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# Conditions for Practicing Islamic Banking and Related Banking Operations in Algerian Legislation

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**Abstract.** This article analyzes the regulatory framework governing Islamic banking in Algeria, tracing its historical evolution from early colonial-era initiatives through post-independence reforms to its formal consolidation under Order 03-11 (2011), Regulation 20-02 (2020), and the Monetary and Banking Law No. 23-09 (2023). The first section examines the conditions for practicing Islamic banking, which may occur via fully dedicated institutions or independent Islamic windows within conventional banks, requiring financial, accounting, and administrative separation. It mandates internal Sharia supervisory boards, prior compliance certification from the National Sharia Board, licensing by the Monetary and Banking Council, subsequent approval by the Bank of Algeria Governor, and adherence to capital, integrity, competence, and prudential requirements. The second section details the Sharia-compliant operations permitted under Regulation 20-02—murabaha, musharaka, mudarabah, ijarah, salam, istisna‘, deposit accounts, and investment accounts—outlining their legal-jurisprudential foundations, characteristics, variants, and implementation mechanisms in Algerian banks, while underscoring prohibition of riba and strict Sharia adherence. The article concludes that Algeria has developed a relatively comprehensive licensing, Sharia, and supervisory regime for Islamic banking. Nevertheless, practical challenges persist in professional training, jurisprudential harmonization, and regulatory coordination. Recommendations include enacting a dedicated Islamic banking law, enhancing Sharia board independence, and advancing specialized capacity-building to bolster effectiveness, financial inclusion, and sustainable development.

## 1. INTRODUCTION

Islamic banking in Algeria has followed a long and complex trajectory. It began with early initiatives in 1928, when an Algerian newspaper article called for the establishment of an "Algerian Islamic Bank," a project that was thwarted by French colonial authorities, which imposed the interest-based system by force. Following independence, Algeria inherited a fragile banking sector and embarked on building an independent banking apparatus through key phases: establishment, nationalization, and subsequent restructuring and reforms in the 1970s and 1980s. Amid the 1986 crisis triggered by the collapse of oil prices and dollar fluctuations, the state initiated new reforms, most notably the Money and Credit Law of 1990, which opened the door to private and foreign banks. Subsequently, Islamic banking was integrated into the legal framework through Order 03-11 of 2011, followed by Regulation 20-02 of 2020, which organized its operations in accordance with Islamic Sharia, and culminating in the Monetary and Banking Law No. 23-09 of 2023, along with subsequent instructions concerning licensing conditions.

In light of these ongoing amendments to the banking sector in general, and Islamic banking in particular, in Algeria, this study aims to clarify how the various legal texts governing the Islamic banking field can be harmonized to extract the conditions for practicing Islamic banking and its related operations, in accordance with the latest amendments in this domain.

The analytical method will be adopted, as most of the discussion relies on the analysis of legal texts governing Islamic banking.

Accordingly, the first section will identify the conditions for practicing Islamic banking under Algerian legislation, while the second section will examine Islamic banking operations in banks, financial institutions, or Islamic windows in Algeria.

### 1.1. Conditions for Practicing Islamic Banking in Algerian Legislation

The regulation of Islamic banking in Algerian legislation constitutes a legal framework that defines the nature of operations falling within this activity and the conditions for its practice. Article 71 of Law No. 23-09 defines banking operations related to Islamic banking as any operation conducted by banks or Islamic windows in accordance with the provisions of Islamic Sharia, while specifying the legal modalities for its practice. Such practice occurs either through licensed banks or financial institutions exclusively engaged in this activity, or through Islamic windows established within conventional banks or financial institutions, provided they enjoy financial, accounting, and administrative independence. The legislator has also subjected this activity to the accreditation requirement pursuant to Articles 89 to 104 of the same law, underscoring a commitment to framing Islamic banking with precise legal controls to ensure its organization and supervision. Accordingly, it is necessary to examine the conditions for practicing Islamic banking in light of the relevant legal texts.

#### 1.1.1. Specific Conditions for Establishing an "Islamic Window" within a Bank or Financial Institution

Banking operations related to Islamic banking are conducted, pursuant to Article 71, paragraph (b) of Law No. 23-09, by a bank or financial institution through a structure referred to as a "window" dedicated exclusively to operations related to Islamic banking.

