

Legal Challenges and Regulatory Prospects of Digital Currencies in Algeria

التحديات القانونية والآفاق التنظيمية للعملات الرقمية في الجزائر.

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الملخص:

تهدف هذه الدراسة إلى فهم الإشكاليات القانونية المرتبطة بالعملات الرقمية، وذلك من خلال تتبع مفاهيمها وتكييفاتها القانونية والفقهية المختلفة، والنظر في مدى قابلية المنظومة التشريعية الجزائرية لاستيعاب إدماج الدينار الرقمي كعملة رسمية. وركز التحليل على تتبع الطبيعة القانونية لهذه العملات، وذلك بتفكيك المفاهيم المتعلقة بها، وسبر الخلفيات التقنية والمالية التي أدت إلى ظهورها.

الكلمات المفتاحية: العملة الرقمية؛ الدينار الرقمي؛ البتكوين؛ تقنية البلوكتشين؛ الأصول المشفرة.

Abstract:

This study examines the legal challenges and regulatory prospects of digital currencies in Algeria, highlighting their legal nature, the risks they pose to monetary sovereignty, and the potential for introducing a state-backed digital dinar. Through a comparative approach, it draws lessons from pioneering experiences such as those of China, Sweden, and the European Union to propose a robust regulatory framework tailored to Algeria.

Keywords: Digital currency; Digital dinar; Bitcoin; Blockchain technology; Crypto assets.

Introduction:

Digital currencies have emerged as one of the most pressing challenges confronting contemporary legal systems worldwide. Unlike traditional forms of money, which are clearly defined and regulated within national legal and institutional frameworks, digital currencies present a new paradigm that unsettles established concepts of currency, sovereignty, and financial regulation. Their decentralized nature, reliance on advanced technologies such as blockchain, and rapid expansion into global markets have placed extraordinary pressure on legislatures, regulators, and policymakers.

Their decentralized nature and rapid adoption globally have forced policymakers to rethink traditional monetary concepts. In Algeria, where M2 money supply reached a record high of approximately 16,926.9 billion DZD in March 2024, the urgency for modern monetary tools is more apparent than ever. A state-backed digital dinar could enhance

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efficiency, regulatory oversight, and financial inclusion while aligning the country with global digital trends.

For countries such as Algeria, the challenge is particularly acute. Algeria remains in the early stages of developing the legal, financial, and technological infrastructure required to adapt to the profound transformations brought about by digitalization. Nevertheless, the pace of technological and financial innovation has compelled Algerian lawmakers to confront questions that were previously unthinkable within the traditional monetary framework. The global digital revolution has forced a reconsideration of long-standing notions of money, payment systems, and financial sovereignty.

The Algerian experience reflects a paradox: while the country has been relatively slow to legislate in this field, it cannot remain isolated from global developments. The expansion of digital currencies—both private and official—has already reshaped international financial systems. In many respects, the Algerian case highlights the tension between two equally compelling imperatives. On the one hand, there is the necessity of preserving **monetary sovereignty**, understood as the state's exclusive authority to issue legal tender and manage the money supply. On the other hand, there is the reality of **technological innovation and digital openness**, which demands adaptation and modernization if Algeria is to avoid economic marginalization.

This study therefore addresses the legal issues associated with digital currencies from both theoretical and practical perspectives. The analysis begins with a conceptual clarification of digital currencies and their legal characterizations, tracing the ways in which they have been defined in international and comparative contexts. The study then examines the specific position of Algerian legislation, assessing whether the national legal system is capable of integrating a state-backed digital currency—namely the “digital dinar”—as an official form of money. Particular emphasis is placed on the challenges of regulating private digital currencies such as Bitcoin, which already circulate across borders and undermine state monetary control.

The chapter is organized into two main sections. The first is entitled “**Threats posed by digital currencies.**” This section explores the factual and legal foundations that have led the Algerian legislator, primarily motivated by caution, to prohibit the use of digital currencies. The second section, entitled “**Prospects for the integration of the digital dinar in Algeria.**” presents a forward-looking analysis of possible reforms and regulatory measures required for establishing an official digital currency that is both secure and effective. In doing so, the study draws upon pioneering comparative experiences, including those of China and Sweden, which have advanced significantly in this domain.

