" branches.
- 4-The potential Sharia non-compliance in the application of contracts between financial institutions and their clients due to the lack of comprehensive legislation directly governing Islamic banking.
- 5-The reluctance of certain segments of society to engage with Islamic banking, especially after its adoption by conventional banks.

Previous Studies:

To the best of my knowledge, there is no study that specifically deals with the legal systems governing Islamic banking in Algerian law from an Islamic economic perspective. Most of the previous studies have tackled the subject from either a purely legal or a purely economic perspective, separately, without examining the deficiencies of the system from the point of view of Islamic economic theory.

Among the literature that is most related to the subject of this research is:

A Reading in the Provisions of Regulation 20-02 of 15 March 2020, which defines the

banking activities related to Islamic banking and the guidelines for banks and financial institutions to practice them, and Instruction 20-03 of 2 April 2020, which defines the Islamic banking products and specifies the procedures and technical specifications for banks and financial institutions to apply them.

- Types of Monetary Financing Based on the Islamic Banking Principles in Algeria – A Study in Line with Regulation 20-02 Defining Banking Operations Pertaining to Islamic Banking and the Regulations for Their Practice by Banks and Financial Institutions.

- The Relationship Between the Central Bank and Banks/Financial Institutions in Algeria During the Application of Regulation No. 20-02 of 15 March 2020 – Defining Banking Operations Related to Islamic Banking.

-Briefly, the novelty of this research, within the framework of the above works, can be introduced as follows:

a. Revealing the great reforms launched in both Regulation 18-02 and Regulation 20-02, which are a first and evident step towards the encouragement and adoption of Islamic banking in the Algerian banking system.

b. A critical analysis of all the legal stipulations of the two regulations under focus, covering their weaknesses and strengths, and proposing solutions to loopholes they contain in a manner to further suit the nature and principles of Islamic banking activities in Algeria.

Research Methodology:

In order to be able to address the various facets of this topic to the letter, I have employed the following methods:

1.Descriptive Method – This is applied while describing the various legal provisions contained in the two regulations.

2-Inductive Method – This is applied while analyzing the legal texts under study, uncovering new elements or flaws, and suggesting amendments or additions to improve them.

In conclusion: I beseech God that this work is accepted, that it will open new research horizons, and that it will be a valuable addition to the field of scientific research. Peace and blessings be upon our Master Muhammad, his family, and his companions.

2. Regulation 18-02 and Its Reforms Related to Islamic Banking in Algeria:

Since the business of Islamic banking in Algeria is growing, along with the legal restrictions that do not consider its specific nature and operational requirements—thus inhibiting its competitiveness within the Algerian banking market—the legislator sought to establish specific legal frameworks to regulate its functioning and maintain its competitiveness.

One of the most important reforms directly associated with Islamic banking in Algeria was the enactment of Regulation 18-02, which sets the provisions for carrying out banking operations related to participatory banking. This section will examine the major provisions of this regulation, both its strengths and weaknesses.

2.1 Definition of Regulation 18-02 – Including the Rules for Carrying out Banking Operations Related to Participatory Banking (Algeria, Regulation 18-02, 2018).

2.1.1 Definition of Participatory Banking Services:

Participatory banking services are "A banking model that operates by adopting the principles of interest-free banking, carrying out all types of banking operations on the basis of these principles, mobilizing funds on working capital partnership or agency terms, and extending financing through purchase and sale, partnerships, leasing, and other modalities on the basis of the principles of interest-free banking" (Bank, 2025).

Regulation 18-02 defines banking operations related to participatory banking as: All operations carried on by the banks and financial institutions on the approved categories of operations established in Articles 66 to 69 of Ordinance No. 03-11 of 27 Jumada al-Thani 1424H corresponding to 26 August 2003, relating to money and credit, as amended and supplemented, i.e., deposit-taking, investment of funds, financing, and investment operations that do not entail collection or payment of interest.". These operations include the following categories of products: Murabaha, Musharakah, Mudarabah, Ijarah, Istisna', Salam, and investment account deposits as well. Participatory banking products are subject to Article 3 of Regulation No. 13-01 of 26 Jumada al-Awwal 1434H equivalent to 8 April 2013, which sets out the general rules relating to banking conditions applicable to banking operations" (Gazette, 2018)

2.2. How Participatory Banks Operate

Funds collected from the clients in the participatory banking system are valued under various forms of financing, with the profits earned being shared with the owners of funds. For example, a client applying for finance through Murabaha—one of the basic principles of participatory banking—purchases commodities on behalf of the bank under a written agency contract presented by the bank. The customer pays to the bank the predetermined profit in installments depending on the predetermined maturity date. The profits from such deals are subsequently distributed among fund owners.