Thus, paragraph (b) of Article 71 specifies a particular condition for the "window," which must be met to practice Islamic banking activity, namely that this activity be conducted exclusively within that window. To clarify the meaning of exclusive activity for the window, reference is made to Regulation No. 20-02 of the Bank of Algeria, where Article 17 defines an "Islamic banking window"

as a structure within a bank or financial institution tasked exclusively with providing Islamic banking services and products. This window must be financially independent from the other structures of the bank or financial institution. Complete separation must be maintained between the accounting related to the "Islamic banking window" and the accounting of the other structures of the bank or financial institution. This separation must, in particular, enable the preparation of all financial statements dedicated exclusively to the activities of the "Islamic banking window." Furthermore, customer accounts must be independent from other customer accounts, including at the level of the bank or financial institution's network.

It can be inferred that the organizational, financial, accounting, and human structures of the window are entirely separate from the other windows of the bank. Through these measures, the banking legislator enshrines the principle of independence of Islamic banking from conventional banking, while subjecting it to the same prudential rules. This is evident from Article 3 of Regulation 20-02, which requires the bank to maintain prudential ratios compliant with regulatory standards, thereby affirming that the use of Islamic banking formulas does not exempt the bank from credit risks, which must be covered by the bank's core capital at specified ratios (Belkacemi, 2020).

### 1.1.2. Establishment of the Sharia Supervisory Board within the Bank or Financial Institution

Banks and financial institutions wishing to engage in Islamic banking activities must ensure compliance with the provisions of Islamic Sharia, as stipulated in Article 71 of Law No. 23-09. A certificate of compliance is issued by the National Sharia Board for Fatwa in Islamic Finance. It should be noted that banks and financial institutions intending to practice Islamic banking are required to establish a Sharia Supervisory Board, as expressly provided for in Article 15 of Regulation 20-02. This article clarifies that the Board shall consist of at least three members, appointed by the General Assembly.

However, Regulation 20-02 of the Bank of Algeria did not specify the conditions for their appointment, cases of dismissal, or the duration of their membership. This omission is interpreted as leaving these matters to the discretion of the bank itself. The body responsible for proposing members of the Sharia Supervisory Board to the General Assembly is the Board of Directors of the bank, in accordance with the Commercial Code (Belkacemi, 2020, P94).

The role and functions of the Sharia Supervisory Board include providing jurisprudential consultations to the management regarding the structuring of banking products and services and issuing Sharia opinions thereon; monitoring the implementation of banking operations to ensure their adherence to the provisions of Islamic Sharia; reviewing agreements and contracts to verify their Sharia compliance; and preparing files to be subsequently submitted to the National Sharia Board for the purpose of obtaining the certificate of compliance. The internal Board does not have the authority to issue the final certificate of compliance; it functions solely as an advisory internal body operating under the supervision and guidance of the National Sharia Board (Belkacemi, 2020).

### 1.1.3. Condition of Compliance of Islamic Banking Products with the Provisions of Islamic Sharia according to the Opinion of the National Sharia Board for Fatwa in Islamic Financial Industries

The marketing of Islamic banking products in Algeria is subject to precise conditions concerning Sharia compliance and licensing. Article 14 of Regulation 20-02 required obtaining a certificate of compliance with the provisions of Islamic Sharia from the National Sharia Board prior to submitting a licensing application to the Bank of Algeria. In contrast, Article 73 of Law No. 23-09 requires obtaining a certificate of compliance with the principles of Islamic Sharia, in addition to the approval of the Bank of Algeria, but does not explicitly stipulate that this certificate must precede the licensing, thereby leaving open the possibility of requesting it afterward. Furthermore, the new law transfers the authority to grant licenses to the Monetary and Banking Council instead of the Bank of Algeria. It is also observed that the legislator replaced the phrase “provisions of Sharia” with “principles of Islamic Sharia,” a more precise and clearer amendment.

Consequently, the marketing of Islamic banking products today requires obtaining a certificate of compliance with the principles of Islamic Sharia from the National Sharia Board, alongside the approval of the Bank of Algeria, with the licensing granted by the Monetary and Banking Council.