By adopting this dual approach—analyzing both prohibition and prospects—the study aims to clarify the existing contradictions within Algerian law, highlight the regulatory gaps that must be addressed, and provide a foundation for a comprehensive legal framework capable of balancing sovereignty with innovation.

This study adopts a **qualitative legal research methodology** based primarily on doctrinal analysis. The approach involves the interpretation of legal texts, the examination of comparative legislation, and the analysis of academic and institutional literature on digital currencies. The study also employs a descriptive method to present the current state of

Algerian legislation, and an analytical method to identify contradictions and gaps within the existing legal framework.

In addition, the research incorporates a **comparative perspective**, drawing upon the legal experiences of other jurisdictions that have advanced in regulating or issuing digital currencies. By contrasting the Algerian case with international examples, the study seeks to highlight both limitations and potential reforms.

The primary tools used in this study include:

- **Legislative texts:** As the Algerian Monetary and Credit Law, the 2018 Finance Law, and relevant provisions of civil, commercial, and criminal law.
- **International institutional reports:** As publications of the International Monetary Fund (IMF), the European Commission, and central banks.
- **Academic literature:** Comparative legal studies, journal articles, and doctoral theses on digital currencies.
- **Comparative case studies:** As the Chinese digital yuan (CBDC), Sweden's e-krona, and the European Union's digital euro initiative.

This study seeks to address the following central question : **What are the legal challenges and regulatory prospects associated with digital currencies in Algeria?**

This overarching problem can be broken down into the following sub-questions:

1. What are the concepts and types of digital currencies?
2. What legal challenges do digital currencies raise?

Research Plan:

To answer these questions, the paper adopts the following structure:

Title 1 : Threats posed by digital currencies.

1.1- Definition of digital currencies and their classifications.

1.2-Threats posed by private digital currencies to the pillars of monetary sovereignty.

Title2 : Prospects for the integration of the digital dinar in Algeria.

2.1- The legal qualification of the digital dinar within the Algerian monetary system.

2.2- proposed regulatory framework for integrating the digital dinar and governing its circulation.

1-Threats posed by digital currencies.

1.1- Definition of digital currencies and their classifications

The concept of digital currency is a modern construct that emerged in contemporary business and has gained increasing prominence in economic discourse, particularly in the digital era, with the exponential rise in digital platforms for financial transactions.

A digital currency can be defined as: *“A virtual or imaginary currency composed of digital codes, stored either on hard drives or the Internet, whose value is determined by supply and demand. Transactions are difficult to trace, and ownership is often anonymous.”*¹

It may also be broadly understood as “digital money” a deliberately flexible term encompassing a wide range of potential monetary forms, characterized by constant change, periodic disruptions, and the need for continuous policy adaptation and guidance, which are defining features of the digital era.²

Digital currencies can be classified into the following categories:

- A- Electronic Money:** Defined by the IMF as “*monetary value stored electronically representing a claim on the issuer, issued upon receipt of funds, and accepted as a means of payment by parties other than the issuer.*”³
- B- Virtual Currency:** Defined by the IMF as “*a digital representation of value not issued by a central bank or public authority, not necessarily linked to legal tender, but accepted as a means of payment by natural or legal persons, and transferable, storable, or tradeable electronically.*”⁴
Swedish researcher Emil Elgebrant adds that it “*exists only in digital form and generally does not constitute a legal claim against a recognized issuer.*”⁵
- C- Cryptocurrencies:** A dominant type of digital currency, defined by the IMF as “*a subclass of virtual currencies characterized by decentralization and reliance on cryptographic protocols.*”⁶
Swiss scholars Luzius Meisse and Gabriela Hauser-Spühler describe them as “*decentralized Internet currencies, operating through blockchain-based payment systems.*”
- D- Central Bank Digital Currencies (CBDCs):** Defined by the IMF as “*a digital form of central bank money that can create a digital footprint—data that can be collected and stored.*”⁷

1.2- Threats of Private Digital Currencies to Monetary Sovereignty

Private digital currencies, by their very nature, represent a challenge to the authority of the state over its monetary system. They operate independently of central banks and established regulatory frameworks, thereby posing a direct threat to monetary sovereignty. In what follows, we will outline some of the key risks and implications of this phenomenon.