Participatory banks were established to invest surplus funds in the economy and guard and utilize depositors' deposits. The institutions employ the funds they receive from owners of surplus capital in commerce and industry through interest-free loaning on the basis of profit sharing among owners of capital (Bank, Albaraka Türk Bank, 2025).

2.3. Participatory banking goals under Regulation 18-02

The objectives of this regulation are transparently set out in Article One, which provide: "These rules attempt to delineate the regulations that apply to the so-called 'participatory' products, excluding collection and payment of interest. It also attempts to establish the conditions for acquiring prior approval by the Bank of Algeria for licensed banks and financial institutions to carry out banking transactions concerning participatory finance "(Algeria, 2018).

2.4. Principal Reforms Implemented by Regulation 18-02

Regulation 18-02 brought into effect a variety of reforms through various rules and conditions, some of which are the most significant ones as follows:

2.4.1. Establishing rules for conducting banking activities related to participatory finance by banks and financial institutions in such a manner not involving the payment or receipt of interest.

2.4.2. Limiting these activities to the following products: Murābahah-Mushārah-Muḍārah-Ijārah-Istisnā'-Salam-Deposits in investment accounts.

2.4.3. Laying down specific conditions pursuant to Regulation 18-02, namely:

A - A bank or financial institution legally authorized and operating that desires to sell participatory financial products shall submit a product descriptive sheet, as well as the opinion of the institution's compliance control officer. These are to be attached to the prior authorization request submitted to the Bank of Algeria.

b- After prior authorization by the Bank of Algeria, licensed financial institutions and banks that request a certificate of conformity of their products to the provisions of Islamic law are to be audited by the national entity with legal authority to do so

c- Banks and financial institutions that are approved to sell these products have a responsibility to inform their customers of the applicable pricing schedules as well as

minimum and maximum terms that apply to them. Banks and financial institutions should also inform depositors, particularly investment account holders, of the nature of accounts held.

d- The depositor is also qualified to receive part of the profits realized by the participatory finance window and is obligated to bear part of the losses realized by this window in the financing operations undertaken by the bank. Participatory finance products remain governed by all statutory regulations under which banks and financial institutions are governed (18-02, 2018).

2-5. General Comments on Rule 18-02

It is said that this regulation was not effective for long. Specialists had predicted that some amendments would be introduced or complementary guidelines would be issued; however, in practice, it was never effectively implemented. Instead, it was repealed by Regulation 20-02 of 15 March 2020, setting up banking operations related to Islamic banking and the rules for their implementation by banks and financial institutions.

Some interesting points regarding Regulation 18-02 are the following:

2.5.1- The presentation of the reforms under this regulation to the texts of Ordinance 03-11, Regulation 13-01, Regulation 11-08, Regulation 04-03, and to all other legal texts governing banking activity can restrict the activity of Islamic banking windows, diminish their efficiency and prospects for success, and even place them in a dilemma. The application of such legislation ought not to be contradictory to the nature of these branches.

2.5.2- Despite the reforms it introduced, this decree limited the activity of Islamic branches by not giving them complete legal powers in accordance with their founding principles—particularly regarding the supervision by the central bank of their activities and their access to the central bank as a lender of last resort. The central bank in these matters, and in associated issues, did not take into account the specificities of Islamic banking.

2.5.3- The decree did not specify the authority that is qualified to review and grant compliance certificates for the products offered by these institutions, nor whether this authority has the required specialization and qualifications in the field of Islamic banking.

2.5.4- This legislative framework was limited to the establishment of participatory banking windows in financial institutions and conventional banks, without tackling, directly or indirectly, the establishment of independent Islamic banks.