The National Sharia Board for Fatwa in Islamic Financial Industries was established pursuant to Resolution 20-01 issued by the Supreme Islamic Council. Paragraph 2 of Article 8 of this resolution specifies the components of the file for requesting a Sharia compliance certificate, which must include the following:

- An official request for a Sharia compliance certificate for the product, along with the related operational procedures and contracts to be evaluated.
- Contractual documents related to the execution of the transaction.
- Written financial, administrative, organizational, and technical procedures that enable verification of the separation between Islamic banking transactions and conventional banking transactions in banks and financial institutions offering these products through specialized windows or otherwise.
- Any additional information or documents deemed necessary by the Board for issuing the Sharia compliance declaration for the product.

The request for a Sharia compliance certificate is addressed to the Chairman of the Board. However, Article 12 of Instruction 03-2020, dated April 2, 2020, which defines the products related to Islamic banking and specifies the procedures and technical characteristics for their implementation by banks and financial institutions, provides that “the Chairman of the Supreme Council refers the request and the file referred to in Articles 8, 9, and 10 to the Board. The Board studies the file and prepares a reasoned evaluation report on the extent to which the products, operational procedures, and related contracts comply with the provisions of Islamic Sharia, proposing necessary amendments where required. The Board issues its opinion in the form of a final or conditional Sharia compliance certificate, or a declaration of non-compliance, within a period not exceeding three (3) months from the date of filing the complete dossier. Its opinion shall be binding on the Sharia supervisory boards established by banks and financial institutions” (Belkacemi, 2020).

In evaluating the compliance of banking and financial products, the Board relies on fatwas issued by the Supreme Islamic Council, on established jurisprudential consensus in the field of financial transactions—particularly the resolutions of the International Islamic Fiqh Academy—and on the Sharia standards issued by the Sharia Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), as well as the decisions of the Islamic Financial Services Board, among others, provided they serve the Islamic financial industry without conflicting with the jurisprudential references stipulated in Article 2 of Resolution 20-01 dated April 1, 2020 (Belkacemi, 2020).

### 1.1.4. Prior Licensing for the Marketing of Islamic Banking Products

Prior licensing now finds its basis in Article 72(a)(2) of Law No. 23-09, which refers to Articles 89–104. Article 89 stipulates that banks and financial institutions must obtain a license issued by the Monetary and Banking Council to establish a bank or financial institution, based on a file that includes the results of an investigation into compliance with legal and regulatory provisions.

Article 99 clarifies that obtaining the license requires submission of the activity program, financial and technical capabilities, justification of the source of funds and the status of the financiers and guarantors, a list of principal managers, the draft articles of association and internal regulations, along with proof of the integrity, eligibility, and expertise of the managers. The institution must also demonstrate its capacity to achieve its developmental objectives within a framework that ensures the sound operation of the banking system and the provision of high-quality services to customers.

Regulation 24-01 further strengthened these conditions by specifying that the Monetary and Banking Council grants the license based on the viability of the project, taking into account elements such as the project description, specifications of the founders, consistency of the articles of association, technical and economic feasibility study, and the integrity and capabilities of the founders. The applicant must also submit a descriptive document outlining its commitment to the legislative and regulatory framework, including supervision, accounting system, anti-money laundering measures, and policies on confidentiality and protection.

Thus, licensing for the marketing of Islamic banking products in Algeria under Law No. 23-09 has become more organized and precise, subject to the oversight of the Monetary and Banking Council, and requiring a comprehensive file that demonstrates the project's viability, the founders' integrity, and the alignment of the activity with the national banking system.

Pursuant to Article 4 of Regulation 24-01, which provides that the information and documents constituting an application for establishment or opening shall be determined by an instruction from the Bank of Algeria, Instruction 01-25 concerning the conditions for licensing the establishment and accreditation of banks and financial institutions was issued. This instruction aims to define the elements of information and documents forming the file supporting an application for licensing the establishment of a bank or financial institution (Article 1). The applicant must provide the General Secretariat of the Monetary and Banking Council with contact information (telephone, fax, email) upon submission (Article 2), and must address the application to the Chairman of the Monetary and Banking Council, accompanied by a file in two copies (one digital), containing all required information and documents in accordance with Article 4 of Regulation 24-01 (Article 3).

The licensing file for establishing a bank or financial institution—including those practicing Islamic banking—must include essential elements such as a summary presentation of the project, draft articles of association, information on founders/funders and beneficial owners, technical and economic feasibility study, and a brief description of specific systems including information systems and disclosure, internal control and risk management, accounting system, prudential system, anti-money laundering and counter-terrorism financing system, and policies on confidentiality, data protection, and asset safeguarding.