A- Parallel Monetary Reality

Digital currencies are issued without authorization from monetary authorities due to their decentralized nature. They are traded among individuals and groups based on technological rules that do not necessarily conform to state monetary policy. This undermines the state’s exclusive right to issue currency. Article 7 of Algeria’s Monetary and Credit Law prohibits the use of any instrument denominated in Algerian dinars as a means of payment other than the national currency. Cryptocurrencies, given their cross-border nature, circumvent this prohibition, creating a parallel monetary reality outside state control.

B- Weakening Control over Money Supply

A core feature of digital currencies is encryption, ensuring anonymity and secrecy. This characteristic impedes regulation and fosters financial disorder that undermines the effectiveness of monetary policy. According to researcher Zhang Linjie, the decentralized nature of cryptocurrencies hinders central banks from controlling liquidity and achieving monetary stability, as tracking these currencies’ movement within the national economy is extremely difficult.⁸

C- Declining Demand for the National Currency

The abundance of digital alternatives leads to reduced reliance on national currencies, particularly in developing countries with limited trust in banking systems. Individuals may

turn to digital currencies to escape banking oversight or tax obligations. French and Swedish studies highlight this phenomenon, warning that the unchecked spread of digital currencies could fragment financial systems into heterogeneous networks, threatening systemic stability.

Thus, the threat to monetary sovereignty is not limited to economic control but extends to the state's political ability to guide development, manage crises, and address external challenges. Protecting monetary sovereignty is therefore a strategic imperative, not merely a legislative measure.

D- The Algerian Legislator: Prohibition without Criminalization and Legal Ambiguity

After years of legislative silence, Article 117 of the Finance Law of 2018 explicitly prohibited the use of virtual currencies in Algeria, defining them as Internet-based units lacking physical support. However, this prohibition was not backed by criminal sanctions, leaving the provision legally ineffective. Consequently, Algeria lacks judicial precedents on digital currencies, reflecting the absence of clear legal qualification.

The same legislation, however, acknowledged the possibility of a “**digital Algerian dinar**”, granting its exclusive issuance to the Bank of Algeria, and recognizing it as legal tender with unlimited discharge power. Yet no further details were provided.

This leaves Algeria's digital currency legislation vague, incomplete, and lacking in clarity compared with more comprehensive European and Asian frameworks.

Private digital currencies inherently challenge state authority over monetary systems. Despite legal prohibitions, regional digital transactions in the MENA region reached \$338.7 billion between July 2023 and June 2024, accounting for 7.5% of global blockchain activity. Such trends highlight Algeria's exposure to cross-border transactions, making regulatory isolation increasingly untenable.

- **Parallel Monetary Reality:** Decentralized issuance undermines the state's exclusive right to issue currency.
- **Weakening Control over Money Supply:** Anonymity and encryption limit central bank oversight.
- **Erosion of Demand for National Currency:** The proliferation of digital alternatives risks reducing trust and usage of the Algerian dinar.

2. Legal Ambiguity and Prohibition Algeria's Finance Law of 2018 prohibited the use of virtual currencies but lacked criminal sanctions, creating legal ambiguity. Recent Law No. 25-10 (July 2025) addressed this gap by criminalizing the possession, use, or trading of digital currencies, imposing penalties of up to 1,000,000 DZD or one year of imprisonment. However, such restrictions risk driving innovation underground and limiting the country's ability to engage with digital finance.