2.5.5- The law was ambiguous in certain aspects, not offering definite solutions and definitions of certain specific relations, like:

A. Autonomy—financial, administrative, accounting, and even staffing autonomy—of these windows from their parent traditional banks. This would require that a separately sourced capital (from savings and new deposits) with no connection to the parent bank's funds, with the central bank's prior approval, be generated.

B. Segregation of financial statements, including balance sheet, income statement, and cash flow statement.

C. Elucidation of the parent bank's relationship with the Islamic window—particularly with regard to the supply of liquidity during financial crisis or discounting of commercial papers—within the bank as well as in the window's transactions with the central bank, other Islamic windows, and Islamic banks.

2.5.6- The regulation contained no legal necessity for the financial institutions conducting participatory banking operations to have an Sharia Supervisory Board that would verify that all their operations and products are aligned with the Islamic law provisions.

3. Regulation 20-02 and the Reforms It Implemented Regarding Islamic Banking in Algeria

Regulation 20-02 is considered to be the most significant reform which has impacted Islamic banking operations directly. Regulation 20-02 replaced Regulation 18-02's provisions, allowing for an incentive to the commercial banks to open Islamic windows and branches with the aim of capturing the maximum possible segments of clients. This section tries to provide an overview of the regulation by determining its main reforms, as well as the main deficiencies it has.

3.1 Definition of Regulation 20-02 Governing Banking Operations on Islamic Banking (20-02, 2020).

3.1.1 Definition by Kuwait Finance House: It has defined Islamic banking as: "A form of banking largely founded on principles that conform Islamic Sharia laws in financial transactions. For instance, in Islamic banking, sales and purchase transactions may not be made between contracting parties with returns based on interest; they are made through a profit margin agreement instead. Islamic banking structures investment activities in accordance with the Sharia rules and principles in this regard" (House, 2025).

3.1.2. Definition under Regulation 20-02: Islamic banking is defined by Article 2 of Regulation 20-02 as: "Any banking transaction that does not result in the collection or payment of interest."

3.1.3. The regulation also stipulates a requirement for such transactions, i.e.: "They must comply with the provisions referred to in Articles 66 to 69 of Ordinance No. 03-11 on Money and Credit, as amended and supplemented" (Algeria O. G., 2020).

FBER

140

3.2. Objects of Islamic Banking under Regulation 20-02.

Article 1 of Regulation 20-02 defines the objectives of this regulation with regard to Islamic banking operations by stating: "This regulation has for object to determine the banking operations relating to Islamic banking, the regulations applicable thereto, the conditions for their exercise by banks and financial institutions and the conditions for their preliminary authorization by the Bank of Algeria" (Official Gazette of Algeria, 2020).

3.3. Principal Reforms Enacted by Regulation 20-02

The most notable reform enacted through Regulation 20-02 is in the organizational requirement imposed for the banking business in relation to Islamic banking, as stipulated in the subsequent articles:

Article 03: "Banks and financial institutions willing to sell Islamic banking products must, specifically, maintain prudential ratios in accordance with regulatory requirements and strictly adhere to the regulation concerning preparation and deadlines of submitting reports to the regulators."

Article 04: "Banking operations regarding Islamic banking shall include the following products: Murabaha, Musharakah, Mudarabah, Ijarah, Salam, Istisna', deposit accounts, and investment deposit accounts."

Article 13: "The aforementioned Islamic banking products shall be subject to prior authorization by the Bank of Algeria."

Article 14: "Before filing an application with the Bank of Algeria for marketing approval of Islamic banking products, the bank or financial institution will obtain a Shariah compliance certificate from the National Shariah Board for Fatwa in the Islamic Financial Industry."

Article 15: "In relation to conducting Islamic banking-related operations, the financial institution must form a Shariah Supervisory Board with no fewer than three members

appointed by the General Assembly.

The activities of the Shariah Supervisory Board shall include, in particular, monitoring the Islamic banking operations of the bank or financial institution so that they are in line with Shariah principles."

Article 16: The bank institution or institution must submit a dossier to the Bank of Algeria in the case of prior authorization to market Islamic banking products.