The purpose of this detailed framework is to protect the state and society by verifying financial, technical, and organizational aspects prior to granting the license, given the sensitive role banks play in the economy and society, and to counter potential risks and crimes, particularly in the context of digital development. Pursuant to Article 5 of Regulation 24-04, the Monetary and Banking Council decides on the granting of the license through an official resolution notified to the applicant via the General Secretariat of the Council.

It can be concluded that banking licensing in Algeria requires a comprehensive file covering legal, financial, technical, and regulatory aspects, with the final decision issued by the Monetary and Banking Council to ensure the soundness of the banking system and the protection of stakeholders.

### 1.1.5. Accreditation of the Bank or Financial Institution Engaged in Islamic Banking that Has Obtained the Establishment License

An applicant who has obtained a license to establish a bank or financial institution engaged in Islamic banking must, prior to applying for accreditation, fully pay the minimum regulatory capital in cash, or allocate the same amount in the case of a branch, in accordance with Regulation 24-01.

The accreditation application is submitted to the Governor of the Bank of Algeria, who grants it by resolution based on Law No. 23-09, Regulation 22-01, and Instruction 01-25. The application must be submitted within a maximum period of 12 months from the date of notification of the licensing decision. It must be accompanied by a file in two copies (one digital) containing the documents stipulated in Instruction 01-25, in addition to a specific file for the accreditation of managers and the qualification of executives responsible for the actual management of the entity.

Regulation 25-01 was issued to specify the conditions for accrediting managers of institutions engaged in Islamic banking, whereby the Governor of the Bank of Algeria grants accreditation based on the fulfillment of qualification requirements. The institution must request accreditation for the appointed manager within 15 days of the appointment, accompanied by a file whose components are determined by an instruction from the Bank of Algeria. Finally, an institution that has obtained accreditation must notify the Governor of the Bank of Algeria at least two working days before commencing its activities.

## 1.2. Islamic Banking Operations in (Banks, Financial Institutions, Islamic Windows) under Algerian Legislation

Islamic banking operations are defined, pursuant to Article 2 of Regulation 20-02, as any operation that does not result in the collection or payment of interest, and which must comply with applicable Sharia and regulatory provisions. These operations were previously governed by the provisions of Order 03-11, but following its repeal, they are now subject to the provisions of Law No. 23-09, particularly Articles 71, 72, and 73. Furthermore, Article 4 of Regulation 20-02 identifies the principal forms of Islamic banking in Algerian legislation, namely *murabaha, musharaka, mudarabah, ijarah, salam, istisna',* in addition to deposit accounts and investment accounts.

### 1.2.1. Murabaha (Cost-Plus Financing / Mark-Up Financing)

Article 5 of Regulation 20-02 defines murabaha as "a contract whereby a bank or financial institution sells to a customer a specific commodity, whether movable or immovable, owned by the bank or financial institution, at its acquisition cost plus an

agreed-upon profit margin in advance and in accordance with the payment terms agreed upon by both parties."

From a practical perspective, some banks operating in Algeria, such as Banque El Salam Algérie, define murabaha—often referred to as murabaha to the purchase orderer—as "the process whereby the bank purchases movable or immovable assets with specific specifications based on the customer's request and promise to purchase them, then resells them on a murabaha basis after acquiring ownership and possession, at a price that includes the cost plus an agreed-upon profit margin promised by the customer" (Qamouh, n.d., pp. 219–221). Murabaha is divided, in terms of its formation, into simple murabaha and compound murabaha (also known as murabaha to the purchase orderer).

- *First*: Simple murabaha is the primary form of murabaha in which the seller deals directly with the buyer. Murabaha sale is a spot sale, meaning the subject matter of the contract is already in the possession of the seller, who is capable of disposing of it because he owns and possesses it. If the item is not in existence or not owned by the seller, it constitutes a sale of the absent or non-existent item, which is impermissible according to the Prophetic hadith: "Do not sell what is not with you," except for the contract of salam, which is permitted under its specific Sharia conditions (Qamouh, n.d., p. 223).
- *Second*: Murabaha to the purchase orderer, which is widely used in Islamic banks, involves a resale at a price equivalent to the original purchase price plus an additional known and agreed-upon profit margin. In other words, "it is a process in which the customer requests the Islamic bank to purchase a specific commodity with defined specifications after agreeing on the purchase cost and the bank's profit margin. This structure includes a promise by the customer to purchase the commodity under the agreed terms, and a binding promise by the bank to complete the sale in accordance with those terms" (Nassir & Mazghish, 2022, p. 335; Helmoosh, 2014, p. 103).