3. Prospects for the Digital Dinar The recognition of a sovereign digital currency is a significant step toward modernization. Article 2 and 4 of the Monetary and Banking Law formally recognize the central bank's exclusive authority to issue digital legal tender. Yet, detailed regulations on issuance, circulation, cybersecurity, and user protection remain absent.

2- Prospects for the integration of the digital dinar in Algeria.

The recognition of a sovereign digital currency—the digital dinar—offers Algeria an opportunity to modernize its monetary system while reinforcing state control over currency issuance. Yet this prospect remains largely conceptual, requiring detailed legal, institutional, and technical measures to become a reality. The following section explores the main avenues and challenges for integrating the digital dinar into the Algerian financial framework.

2.1- The Legal Qualification of the Digital Dinar within the Algerian Monetary Framework :

The legal status of the digital dinar is still in its formative stage in Algeria. While recent legislation acknowledges the principle of a sovereign digital currency, its practical qualification within the monetary system remains uncertain. The following section examines how Algerian law currently positions the digital dinar and the gaps that must be addressed for its effective implementation.

In what follows, we will outline some of the key points that shed light on how the digital dinar is currently positioned in Algerian law and the gaps that must be addressed for its effective implementation:

A- The status of the digital dinar as an official currency issued by the Central Bank

As a central bank-issued currency, the digital dinar remains in its infancy legislatively. Current monetary and banking law acknowledges its existence in principle but provides no implementing regulations on issuance, infrastructure, or governance. Nevertheless, this recognition marks a significant shift in Algeria’s philosophy of monetary issuance and serves as a legal foundation for future regulation.

Article 2 of the Monetary and Banking Law stipulates that the state retains exclusive currency issuance rights, delegated solely to the central bank. This monopoly extends to digital forms of money, making any external issuance unlawful. Article 4 further reinforces this by recognizing digital central bank money as legal tender with unlimited discharge power⁹, thereby equating the digital dinar with traditional banknotes.

This legal framing aligns with international practice. For instance, China’s White Paper defines the **digital yuan** as legal tender issued by the People’s Bank of China, equivalent in value to physical yuan, and endowed with full legal discharge capacity.¹⁰

Thus, Algeria has formally recognized the digital dinar as official legal tender, but its effective implementation requires detailed regulatory frameworks on issuance, circulation, and safeguards.

Other international experiences confirm this trend:

- **Sweden (e-krona):** The Riksbank has advanced legislative studies to recognize the e-krona as legal tender, focusing on data protection, financial inclusion, and maintaining public access to central bank money in an increasingly cashless society.¹¹
- **European Union (digital euro):** The European Commission has proposed a comprehensive **Digital Euro Regulation** that grants the digital euro legal tender status, with clear provisions on privacy, user rights, and anti-money laundering measures.¹²

- **The Bahamas (Sand Dollar):** As one of the pioneers, the Central Bank of the Bahamas launched the Sand Dollar in 2020 as a fully operational central bank digital currency, supported by a robust regulatory framework to enhance financial inclusion and accessibility.¹³
- **United Arab Emirates – (mBridge and the Digital Dirham)**
The UAE has been an active participant in the **mBridge project**, conducted in partnership with the People’s Bank of China, the Bank of Thailand, and the Bank for International Settlements.¹⁴ The pilot successfully facilitated faster and more secure cross-border settlements at reduced cost. In addition, the Central Bank of the UAE has announced plans to launch a **Digital Dirham** as part of its national fintech strategy.¹⁵ The project aims to enhance financial inclusion, strengthen cross-border payments, and modernize the monetary system.
- **Saudi Arabia – (Project Aber) :**
In cooperation with the UAE, the Saudi Central Bank launched **Project Aber**, a joint experiment to test a shared digital currency for cross-border settlements using distributed ledger technology (DLT). The final report confirmed the technical feasibility of a jointly issued CBDC while maintaining privacy and security.¹⁶
- **Iran – (Crypto Rial)**
The Central Bank of Iran proposed the **Crypto Rial**, a sovereign digital currency intended to replace physical cash, diversify monetary instruments, and improve traceability.¹⁷

Thus, Algeria has formally recognized the digital dinar as official legal tender, but its effective implementation requires detailed regulatory frameworks on issuance, circulation, and safeguards. Drawing lessons from comparative experiences in China, Sweden, the EU, and the Bahamas would allow Algeria to design a legal framework that is both internationally consistent and nationally tailored.

