

The Specificity of the Regulations Governing the Mechanisms of a Holding Company's Control over Its Subsidiaries

خصوصية الأحكام المنظمة لآليات سيطرة الشركة القابضة على الشركات التابعة لها

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Received: 16/10/2025

Accepted: 07/04 /2026

Published: June /2026

المخلص :

تتولى الشركة القابضة مهام تحديد السياسة المالية للشركات التابعة، وتبين كيفية حصولها على الدعم المالي سواء كان ذلك داخليا أو خارجيا، كما أن الشركة القابضة تضع الضوابط المالية التي من شأنها تحديد نسبة الأرباح وما يتم منحه للشركة التابعة، والنسبة التي يتم الاحتفاظ بها كاحتياطي، وبالتالي لم يعد للشركة التابعة إرادة مستقلة عن إرادة الشركة القابضة وأن مصالح الشركة التابعة تختفي أمام مصالح الشركة القابضة، الأمر الذي يترتب معه فقدانها لاستقلالها المالي.

تكمن مشكلة البحث في السيطرة المالية التي تقوم بها الشركة القابضة على الشركات التابعة لها لوجود علاقة متبادلة تحتاج إلى تنظيم قانوني متكامل يبين كافة الحقوق والالتزامات، ولوائح تنفيذية توضح الإجراءات التنظيمية، والشكلية، التي تستوجب على كل شركة القيام بها، إلا أن التشريع الجزائري يفتقر لذلك، وعليه فإن الهدف من الدراسة هو البحث في الآليات التي تحكم النظام القانوني المطبق على علاقة الشركة القابضة بالشركات التابعة لها .

الكلمات المفتاحية : الشركة القابضة ، الشركة التابعة ، السيطرة ، المسؤولية .

Abstract :

The holding company is responsible for determining the financial policy of its subsidiaries, specifying how these subsidiaries obtain financial support, whether internally or externally. Additionally, the holding company establishes financial controls that define the profit distribution, including the portion allocated to the subsidiary and the percentage retained as a reserve. Consequently, the subsidiary no longer exercises an independent will separate from the holding company, as its interests become subordinate to those of the parent company, ultimately resulting in the loss of its financial independence.

The research problem lies in the financial control exercised by the holding company over its subsidiaries due The reciprocal relationship requires a comprehensive legal framework to clarify all rights and obligations. This framework should include executive regulations outlining the necessary procedural and formal requirements for each company. However, Algerian legislation currently lacks such a framework. Therefore, this study aims to investigate the mechanisms governing the legal system that regulates the relationship between the holding company and its subsidiaries.

Keywords: Holding Company, Subsidiary, Control, Liability

Introduction :

A holding company is a joint-stock company created and administered in accordance with the legal rules governing joint-stock companies, with its scope of activity confined to operations explicitly defined by law. In Algeria, such entities are designated as holding companies under the provisions of the Commercial Code and Ordinance No. 95/25, which relates to the management of state-owned commercial assets. This ordinance required the establishment of a new framework for the management of these state-owned assets through public holding companies, a measure necessitated by the nation's transition from a centrally planned system to a market-oriented economy. The introduction of this system was intended as a mechanism to enable public enterprises to remain competitive against foreign companies, with holding companies being recognized as a contemporary and advanced institution of the capitalist model, both at the domestic and international levels. Generally, a holding company is understood as one that owns and manages shares in other companies, thereby exercising control over them through strategic oversight and high-level decision-making, achieved by supervising and directing the use of available resources. The importance of this subject lies in the attempt to analyze and comprehend holding and subsidiary companies within the framework of legal texts, particularly in light of their central role in attracting foreign investments and broadening economic activities to boost the national economy. Accordingly, this article seeks to answer the following research question: To what extent are the legal provisions regulating the relationship between a holding company and its subsidiaries effective? To address this issue, we employed an analytical scientific method, focusing on the stance of the Algerian legislator regarding the regulation of the relationship between holding companies and their subsidiaries. In this regard, the study has been divided into two main sections: the first addresses the conceptual framework of the holding company, while the second examines the legal framework regulating the relationship between the holding company and its subsidiaries.

1- The Conceptual Framework of the Holding Company

The holding company represents the optimal structure for attracting and mobilizing significant amounts of capital to finance large-scale projects. It constitutes a modern legal phenomenon designed to achieve economic concentration.

This phenomenon has arisen as a direct result of global economic developments across various sectors.