### 1.2.2. Musharaka (Joint venture / Partnership)

Article 6 of Regulation 20-02 defines musharaka as "a contract between a bank or financial institution and one or more parties with the aim of participating in the capital of an enterprise, project, or commercial operations in order to generate profits."

From a jurisprudential perspective, musharaka is defined as "a contract between two or more parties whereby the capital, profits, and losses are shared among them in accordance with what they agree upon" (Al-Maghrabi, n.d., p. 167). Musharaka is commonly divided into two main types (Al-Maghrabi, n.d., p. 175):

- *First*: Constant (or perpetual) musharaka constitutes a form of partnership in which the Islamic bank contributes to financing a portion of the capital of a specific project. As a result, the bank becomes a partner in the ownership of the project and participates in its management and supervision, in addition to providing technical involvement in project operations. The bank receives profits in proportion to its participation share. Each party's share in the project remains fixed until the end of the project term or the duration of the company established to carry out the agreed activity. It is termed constant musharaka because it is tied to the financed project: it persists as long as the project continues and terminates upon its completion.
- *Second*: Diminishing (or declining) musharaka—also known as musharaka ending in ownership—refers to a partnership between two parties that ultimately results in one party acquiring full ownership. Typically, one partner has the right to gradually acquire the Islamic bank's share in the project ownership through installments, in accordance with the agreed terms and the nature of the transaction. This is achieved by allocating a portion of the generated income as an installment to redeem the value of the share, similar to depreciation of an asset. The partner may repay portions of the bank's contribution progressively from the returns accruing to him or from other external resources over an agreed suitable period. Upon completion of the repayment process, the bank exits the project, and the partner becomes the sole owner of the musharaka subject matter.

### 1.2.3. Mudarabah (Profit-Sharing Partnership / Trust Financing)

Article 7 of Regulation 20-02 defines mudarabah as "a contract whereby a bank or financial institution, referred to as the provider of capital, supplies the necessary capital to an entrepreneur who contributes his labor in a venture aimed at generating profits."

Jurisprudentially, mudarabah is defined as "a contract for partnership in trade between an owner of capital and a worker who invests it using his expertise. Profits are distributed between them at the end of each transaction according to the agreed ratio, while any loss—if it occurs—is borne solely by the capital owner, with the mudharib (worker) losing only his effort or labor" (Haroushi, 2016, p. 413). Mudarabah is distinguished from other Islamic financing methods by the automatic allocation of risk, as the bank entrusts its funds to the mudharib who assumes responsibility for operations and management, and is liable only in cases of negligence or transgression. Mudarabah is practiced in one of two forms (Haroushi, 2016, p. 415):

- *First*: Individual mudarabah involves a partnership between the capital owner and the expert in work and production. The former provides the capital, while the latter contributes expertise and effort. Profits from the venture are shared according to commonly agreed profit ratios, while losses affect only the capital (the expert merely loses his effort and time). In this form, the bank engages in mudarabah directly. This structure is rarely used.
- *Second*: Joint (or collective) mudarabah involves multiple parties on either side—capital providers and/or investing mudharibs. This is the prevailing form practiced in Islamic banks.

According to Article 23 of Instruction 03-2020, mudarabah is divided into two basic types: unrestricted mudarabah, in which the bank or financial institution grants the entrepreneur full freedom to manage investments without restrictions, while obliging him to act in the best interest of both parties and achieve the objectives of the mudarabah; and restricted mudarabah, in which the bank or financial institution imposes conditions and limitations on the entrepreneur concerning the sector of activity, investment methods, or any other aspect deemed appropriate. The fundamental difference between the two lies in the degree of freedom granted to the entrepreneur: broad in unrestricted mudarabah and limited/guided in restricted mudarabah.

### 1.2.4. Ijarah (Leasing)

Article 8 of Regulation 20-02 defines ijarah as "a lease contract whereby a bank or financial institution, referred to as the lessor, places at the disposal of the customer, referred to as the lessee, on a lease basis, a movable or immovable asset owned by the bank or financial institution, for a specified period in exchange for the payment of rent determined in the contract."