B- Legislative Requirements for Integrating the Digital Dinar

The effective adoption of the digital dinar cannot rely on broad legal recognition alone. It requires the development of precise legislative provisions that regulate its issuance, circulation, monitoring, and user protection. In what follows, we will outline some of the key requirements that Algerian law must address in order to ensure the secure and functional integration of the digital dinar into the national monetary system.

C- Need for Regulatory Laws

The monetary law’s recognition of the digital dinar as legal tender represents only a general principle, not an operational framework. Without regulatory legislation specifying issuance, circulation, monitoring, and cybersecurity measures, the digital dinar remains legally dormant.

D- Necessary Legal Amendments

Integrating the digital dinar requires amendments across multiple legal domains:

- **Civil Code:** Explicitly recognizing digital currency as valid discharge of obligations.
- **Civil and Administrative Procedures Law:** Establishing provisions for digital payments in enforcement of judgments.

- **Accounting Law:** Incorporating digital accounts as official financial channels.
- **Tax Law:** Clarifying the fiscal treatment of digital transactions and their inclusion in tax declarations.

E- Integration into the Tax System

Taxation poses a major challenge to the integration of the digital dinar, as this area relies on precision in determining the tax base and collection mechanisms, as well as the accounting treatment of financial transactions.

The tax law, in its various branches, does not contain any provisions relating to digital currency, either in terms of its taxability or its use in the settlement of tax obligations, nor is it even mentioned in tax returns or accounting reports. In the absence of the necessary guidelines, there is a risk of an interpretative gap between the tax authorities and taxpayers that could hinder the adoption of digital performance. Furthermore, the failure to integrate digital currency into the tax system could result in a parallel market in which digital currencies are used without being subject to monitoring or tax declaration.

F- Regulatory integration between the Bank of Algeria and financial institutions.

The legislative dimension alone is not sufficient for the success of a project as large as the launch of an official digital currency. It requires an integrated institutional framework to ensure coordination between all public and private actors.

In the case of Algeria, enshrining the digital dinar as a new form of national currency in monetary and banking law without establishing an institutional mechanism capable of managing, regulating and distributing it raises serious questions. As far as we can see, there is currently no integrated framework defining the roles of the various institutions, such as the Bank of Algeria, commercial banks, the Ministry of Finance, the General Tax Directorate, the Ministry of Digitalisation, and financial technology companies. This undermines the effective readiness to integrate the digital dinar into the Algerian financial system.

If the digital dinar is launched without such coordination, there will inevitably be significant conflicts of competence and gaps in functional coverage, particularly with regard to cybersecurity, integration with tax and financial control systems, and data protection. This highlights Algeria's need for a comprehensive model for deep institutional framing, through which the entity responsible for all steps and stages related to the integration of the digital dinar can be identified.

2.2- Proposed Regulatory Framework for the Digital Dinar

The recognition of the digital dinar as legal tender within Algerian law represents an important symbolic step, but without detailed implementing legislation it remains merely declarative. International experience shows that central bank digital currencies can only be effectively integrated when supported by a comprehensive legal and institutional framework that defines the conditions of issuance, circulation, supervision, and user protection. In Algeria, this requires moving beyond abstract legal acknowledgment toward the adoption of precise statutory provisions that regulate the digital dinar in practice. In what follows, we will outline the principal components of such a regulatory framework, drawing on comparative models while adapting them to the Algerian context.

A- Conditions for issuing digital currency: towards precise legislative anchoring.

Clear legislative anchoring is essential for defining the conditions for issuing the digital dinar, so that technical standards, digital procedures and other aspects are regulated.