Moreover, it addresses the emergence of large-scale projects that cannot be efficiently managed by a single company due to limited resources. The holding company is thus regarded as the only practical mechanism for managing such projects, through the establishment of other entities under its control, known as subsidiaries. The holding company owns, either directly or indirectly, a considerable portion of the subsidiaries' capital, which legally entitles it to exercise control over them. This results in a position of dominance by the holding company over its subsidiaries. The rise of such entities has provoked different academic opinions regarding the precise definition of a holding company. Moreover, divergent legal interpretations of the concept can be found in the Algerian legislative framework. Therefore, this chapter seeks to provide a definition of the holding company from both doctrinal and legal perspectives, before identifying the distinctive characteristics that set it apart from other forms of companies and justify its unique legal treatment.

1-1 Defining the Holding Company

A holding company is essentially an entity that oversees and directs the operations of several subsidiary companies. It can be described as the strategic hub of a corporate group, where crucial decisions are formulated to guide the collective functioning of the group's entities. While a holding company shares certain features with other commercial companies, it has nonetheless been subject to varied definitions in both legal scholarship and legislative interpretation.

1-1-1 Terminological Definition

Certain legal scholars define a holding company as: "A company that exercises a degree of control over another company, referred to as a subsidiary, whereby it has the power to determine who manages the subsidiary or to influence the decisions adopted by the subsidiary's general assembly."¹

Another definition describes a holding company as:

"A company that owns shares in several other companies, known as subsidiaries, in a proportion sufficient to enable it to control the management and operations of these subsidiaries."

Professor Elias Nassif defined the holding company as:

"A company specialized in study and guidance with the aim of developing and managing investment operations for its subsidiaries, which are responsible for execution."²

Meanwhile, French legal doctrine defines a holding company as:

"A company whose sole principal activity is to own and manage a portfolio of financial securities, representing its participation in the capital of another company."³

The diversity and divergence in the definitions of a holding company arise from the varying perspectives adopted by scholars in their analysis of this type of company. Some definitions highlight the holding company's control over its subsidiaries through its ownership of shares in their capital. Others, however, stress the holding company's power to appoint members of the subsidiary's board of directors, thereby ensuring a majority of votes that enables it to direct the subsidiary toward fulfilling the group's strategic objectives.⁴

In contrast, French legal doctrine underscores the separate legal personality of the subsidiary, which remains distinct from that of the holding company, even though the subsidiary falls under the authority of the holding company as its controlling entity.

1-1-2 The Legal Definition of the Holding Company

A holding company is defined as a company whose primary purpose is to manage its investments in other companies with the objective of exercising dominance and direction over them.

Essentially, it is a company with a strictly financial and administrative function, dedicated to managing its shareholdings in other entities in order to exert control. A holding company may own the entirety, the majority, or more than 50% of the shares in other joint-stock companies, which are then regarded as subsidiaries. Examining Algerian legislation reveals that the legislator did not explicitly provide a precise definition of a holding company. Nevertheless, the concept has been addressed in several legal provisions, particularly in commercial law and in the regulations related to public economic enterprises.

A : The Definition of the Holding Company in Commercial Law

A company qualifies as a holding company if it possesses a subsidiary. This subordinate relationship exists when the holding company: Is a shareholder in the subsidiary and holds the authority to influence the composition of its board of directors;

- Owns more than half of the nominal value of the subsidiary's capital; or
 - Is itself under the control of another holding company.
 - These conditions determine when a company is classified as a holding company.
- Furthermore, the law stipulates the necessity of explicitly indicating the company's partnership status, thereby affirming its controlling role..⁵

In Algerian commercial law, the expression used is "supervisory company" rather than "holding company." Under the law, a company is regarded as a holding company when it: Directly or indirectly owns a sufficient number of shares enabling it to control the management and direction of another company; Holds the right to appoint members of the board of directors pursuant to an agreement concluded between the parties; Exercises actual control over the management of another company, subjecting it to its supervision and direction; Directly or indirectly possesses a portion of another company's capital that grants it the majority of voting rights within the company's general assembly. It should be noted that the Algerian legislator did not set forth an explicit definition of a holding company, as it did not specify the precise mechanisms for establishing a relationship of dependency between the holding company and its subsidiaries. Instead, it referred only to financial participation exceeding half of the subsidiary's capital as the basis for dependency and control. Accordingly, within the framework of commercial law, a holding company is any company that exercises control over one or more companies, whether such control is direct, indirect,

contractual, or factual. Secondly

B: The Concept of the Holding Company under Ordinance 95/25 on the Management of State-Owned Commercial Capital :