The dossier shall in particular be supported by the following documents:

a- A Shariah compliance certificate from the National Shariah Board for Fatwa in the Islamic Financial Industry.

b- A product descriptive sheet."

c- The bank or financial institution's compliance control officer's view, as provided for under the conditions of Article 25 of Regulation No. 11-08 dated 3 Muharram 1433 corresponding to 28 November 2011 hereinabove.

d- The procedure to be adopted in order to guarantee the administrative and financial autonomy of the 'Islamic Banking Window' with respect to the bank's or financial institution's other operations, in line with the terms of Articles 17 and 18 below." (Gazette A. O., 2020).

Article 17: The term "Islamic Banking Window" refers to an arrangement within a bank or financial institution which is dedicated solely to the provision of Islamic banking products and services.

Severe segregation must be between the Islamic Banking Window's accounting and that of the rest of the bank or financial institution departments. The segregation must specifically enable the preparation of all the financial statements separately for the Islamic Banking Window activities only.

The customer accounts of the Islamic Banking Window must be distinguished from all other customers' accounts.

Article 18: Independence of the Islamic Banking Window will be ensured by organizational form and personnel dedicated solely to this purpose, such as at the network level of the bank or financial institution.

Article 19: Banks and financial institutions, who have already been approved to sell Islamic banking products, must notify their customers of price schedules and minimum and maximum terms to which they are subject.

Banks should also inform depositors, particularly investment account holders, of the characteristics related to the type of accounts they possess.

Article 20: Except for deposits in investment accounts subject to written consent by the client to the bank investing their deposits in a pool of projects and Islamic banking operations, deposits received by the Islamic Banking Window are covered by the provisions of the said articles of Ordinance No. 03-11 of 27 Jumada al-Thani 1424 AH, or 26 August 2003, relating to currency and credit, as amended and supplemented.

The holder of an investment deposit is entitled to a share of the profit earned in respect of the Islamic Banking Window and is responsible for a corresponding amount of the loss that may be incurred by the Islamic Banking Window in financing.

Article 21: Deposits and other amounts equivalent to repayable deposits acquired by the Islamic banking windows of banks are regulated by provisions of Regulation No. 20-03 of 20 Rajab 1441 AH, or 15 March 2020, regarding the system for supporting bank deposits.

Investment account deposits are regulated by some provisions.

Article 22: "Apart from provisions of this Regulation, and other than where otherwise provided, products of Islamic banking are governed by all provisions of law and regulation relating to banks and financial institutions." (Algeria O. G., Official Gazette of Algeria, 2020).

13.2. Article 23: "This Regulation supersedes the provisions of Regulation No. 18-02 of 26 Safar 1440 AH, corresponding to 4 November 2018, concerning the regulation for the conduct of banking operations pertaining to participatory banking by financial institutions and banks."

3.4. General Observations on Regulation 20-02.

This Regulation is wider and more explicit than its replacement, having 24 articles that address most of the good aspects of Islamic banking. It was preceded by an Instruction that determined the definition of Islamic banking products and the procedures and technical aspects for their implementation by banks and financial institutions.

The Regulation also shows a genuine will to remedy numerous circumstances in line with the spirit and idiosyncrasies of Islamic banking activity, as attested by the following arguments:

3.4.1. The ambit of the present Regulation covers Islamic banking windows and Islamic banks that are full-fledged, as contrasted with the previous Regulation, which applied solely to banking windows.

3.4.2. The Regulation outlines in detail the mechanisms that separate Islamic banking windows from their origin financial institutions (conventional banks), necessitating complete segregation between the accounts of the "Islamic Banking Window" and those of other structures in the bank or financial institution. This segregation is to enable specifically the preparation of all financial statements solely dedicated to the activities of the "Islamic Banking Window."

3.4.3. The accounts of the "Islamic Banking Window" customers must be kept entirely separate from other customers' accounts.

3.4.4. The Regulation reaffirms the necessity to ensure the independence of the "Islamic Banking Window," including at the branch network level of a bank or financial institution, through an autonomous organizational structure and personnel dedicated solely to this purpose.

3.4.5. The Regulation reiterates the independence of clients' accounts of the "Islamic Banking Window" from accounts of all other clients.

3.4.6. The Regulation says the body of competent authority authorized to evaluate and issue the certificate of compliance for products of such institutions—i.e., the National Sharia Board for Fatwa in Islamic Financial Industry.

The banks and financial institutions that conduct Islamic banking are required to have a Sharia Supervisory Board. The key role of this board—within the overall framework of product Sharia compliance—is to oversee the bank's or financial institution's operations in the area of Islamic banking.