The issuance of the digital dinar and its integration into the Algerian financial system is not merely a technical extension of paper currency, but rather a profound shift towards modernity in the monetary structure. This requires special regulation to ensure the soundness of monetary policy, price stability and the security of the financial system. The following conditions must be legislated:

- Transparency standards: by defining the modalities and quantity of issuance and linking it to macroeconomic indicators in order to avoid excessive money supply, which can have serious inflationary effects.
- Security compliance: Strict standards must be required in the area of cybersecurity and the technical infrastructure of the digital dinar, particularly with regard to the encryption of transactions and the linking of digital wallets to user identities. These are extremely important and sensitive elements, which are often the primary target of hacking and cyberattacks. Therefore, particular attention should be paid to this area, as it concerns a key element: trust.
- Accounting and banking links: The technical system for issuance must include a mechanism linking the issuance of digital dinar blocks to the existing banking system and clarifying their relationship with traditional currency blocks, which has not yet been regulated in Algeria.
- Continuous monitoring: Mechanisms should be put in place to enable the Bank of Algeria to monitor issuance in real time, review monetary effects periodically, and track each digital dinar unit throughout its life cycle and record all transactions in which it is used.

B- Protecting the monetary system from counterfeiting and duplication; the need for a legislative and technical security framework.

The challenges posed by official digital currencies are many and varied, one of the most significant being digital counterfeiting or double spending, which poses a major threat to the sovereignty of the central bank and the unity of the monetary system, especially in the absence of a robust technical framework backed by a precise legal framework that prevents the same unit from being copied or duplicated outside the supervision of the monetary authority through electronic copying.

It is clear that protecting the digital dinar requires dual legislative regulation: cryptographic and legal.

On the one hand, strict technical standards must be adhered to regarding the identity of the digital currency itself when it is issued, unit by unit, such as providing each unit with a unique identifier that cannot be replicated by any technology, and restricting operations with central encryption keys managed exclusively by the central bank.

On the other hand, the duplication or copying of the same digital unit outside the official framework must be criminalised through the enactment of separate penal provisions or by adding a specific section on penalties to the penal code or relevant laws.

China has anticipated this risk by adopting a multi-level security system that records each digital yuan unit issued in a central ledger managed through a closed network supervised exclusively by the Chinese central bank. It has also adopted dual offline verification¹⁸ technologies that allow transactions to be authenticated even in the absence of a direct connection to the network.

In view of the above, it would be preferable for Algeria to adopt a rigorous and comprehensive security and technical system for the digital dinar, including the following:

- Mandatory enforcement of national encryption standards for digital currency.
- Assignment of a unique digital identification unit to each unit of digital dinar issued by the central bank.
- Creation of a central registry for tracking and auditing purposes, as a continuous oversight mechanism.
- Issuing legal legislation criminalising attempts to copy, imitate or distribute counterfeit digital currency.
- Assigning the task of monitoring the cybersecurity of the currency to a body reporting to a regulatory authority under the supervision of the Bank of Algeria.

C- Conditions for secure trading and protection of users from risks

Ensuring security and confidence in the use of the Algerian digital dinar is an important condition for its successful integration into the Algerian financial system, especially given the absence of a detailed regulatory framework, except for its general recognition as an official currency.

In order to fill this gap, Algerian lawmakers are expected to adopt a set of controls inspired by best international practices, particularly those of China, Sweden and the European Union.

D- Regulation of personal data protection related to the digital dinar.

Every transaction using digital currency generates sensitive information including identity, location and financial behaviour. In the absence of specific legislation in Algerian law, it would be preferable to introduce a law to protect the privacy of digital currency users, similar to the European General Data Protection Regulation (GDPR), which Sweden has explicitly adopted in its digital krona project, with a recommendation that all storage and use be subject to strict privacy rules¹⁹.

E- Combating piracy and hacking.

This issue should be a regulatory priority, through the establishment of national security standards in line with international standards and the appointment of a cyber watchdog to coordinate with the Bank of Algeria, as China did when it established a digital currency security monitoring system under the supervision of the People's Bank of China²⁰.