Through this ordinance, the Algerian legislator introduced a new notion, namely that of public holding companies, defined as follows: "The public holding company manages and administers state-owned commercial capital. It takes the form of joint-stock companies wholly owned by the state and/or jointly owned by the state and other legal entities subject to public law." The establishment of a public holding company occurs by notarized contract, under the same conditions and procedures applicable to joint-stock companies. Its assets are composed of securities in the form of shares, bonds, investment certificates, and any other financial instruments representing ownership of capital or debt in its affiliated institutions."⁶ The Algerian legislator explicitly designated it as a public holding company, characterizing it as a commercial joint-stock company engaged in the acquisition and trading of shares in public companies. Its establishment takes place through a notarized contract, with its capital being either fully state-owned or jointly owned by the state and other public law entities. The Algerian legislator aimed to establish a distinct notion of the public holding company within the framework of public economic enterprises, separate from the concept defined under commercial law. It was assigned the tasks of managing, organizing, and supervising public commercial assets owned by the state and public legal entities, which form the capital of holding companies and are represented in the form of shares, participations, investment certificates, or other negotiable securities..⁷

It is noticeable that the Algerian legislator did not specify the legal form that a holding company should take in commercial law. However, it was established as a joint-stock company under the law governing the management of state-owned commercial capital.

It is worth mentioning that public holding companies were replaced by the State Holdings Management Company (SHMC) pursuant to Ordinance No. 04/01, which relates to the organization and privatization of public economic enterprises.⁸

1-2 Characteristics of the Holding Company

The holding company is classified as a capital company, where the emphasis is placed on the company's capital rather than on the partners themselves. In this type of company, the liability of each shareholder is limited to the amount of their contribution. Another key feature lies in the company's financial and administrative control over its subsidiaries.

Due to the specific legal framework regulating holding companies, they are characterized by distinctive features that set them apart from other forms of companies, including the following:

1-2-1 The Holding Company as a Commercial Company

Under Algerian commercial law, commercial companies are divided into two categories: partnerships and capital companies. Considering the strategic role and expansion-

oriented objectives of a holding company, it is unquestionably regarded as a capital company.

A holding company does not represent a new type of capital company but, in principle, functions like any other company possessing legal personality and the legal capacity to own shares. The Algerian legislator classified it as a joint-stock company through Ordinance No. 95-25 relating to the management of state-owned commercial capital.

Recognizing the holding company as a commercial enterprise entails two implications:

- It is subject to the professional obligations imposed on merchants.
- It falls under the application of bankruptcy regulations..⁹

1-2-2 :The Existence of a Subsidiary Company for the Holding Company

Since the holding company owns the majority of capital in other companies to control and direct their activities, these companies are referred to as subsidiaries or dependent companies. A subsidiary is defined as:

*"A legally independent company that is, in practice, subject to the supervision and management of the parent company. Its independence is reflected in its distinct legal personality. The subsidiary relationship arises when the parent company effectively controls the majority of the subsidiary's board of directors through its ownership of most of the subsidiary's capital, enabling it to exercise control."*¹⁰

1-2-3 : The Holding Company as a Controlling Entity over Its Subsidiary

This characteristic is the most significant feature of a holding company, as it exercises financial and administrative control over its subsidiaries. This control is achieved either by owning more than half of the subsidiary's capital or by having the power to appoint the subsidiary's board of directors.

However, the financial and administrative control exerted by the holding company does not imply the dissolution of the subsidiary's identity or its merger into the parent company. The subsidiary retains its distinct legal personality and independent financial standing.¹¹

1-2-4 :Subsection Four: The Holding Company as an Independent Entity

There is a complete separation between the legal personality of the holding company and that of its subsidiary. This independence is reflected in each company having its own separate financial standing. The concept of an independent financial standing means that a company's assets are its own and not the property of its shareholders, regardless of whether they are natural or legal persons. The independence is also evident in each company having its own nationality and unique name.¹²

Thus, the holding company's supervision over its subsidiaries does not negate the legal personality of the subsidiary. Even when the holding company owns the majority of shares in its subsidiaries and, as a result, controls the majority of voting rights influencing decisions, this does not abolish the subsidiary's independent identity. In essence, the holding company does not constitute a new legal form of company; rather, it may adopt any of the recognized commercial forms under commercial law—whether as a capital company, a partnership, a

limited liability company, or an unlimited company. It remains subject to the legal provisions applicable to its specific legal form, and this applies both during its establishment and throughout its activities.