Although the above positive aspects are a qualitative jump made by this regulation, it is still a step that has not yet reached the level of ambition for Islamic banking operations. This is evident from the following:

a - Article two of this law does not provide a sufficiently wide definition of Islamic banking operations, and they are defined only as: "Any banking transaction which does not involve the receipt or payment of interest."

In fact, Islamic bank operations are not confined to banning the receipt or payment of interest; they go beyond that to exclude any process that entails injustice, exploitation, or the illicit acquisition of people's wealth, even though there is no interest involved. In fact, some transactions do not encompass the receipt or payment of interest, yet entail more harm than usury itself.

b- Certain clauses of this regulation have vague and non-technical language. For example:

b.1. In the Mudarabah definition, the regulation characterizes the bank as a lender of funds, whereas in fact Mudarabah is a partnership contract between the bank (as Rab al-Mal, capital provider) and the client (as Mudarib, investment manager). The term lender of funds should thus be replaced by Rab al-Mal, and the term contractor in the Mudarabah contract should be replaced by Mudarib.

b.2. The Mudarabah regulations do not address certain matters related to the contract, e.g., intermingling of Mudarabah capital with the Mudarib's own funds and the legal consequences thereof.

b.3. Mudarabah in Islamic banking does not logically imply that the bank must be the supplier of the capital; the bank may be either Rab al-Mal or the Mudarib.

b.4. In defining Ijarah (leasing), neither Regulation 02-20 nor Instruction 03-20 contemplates the possibility of the financial institution being the lessee, but only refers to the institution as the lessor. In practice, however, it is not uncommon for Islamic financial institutions to be either lessors or lessees, particularly where there is leasing of real property and buildings.

b.5. As far as the Ijarah contract is concerned, Article 26 of Instruction 03-20 allows the rental price to be variable. This permissibility is not based on any foundation in Sharia, as most jurists believe that the rental price should be fixed regardless of whether the currency value fluctuates. Determining a change in rent creates doubt (jahalah) about the amount of rent, whereas one of the conditions of rent is that its amount and specification must be determined. Without that, the contract shall be invalid on account of such doubt. Also, most jurists have decided that rent should not be altered whether the value of currency increases or decreases; rather, the benchmark should be what is prevailing in the market as rent during the time of entering the contract (Maza, 2004).

c- This law did not delineate the nature of the relationship between the Islamic banking window and its parent commercial bank, nor between the latter and other windows of the same type. Instead, it limited itself to the explanation of the relationship between the window and the central bank in the context of the issuance of a license. However, as soon as the window becomes independent, its relationship with the central bank extends beyond licensing. It entails various forms of supervision (e.g., commissions and credit control), compliance with compulsory reserve requirements, and the central bank's lender of last resort function

The central bank ought to decide thus the nature of such relations and whether or not it will take into account the distinctive characteristics of such windows, given that the branch has achieved autonomy from its parent commercial bank.

d- This law restricts Islamic banking activities to just seven products, thereby circumscribing and narrowing the scope of Islamic banking operations and the number of institutions implementing them. Actually, there are other products, such as mughārāsa and muzāraʿa, that also proved to be effective and efficient in generating substantial revenues for countries that have implemented them in their banking systems. Moreover, there are other financial services offered by Islam, such as the issuance of ṣukūk and shares, among others. A look at the experiences of other countries reveals that they have recorded great development in this respect, and their experiences might be helpful models to be exploited

e- Separation of the Islamic window deposits from the conventional bank deposits is not adequate because the operational modalities of existing deposit insurance arrangements—

regardless of such separation—still remain non-Sharī'ah compliant due to the presence of some prohibited features therein. It would therefore be preferable to establish an Islamic deposit insurance fund, insure deposits through takāful insurance companies, or force the bank to sign an agreement with takāful companies that would open a special branch in these commercial banks to maintain the Islamic banking window deposits

f- The regulation does not define the position of the auditing authority within the organizational structure of the commercial banks. Should it be at the parent bank, or in each of its Islamic windows and branches? Will the auditing keep pace with all the developments occurring in the Islamic windows under its jurisdiction? Will the audit reports be contemporaneous with evolving developments in the banks, or will they be routine annual reports that yield no detailed new findings?