F- Guarantee users' right to recover their funds.

Users may be exposed to fraud or misappropriation, and their right to recover their funds must be guaranteed. Swedish reports have called for the establishment of a dispute resolution mechanism specific to digital currency, supervised by an impartial body linked to digital wallet software to ensure transparency and speed of processing²¹.

G- Ensuring financial inclusion.

This is a fundamental requirement, especially for groups that do not use the internet or do not have a high level of digital currency literacy.

Algeria could benefit from the system adopted by the People's Republic of China, which has developed offline wallets²² that enable transactions even in isolated areas. Sweden has also adopted offline trading technology.

H- Balancing the fight against digital crime and the protection of individual freedoms.

This can be achieved by imposing a ceiling on anonymous transactions and strict controls on suspicious uses, without resorting to repressive blanket surveillance. This is the balance sought by the European Commission in its proposal for regulating the digital euro, which sets privacy limits according to the type of account and the nature of the transaction being carried out²³

The adoption of these mechanisms in an integrated manner will enable Algeria to prepare a secure and legally protected environment for transactions in digital dinars, while at the same time providing an environment that respects user rights.

Lessons from Comparative Experiences

- **China's Digital Yuan:** Centralized issuance, robust cybersecurity, and full legal recognition.
- **Sweden's E-Krona:** Focus on data protection, financial inclusion, and legislative adaptability.
- **EU Digital Euro:** Privacy-focused regulations with clear provisions on anti-money laundering.
- **UAE Digital Dirham & Saudi Project Aber:** Regional cooperation for cross-border settlements and modernization of monetary systems

Conclusion:

We conclude that It is clear from what we have discussed that the Algerian legal environment faces significant challenges to the effective and rapid development of digital currencies, whether in terms of regulating informal transactions or in terms of the legal and technical preparations for launching a national digital currency in line with the profound changes the world is experiencing in the field of payment and monetary policies.

The analysis of the criminalisation area has revealed a legal paradox in the form of a legislative ban without clear penalties, which negatively affects the effectiveness of legal deterrence and widens judicial discretion.

This study set out to analyze the legal challenges and regulatory prospects of digital currencies in Algeria, with particular emphasis on the legal status of the digital dinar.

The analysis has demonstrated that digital currencies are not a homogeneous category but encompass a spectrum of monetary innovations, ranging from electronic money and virtual currencies to decentralized cryptocurrencies and sovereign central bank digital currencies (CBDCs). Each of these forms carries distinct legal and regulatory implications. For Algeria, the key distinction lies between private digital currencies—which threaten the state's monetary sovereignty—and sovereign digital currencies such as the proposed digital dinar, which could reinforce state authority if properly regulated.

The second finding is that private digital currencies represent a direct challenge to Algeria's monetary system. Their decentralized nature undermines the state's exclusive right to issue legal tender, weakens central bank oversight of money supply, and erodes demand for

national currency. These risks are not only economic but also political, as they diminish the state's ability to safeguard monetary stability, respond to crises, and preserve fiscal sovereignty.

Third, the legal recognition of the digital dinar, as contained in the Monetary and Banking Law and the 2018 Finance Law, is a significant step toward modernization. However, this recognition remains merely symbolic, as it lacks detailed implementing regulations on issuance, circulation, technological infrastructure, and user protection. Comparative experiences from China (digital yuan), Sweden (e-krona), the European Union (digital euro), and Arab countries such as the UAE (digital dirham) and Saudi Arabia (Project Aber) demonstrate that successful adoption of CBDCs requires not only political will but also robust legislative and institutional frameworks.

From an academic perspective, this study contributes to the literature on digital currencies in several ways. First, it provides a comprehensive doctrinal analysis of Algerian monetary law, situating it within the broader context of international developments. Second, it highlights the conceptual and legal ambiguities that persist in Algeria, particularly the contradiction between prohibiting private currencies and acknowledging the possibility of a sovereign digital dinar. Third, it proposes a structured regulatory framework that can guide Algerian policymakers in bridging the gap between legal recognition and operational implementation.