The expression "holding company" is merely a designation that conveys the company's unique function and role, without implying the creation of a distinct legal form.

2- Organizing the Relationship Between the Holding Company and Its Subsidiaries

The holding company, while essentially a form of joint-stock company, retains certain unique attributes that distinguish it from ordinary joint-stock companies. The Algerian legislator has conferred upon it a special legal status in terms of both its organizational structure and the nature of its functions. The holding company enjoys a legal personality separate from that of its subsidiaries, which allows it to exercise control over their management and operations. By virtue of this control—whether financial or administrative—the holding company inevitably assumes responsibility for its subsidiaries. This chapter will therefore analyze how the relationship between the holding company and its subsidiaries is structured.

2-1 :Methods of Holding Company Control Over Its Subsidiaries

The economic unity that characterizes a corporate group emerges from the alignment of strategies and objectives across all companies within the group. This unity reflects the internal dominance of the holding company, enabling it to direct and influence the subsidiaries under its control. These subsidiaries essentially function as operational units working collectively toward the broader economic strategy defined by the holding company. Such dominance is achieved through what is termed "control," which constitutes the essential indicator of the dependency relationship binding the holding company to its subsidiaries. In this sense, control represents a factual condition that places the holding company in a superior position, granting it wide-ranging financial and administrative authority over its subsidiaries.¹³. It represents the legal manifestation of economic dominance.

2-1-1 : Control Through Majority Ownership of Share Capital

Although subsidiaries retain their legal personality and bear full legal responsibility irrespective of their dependence on the holding company, they still maintain financial independence, a separate management structure, and the capacity to enter into contracts and agreements in their own name.

Nevertheless, the law acknowledges their dependency through the holding company's participation in their management. This dependency results from the holding company's ownership of the majority of the subsidiary's shares, which provides it with voting rights and decision-making power. Moreover, subsidiaries are prohibited from acquiring shares in the

parent holding company or from becoming members of it.

This form of control, derived from majority ownership, effectively places subsidiaries under the overarching management and strategic guidance of the holding company, thereby treating the group as a unified economic entity despite the subsidiaries' separate legal existence.

The financial dimension of this relationship is reflected in the holding company's influence over the subsidiary's financial activities. Subsidiaries frequently depend on the parent company for continuous financial assistance, particularly at the startup stage when the holding company usually provides the initial capital. As subsidiaries expand their operations, they may require further financial resources to maintain projects, which the holding company secures through loans and guarantees.

The subsidiary is typically founded with limited capital, financed partly by the holding company and supplemented by local funding, which often proves inadequate to cover all requirements. This creates weak financial capacity, compelling the subsidiary to rely consistently on the holding company for financial support, most often through loans. Such financial reliance ensures the holding company's dominance over its subsidiaries. The main sources of funding available to the subsidiary include the issuance of shares, bank loans, and self-financing..¹⁴

2-1-2: Administrative Control

The holding company aims to optimize its profits by implementing a unified work plan across all its subsidiaries, thereby ensuring coordinated operations among these dispersed entities regardless of their specific interests.

This administrative control, characterized as centralized management, is reflected in the holding company's intervention in the management of its subsidiaries. Such intervention is demonstrated through the holding company's full authority over various aspects of the subsidiaries' operations..¹⁵ The holding company exercises control over operations by monopolizing key decision-making powers related to these activities. It structures its administrative relationships with subsidiaries on the basis of centralized control, ensuring the implementation of its overarching strategy to achieve integration across all subsidiaries.

In practice, the holding company retains strategic decision-making authority over the essential aspects of a subsidiary's operations, while delegating day-to-day operational matters to the subsidiary's board of directors. However, the extent of this delegation depends on the work plan established by the holding company for its subsidiaries. Consequently, some holding companies adopt a strongly centralized model, granting only limited autonomy to their subsidiaries in managing their affairs, while others allow greater flexibility, depending on how closely the subsidiary complies with the prescribed work plan in its activities.