Scholars of Islamic jurisprudence have offered various expressions in defining ijarah, all of which converge on a common

meaning: ijarah is a contract for a known benefit in exchange for a known consideration. It entails leasing the right to usufruct of an asset. Thus, it is a contract in which the lessor leases equipment or assets to the lessee for an amount and duration agreed upon by both parties, while ownership of the leased asset remains with its owner (Lahilou & Barsh, 2018, p. 200).

Pursuant to Article 32 of Instruction 03-2020, ijarah may take one of two forms:

- *Operating ijarah*: This consists of a standard lease that does not lead to the lessee acquiring ownership of the leased assets.
- *Ijarah ending in ownership* (ijarah muntahiya bi al-tamlik): In this case, the bank or financial institution grants the customer the possibility of ultimately acquiring ownership of the leased assets.

### 1.2.5. Salam (Forward Financing / Advance Payment Contract)

Article 9 of Regulation 20-02 defines salam as "a contract whereby a bank or financial institution, acting as the buyer, purchases a commodity to be delivered to it at a future date by its customer, in exchange for immediate and cash payment."

In Islamic jurisprudence, salam is a contract in which the buyer (al-muslim) pays the price to the seller (al-muslam ilayhi) in exchange for a described commodity to be delivered into his liability at a specified future term. Its pillars include the contracting parties (al-muslim and al-muslam ilayhi), the subject matter (al-muslam fihi and the salam capital), and the formula consisting of offer and acceptance. Its controls encompass conditions related to the price—which must be known in kind and quantity and delivered at the contract session—and conditions related to the sold item, which must be a debt in the liability, susceptible to precise description, with a defined term and specified place of delivery. In this manner, the salam contract ensures clarity of rights and obligations between the parties in accordance with the provisions of Islamic Sharia (Jazoul, 2022, p. 352).

The salam contract takes two basic forms. In the first form, the customer acts as al-muslim (the one advancing payment), and the bank or financial institution acts as al-muslam ilayhi (the one obligated to deliver). The customer requests financing from the bank for a specific project, undertaking to deliver the resulting product at a price lower than the market price upon delivery; this constitutes the primary transaction between the customer and the bank. The second form is known as parallel salam, whereby the bank enters into a salam purchase contract and then concludes an independent salam sale contract without direct linkage between the two. The execution of the second transaction relies on what is received from the first. Thus, salam combines direct financing with the flexibility offered by parallel salam arrangements (Jazoul, 2022, p. 357).

### 1.2.6. Istisna'A (Manufacturing Contract / Commissioned Manufacture)

Article 10 of Regulation 20-02 defines istisna' as "a contract whereby a bank or financial institution undertakes to deliver a commodity to its ordering customer, or to purchase from a manufacturer a commodity to be produced in accordance with specifications agreed upon by the parties, at a fixed price and subject to payment terms previously agreed upon between the parties."

In Islamic jurisprudence, istisna' is a sale contract between the manufacturer (seller) and the istisna' purchaser (the bank) for a commodity described in the liability in exchange for a price paid in advance, deferred, in a lump sum, or in installments as agreed. The manufacturer undertakes to produce the commodity and deliver it upon the agreed delivery date (Talhi et al., 2020, p. 363).

The bank may employ istisna' to finance industries in two ways: first, by purchasing goods under an istisna' contract and then selling them in a regular sale for cash, deferred, or installment payments after receipt; second, by acting as an intermediary through an istisna' contract with the customer (as seller), followed by a parallel istisna' contract with the manufacturer (as buyer) to produce what was committed in the first contract, with payment terms between the bank and the manufacturer aligned with the agreement between the bank and the customer (Talhi et al., 2020, p. 365).

### 1.2.7. Deposit Accounts

Article 11 of Regulation 20-02 defines deposit accounts as "accounts containing funds deposited in a bank by individuals or entities, with the commitment to return these funds or their equivalent to the depositor or to another designated person, upon demand or in accordance with previously agreed conditions."

Pursuant to Instruction No. 03-2020 of the Bank of Algeria, deposit accounts may be current accounts or savings accounts (Article 50 of the Instruction).