By doing so, the study addresses a gap in existing scholarship on Algerian financial law, where research on digital currencies remains scarce. It also provides a foundation for further empirical studies on the economic and social impact of a future digital dinar.

The challenge for Algeria is to strike a balance between caution and innovation. Excessive prohibition risks leaving the country vulnerable to the disruptive effects of private digital currencies, while unregulated openness could endanger monetary sovereignty and financial stability. The digital dinar represents a historic opportunity: if supported by a robust legal and institutional framework, it can strengthen Algeria's monetary sovereignty, modernize its financial system, and promote economic inclusion.

Conversely, if Algeria fails to move beyond symbolic recognition, it risks being marginalized in the global transition toward sovereign digital currencies. The future of Algeria's financial sovereignty therefore depends on decisive legislative action, institutional cooperation, and the ability to learn from both global and regional experiences.

In sum, the digital dinar should not remain a theoretical construct but must evolve into a practical instrument of monetary policy, supported by law, protected by institutions, and trusted by citizens. The issuance of the digital dinar remains possible provided that legislative gaps in relevant laws are addressed and a flexible and comprehensive regulatory framework is established to ensure the issuance, monitoring, secure circulation and legal protection of this currency, without neglecting tax rights.

In this regard, we note the importance of drawing on comparative experiences, such as those of China and Sweden, which have made significant progress in establishing the secure issuance of effective models of official digital currencies.

We conclude that the transition to a strong and effective digital economy in Algeria requires a precise and clear legislative strategy based on a balance between regulatory caution and the imperative of openness.

Recommendations

In light of the findings, several recommendations emerge:

-Legislative Reform

-Enact a dedicated statute on digital currencies that defines the legal nature of the digital dinar, establishes issuance conditions, and regulates its circulation.

-Amend the Civil Code to explicitly recognize the digital dinar as a valid means of discharging obligations.

-Update the Code of Civil and Administrative Procedure to accommodate digital payments in judicial enforcement.

-Integrate the digital dinar into tax legislation to prevent the emergence of an untaxed parallel economy.

-Institutional Strengthening

-Assign the Bank of Algeria clear supervisory powers over all digital dinar transactions, supported by a centralized monitoring system.

-Create an inter-institutional committee involving the Ministry of Finance, the Ministry of Digitization, tax authorities, and commercial banks to coordinate regulatory efforts.

-Establish a specialized cybersecurity authority to protect the integrity of the digital currency system.

-User Protection and Financial Inclusion

-Adopt a personal data protection law modeled on the EU's GDPR to safeguard privacy in digital transactions.

-Guarantee users the right to refunds and compensation in cases of fraud, errors, or system failures.

-Ensure accessibility through offline wallets and simplified digital tools for rural populations and those without stable internet access.

-Comparative Benchmarking

-Draw on lessons from China, Sweden, and the EU regarding security, privacy, and financial inclusion.

-Incorporate regional experiences from the UAE and Saudi Arabia, which demonstrate the feasibility of cross-border settlement systems in Arab contexts.

-Encourage cooperation with international organizations such as the IMF and BIS for technical support and policy guidance.

-Public Awareness and Capacity Building

-Launch educational campaigns to build trust in the digital dinar and inform citizens about its benefits and risks.

-Train financial sector professionals, judges, and legal practitioners on the legal and technical aspects of digital currencies.

-Encourage academic research and partnerships with universities to study the economic and legal impact of the digital dinar.

-Legislative Reform: Enact a comprehensive statute defining the digital dinar, its issuance, and circulation, while amending civil, procedural, and tax codes to integrate digital transactions.

- **Institutional Strengthening:** Empower the Bank of Algeria with oversight authority, create an inter-institutional committee, and establish a dedicated cybersecurity body.

- **User Protection:** Adopt GDPR-style privacy laws, guarantee refund rights, and ensure offline access for underserved populations.

- **Capacity Building:** Launch educational campaigns, train professionals, and promote academic research to foster trust and readiness

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