The holding company's intervention plays a crucial role in the life of its subsidiaries, often diminishing the effective role of their boards of directors. In many cases, these boards

serve primarily as intermediaries, conveying instructions from the central management of the holding company to the subsidiaries. Thus, the holding company can be seen as the “thinking head” and “mastermind,” while the subsidiaries serve mainly as the executors of its directives..¹⁶

2-1-3: Control Through Mergers

The merger of commercial companies is not a straightforward process; it necessitates compliance with specific legal procedures that are often lengthy and complex, requiring considerable time to complete. This complexity is justified, as mergers affect a range of interconnected interests, including the financial instruments issued by the merging companies, as well as the rights of creditors, debtors, employees, and even the management of the company itself. Legal scholars have proposed multiple definitions of mergers, but the most comprehensive can be summarized as follows: "A merger is a contract concluded between two or more companies through which their financial assets are unified, thereby bringing all partners together into a single entity. This may occur either by dissolving all the merging companies and creating a new one in their place or by one company absorbing the others."..¹⁷

From a legal standpoint, Algerian legislators have not provided an explicit definition of mergers in either commercial or civil law. Nevertheless, the concept is addressed in the Commercial Code under the title "Mergers and Separations," which stipulates: "A company, even if it is under liquidation, may merge with another company or take part in the creation of a new company through a merger."..¹⁸ Mergers represent one of the most effective means of achieving economic concentration, as they allow the pooling of capital and the transformation of small economic units into larger entities. This phenomenon is often described as the transition to "large-scale capitalism" or "monopolistic capitalism," in contrast to "competitive capitalism." Economic concentration can be realized through several mechanisms, including mergers, joint ventures, spin-offs, and holding companies. The primary distinction between mergers and joint ventures lies in the fact that joint ventures generally involve capital contributions from individuals of different nationalities..¹⁹ When a merger is used as a means of control or as a way to establish the dependency of a subsidiary on a parent company, it generally takes place through one of two approaches: merger by consolidation or merger by absorption.

A: . Merger by Absorption

In this form of merger, one or more companies are merged into another company, known as the absorbing company. As a result, the absorbed company ceases to exist as a legal entity, with all its assets and liabilities transferred to the absorbing company. This procedure unfolds in two principal stages:

- **Dissolution of the Absorbed Company:**

The extraordinary general assembly of the absorbed company issues a resolution

declaring its formal dissolution.

- **Capital Increase of the Absorbing Company:**

The capital of the absorbing company is raised in accordance with the legal procedures governing capital increases, with the increase reflecting the net assets transferred from the absorbed company. For the merger by absorption to be completed, the proposal must be submitted to the extraordinary general assembly of shareholders or the partners' assembly of both the absorbed and absorbing companies for approval..²⁰ In practice, most mergers are of this kind, in which a stronger, economically and administratively independent absorbing company takes over a weaker merged company—often one facing an economic crisis or carrying substantial debt. Furthermore, completing this type of merger does not necessitate the creation of a new company, which would otherwise involve considerable time and costs.

B : Merger by Consolidation

This form of merger occurs when two or more companies combine to establish a new company. The merging companies are dissolved, losing their legal identities, while a new entity is created with its own separate legal personality. This process requires the approval of the extraordinary general assembly of the merging companies to formally authorize their dissolution and consolidation..²¹

For this type of merger to result in the new company becoming a subsidiary of the holding company, the holding company—or one of its subsidiaries—must be a party to the merger contract, provided the law allows the holding company to engage in commercial or industrial activities. The aim is for the holding company to gain control over a foreign company within the group, thus securing new strategically important positions in production or marketing that the holding company could not otherwise access. In this way, the newly created, larger, and better-resourced company becomes a subsidiary serving the overall strategy that the holding company seeks to implement. This also helps the holding company eliminate competition from foreign companies..²²

In this case, the merger plan must be presented to the extraordinary general assemblies of the merging companies, in accordance with the procedures required for amending their corporate charters or legal structures. Moreover, the standard procedures for establishing a new company must be followed. The Algerian legislator has addressed both types of mergers in the Commercial Code, explicitly stating that a company, even if in liquidation, may merge with another company. The law also allows a company to participate in the creation of a new company through consolidation..²³

2-2 : Liability Arising from the Holding Company's Control Over Its Subsidiaries

From a legal perspective, a subsidiary company possesses an independent legal personality that is distinct from that of the holding company. However, this independence exists only in theory, not in practice. In reality, the holding company manages an integrated

economic enterprise, and its position at the top of this enterprise enables it to exercise administrative and financial control over its subsidiaries.

This practical dominance provides the legal foundation for the holding company's liability for the debts of its subsidiaries, as the holding company functions as the manager of the subsidiary. Additionally, it usually holds a substantial portion of the subsidiary's capital, granting it the power to appoint or remove board members and, as a result, to influence the board's decisions. We will now examine the responsibility of the holding company as the manager of its subsidiaries, followed by its responsibility as a major shareholder in the subsidiary company.