Practically, the most serious errors committed by the employees and the clients are during day-to-day operations. Typically, there is a discrepancy between what is necessitated by the contracts issued by the Sharī'ah auditing and fatwa committees, and the realities of implementation.

This fact requires banks to have a Sharī'ah auditing committee in each window or branch, so that there is real-time monitoring of the products and transactions. Due to the complicated and multifaceted nature of bank operations, most are not completely clear of Sharī'ah violations, which need to be monitored at all times by the competent authority.

g. This provision continues to link Islamic banking to traditional banking in administrative and legal subordination. Specifically, it holds that Islamic banking products remain under all legal and regulatory provisions applicable to banks and financial institutions, such as compliance with the directives of the Monetary and Credit Law. This complete subordination can lead to incompatibility between Sharia-based financial decisions and traditional banking laws. What is wished for is to establish an independent public Islamic bank of its own systems, mechanisms, and resources.

4. Conclusion

All praise is to Allah alone whose grace perfects good deeds, and peace and blessings are upon the best of creation, Muhammad, and upon his noble family, companions, and chaste wives.

Thanks to the mercy and goodness of Allah, I have been able to study the subject: "The Legislative Framework for Islamic Banking in Algeria: An Analytical Reading of Regulations 18-02 and 20-02." This was acquired through a study of the most substantial legal provisions and reforms related to Islamic banking incorporated in the two subject regulations under investigation, along with an identification of the most essential weaknesses that have hindered the competitiveness of Islamic banking in the Algerian banking and financial sector. The study has also presented a list of proposed solutions aimed at closing the loopholes in the two regulations and to restart the competitiveness of Islamic banking over conventional banking in Algeria.

At the conclusion of this research, I have recorded a list of findings, followed by recommendations that I myself would further add to this arena:

4.1 – Research Findings:

- a. The development undergone by the Algerian banking industry—through its opening up to foreign banks and its sequel in the context of issuing special provisions on Islamic banking—represents a satisfactory effort and sincere initiative on the part of decision-makers to establish an Islamic banking sector that is independent and self-sustaining in its regulations and rulings.
- b. Despite the rules introduced by Regulation 20-02 on Islamic banking, the Algerian Islamic banks are still faced with challenges that hinder their growth and competitiveness.

Foremost among them is the Central Bank's regulation over Islamic banks that does not take into account their idiosyncrasies.

c. Although we welcome the efforts of the Algerian legislator in making some decisions and instructions related to Islamic banking and its financial mechanisms in institutions, this does not mean they are sufficient or completely reactive to such institutions' demands. This is evidenced by their ongoing dependence on the Central Bank for different procedures, an area which could restrain their ability to carry out business with the freedom and flexibility Sharia requirements stipulate.

d. The Algerian banking sector remains in urgent need of such a type of reforms in an attempt to meet the standards of Sharia compliance mandated.

e. 4- Algeria's Islamic banking industry lacks a specialized court to adjudicate disputes that arise out of Islamic financial agreements executed by financial institutions operating in the country, as well as product-related disputes they offer. This absence of a specialized court exposes such institutions to danger every time legal controversies arise.

f. 5- No master legislative system has been established determining one solitary Sharia-based jurisprudential point of reference to resolve problems faced by Islamic banks in Algeria.

4.2. Research Recommendations

a. Amending and re-examining provisions under the Civil and Commercial Codes relating to financial transactions for them to align with the requirements of Islamic law is recommended until new legislation that targets specifically Islamic banking is passed.

b. It is recommended that a complementary legal framework be developed to cover Islamic banking reforms and designate a Sharia jurisprudential benchmark—such as the Sharia standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)—as the benchmark to determine cases of Islamic finance institutions in Algeria.

c. The Central Bank would have to develop a supervisory framework for Islamic banks different in form and substance from that it prescribes for non-Islamic banks, and one that considers in full the unique characteristics and guiding principles of Islamic financial institutions.

d. The Central Bank of Algeria must take into account the specificity of Islamic banks' interest rate in its capacity as lender of last resort, utilizing Sharia-halal monetary instruments to replace the application of interest rates, thereby making liquidity management and financing efficient.

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FBER

146