- *First*: Current accounts, also referred to as "demand deposits," contain funds deposited in an open account that are returned to the customer upon simple request and without prior notice (Article 51 of the Instruction). These accounts may be operated through available means such as checks, bank transfers, automated teller machines, online banking, telephone banking, and others (Belkacemi, 2020, p. 103).

The jurisprudential characterization of current deposits does not deviate from considering them loans from the depositor to the bank, since the bank disposes of the funds and does not return them in kind but rather returns an equivalent or substitute. Among the key rulings governing current deposits are that they are guaranteed for repayment; the bank may use them and exclusively retain any returns generated therefrom. In the event of loss resulting from the bank's use, the bank bears the loss alone. The customer or depositor receives no consideration from the bank in return (Ben Hamza & Ben Dahman, 2022, p. 475).

- *Second*: Savings accounts or savings deposits allow depositors to retain the right to dispose of the funds at any time through partial or full withdrawal. Savings occur without interest (Belkacemi, 2020, p. 101). These are accounts in which depositors maintain a savings book recording withdrawal and deposit transactions in accordance with the bank's controls and rules. The depositor may choose to deposit on the basis of a loan to the bank (as in current accounts) or place the funds in an investment account (as in investment deposits) with participation in profits, while retaining a portion available for withdrawal when needed (Ben Hamza & Ben Dahman, 2022, p. 475).

### 1.2.8. Investment Accounts

Article 12 of Regulation 20-02 defines investment accounts as "term investments placed at the disposal of the bank by the depositor for the purpose of investing them in Islamic financing and generating profits."

Also known as investment accounts or term deposits, these consist of amounts and funds deposited in banks with the intention

of investing them to obtain a continuous return, based on an agreement prohibiting withdrawal before the expiration of a specified period. Islamic banks characterize them as mudarabah contracts between the depositor and the bank, since the bank manages the investment account in the manner of the mudharib (working party), making it mudarabah capital.

Under Algerian legislation, pursuant to Article 55 of Instruction 02-2020, investment accounts may be unrestricted or restricted. In the former case, funds are deposited without specific restrictions and invested under a mudarabah contract. In the latter case, the conditions requested by the depositor regarding their use must be respected.

Restricted investment accounts, according to Article 56 of Instruction 03-2020, may be utilized under either a mudarabah or wakalah (agency) contract. In the case of mudarabah, the depositor (provider of capital) places funds with the bank (mudharib), which invests them in investment portfolios to generate profit. In the case of wakalah, the depositor authorizes the bank to invest the funds on his behalf and for his account over an agreed period, in exchange for a fixed commission determined in advance, a percentage of the realized profits, or both, with the remainder accruing to the depositor. It is noteworthy that the bank does not guarantee depositors in investment accounts the recovery of deposited amounts and their returns, except in cases of evident misconduct or negligence (Article 57 of the Instruction).

## 2. CONCLUSION

In conclusion, the analysis of the conditions for practicing Islamic banking and its operations under Algerian legislation reveals that the legislator has taken significant steps to regulate this form of financial activity in alignment with the requirements of Islamic Sharia. This has been achieved through the inclusion of specific rules within Law No. 23-09 and Regulation No. 20-02 of the Bank of Algeria. Prior licensing, commitment to Sharia compliance, and both internal and external supervision collectively represent safeguards that provide a secure and legally sound environment for Islamic banking.

Nevertheless, practical implementation continues to face challenges on multiple fronts, most notably the absence of a unified jurisprudential code within institutions, inadequate specialized training in financial and Sharia aspects, and insufficient coordination between supervisory bodies and banks.

The following recommendations may be offered in this regard:

- The issuance of a dedicated law on Islamic banking that precisely defines permissible contracts and Sharia standards, rather than relying on partial amendments.
- Strengthening the independence of Sharia compliance boards and granting them decision-making rather than merely advisory powers to ensure genuine adherence to Sharia provisions.
- Training judges and banking inspectors in Islamic finance to enable effective monitoring of legal and Sharia compliance.
- Expanding the range of Islamic banking products while adopting standardized contract models consistent with the resolutions of jurisprudential academies.
- Involving the National Fatwa Authority in formulating general policy directions for Islamic banks to enhance legal and Sharia security for stakeholders.

In this way, Islamic banking in Algeria can serve as a genuine alternative to conventional banking and contribute to achieving financial inclusion and sustainable development, provided there exists strong legislative and executive will.

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