2-2-1: The Holding Company's Responsibility as a Manager of the Subsidiary

When a holding company owns a significant share of a subsidiary's capital, it acquires the authority to appoint or dismiss members of the subsidiary's board of directors, thereby establishing control over its management. This managerial role implies that the actions and decisions of the board members, carried out within their authority, are attributed to the subsidiary itself, in accordance with the provisions of the Algerian Commercial Code.²⁴

This principle is confirmed by recognizing the influence of the holding company through the manager it appoints to supervise the subsidiary's activities, treating them as if they were part of its own business. This administrative control, whether exercised directly or through intermediaries, leads the subsidiary's managers to follow the directives of the parent company's board. As a result, the subsidiary often functions as a mere extension of the holding company. Moreover, since the holding company usually holds the majority of the subsidiary's capital, their financial accounts and balance sheets—including profits and losses—are frequently interrelated.²⁵

Since the holding company is a legal entity, it can only express its will through a natural person who acts on its behalf in managing the subsidiary. By virtue of its significant ownership stake, the holding company appoints individuals to represent it on the subsidiary's board of directors. Consequently, it bears responsibility for the actions of these representatives.²⁶

The individual acting on behalf of the holding company is known as the "de facto manager." This person manages the company's affairs without being formally appointed in the company's founding documents. Although not the company's legal representative, the de facto manager is specifically assigned to oversee its operations and is therefore considered, in practical terms, as the company's manager. A holding company may also act as a de facto manager when it directly directs the subsidiary or enforces specific economic policies in line with its broader corporate strategy. Furthermore, for the holding company to be recognized as a de facto manager, it must consistently and independently carry out managerial functions within the subsidiary.

2-2-2 : The Holding Company's Responsibility as a Major Shareholder

The primary basis for the holding company's liability regarding a subsidiary's debts is the misuse of the subsidiary's assets for the private interests of the holding company. This liability arises when the holding company transfers the subsidiary's profits to its own accounts or utilizes its resources to serve its own interests. In such cases, the holding company is held responsible for the subsidiary's debts..²⁷ However, it is not necessary to rely on such justification to establish the liability of the holding company for the debts of its subsidiary, because, as previously noted, the holding company and its subsidiaries constitute an integrated economic unit in which all financial accounts are consolidated. This is particularly evident when the subsidiary is wholly owned by the holding company. An examination of the holding company's balance sheet clearly shows that it is essentially a consolidated balance sheet, combining the accounts of the holding company and its subsidiaries.

This demonstrates a financial and economic integration between the holding company and its subsidiaries, implying a shared responsibility for the subsidiary's debts. The French judiciary has recognized the joint liability of both the holding company and the subsidiary for each other's debts. In other words, French courts have held the holding company liable for the debts of its subsidiary, considering the former as the manager of the latter and responsible for actions that resulted in the indebtedness. This ruling applies regardless of whether the court's decision was based on fraud, the appearance theory, unity of interest, or sham transactions. Some legal scholars argue that if debts are incurred by one of the subsidiaries, the court may initiate collective proceedings against the entire corporate group that constitutes the holding company, treating them as a single economic unit despite the legal independence of each company..²⁸

Conclusion

In this research paper, we sought to highlight how the Algerian legislator addresses one of the most significant legal and economic entities in corporate law: the holding company. This was accomplished by examining the legal mechanisms that regulate the relationship between the holding company and its subsidiaries. Through our study, we reached several conclusions:

1. The Algerian legislator has referred to the definition of holding companies in various legal texts. However, there are no detailed provisions specifically regulating holding companies within the Commercial Code, and no dedicated legislation exists despite their economic significance.
2. A holding company exercises control over its subsidiary by owning a portion of capital that enables it to dominate the subsidiary. This control can be achieved by holding more than half of the subsidiary's capital, influencing the composition of the subsidiary's board of directors through majority voting rights at the general assembly, or through provisions in the subsidiary's articles of association or agreements with other partners.

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3. The holding company maintains financial and administrative control over its subsidiaries, while the subsidiaries remain financially and administratively subordinate to the holding company.

Recommendations:

1. Provide a standardized definition of holding companies and expand their potential legal structures beyond solely joint-stock companies.
2. Draft specific legal provisions to regulate holding companies, taking into account their unique nature compared to other types of companies and their substantial economic role.
3. Enact legal provisions governing the relationship between holding companies and their subsidiaries. Establishing the liability of the holding company for the debts of its subsidiaries requires precise regulation to safeguard creditors' rights through clear legal mechanisms.

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