

## The Supporting Islamic financial industry institutions The case of Algeria

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### Abstract:

This work focuses on studying the most important institutions supporting the Islamic financial industry, which constitute its supporting infrastructure, through the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the General Council of Islamic Banks and Financial Institutions (CIBAFI), the International Islamic Rating Agency (IIRA), the Centre for Management Liquidity (LMC), the International Islamic Financial Market (IIFM), the Islamic Financial Services Board (IFSB) and other institutions at the international level. As for Algeria, where the Islamic banking industry is still in its embryonic state, it is on the verge of fundamental changes to lay the foundations for this industry. The emerging support institutions are the Bank of Algeria, which opened up to Islamic banking (Law 02-2020), the Supreme Islamic Council for Fatwas and the institutions of solidarity, endowments and zakat.

**Keywords:** Islamic financial institutions, financial industry, AAOIFI, IFSB, Bank of Algeria.

**JEL Classification Codes :** G21, G24.

ملخص:

تركز هذه الدراسة على تسليط الضوء على أهم المؤسسات الداعمة للصناعة المالية الإسلامية، والتي تشكل البنية التحتية لإرسالها وتطورها، انطلاقاً من هيئة المحاسبة والمراجعة للمؤسسات المالية الإسلامية (AAOIFI)، والمجلس العام للبنوك والمؤسسات المالية الإسلامية (CIBAFI)، ووكالة التصنيف الإسلامية الدولية (IIRA)، مروراً بمركز إدارة السيولة (LMC) والسوق المالية الإسلامية الدولية (IIFM)، ووصولاً لمجلس الخدمات المالية الإسلامية (IFSB) وغيرها من المؤسسات على المستوى الدولي. أما على مستوى الجزائر، حيث الصناعة المصرفية الإسلامية مازالت في وضعها الجنيني، وهي مقبلة على تغييرات جوهرية لإرساء دعائم هذه الصناعة. تتمثل المؤسسات الداعمة الناشئة في بنك الجزائر الذي انفتح على الصيرفة الإسلامية عبر إصدار النظام رقم 02-20، والهيئة الشرعية الوطنية للإفتاء للصناعة المالية الإسلامية التابعة للمجلس الإسلامي الأعلى، بالإضافة إلى مؤسسات الأوقاف والزكاة.

**كلمات مفتاحية:** المؤسسات المالية الإسلامية، الصناعة المالية الإسلامية، AAOIFI, IFSB

**تصنيفات JEL:** G21, G24

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## **The Supporting Islamic financial industry institutions. The case of Algeria**

### **1. Introduction:**

Islamic financial markets have gained due recognition from international financial markets in the past decade, as a result of increased demand for Islamic financial products by domestic and international financial intermediaries. Islamic banking is no longer confined to the borders of Muslim countries, but has begun to take root in non-Muslim countries as well. Moreover, its customer base is no longer limited to Muslims.

Since the 2008 global financial crisis, interest in the Islamic banking and finance industry has increased sharply after the imminent collapse of the global financial system, successive bankruptcies, great confusion and the intervention of governments to rescue many long-standing financial institutions. In those circumstances, most of the study focused on whether Islamic banks were affected by the financial crisis in a similar way to the conventional banking system. The question has always been how have Islamic banks and their financial products differed from their conventional counterparts, and what are the pillars of innovation and financial engineering processes to make them sufficiently immune to such financial crises?

The Islamic banking and finance industry has a variety of supporting institutions that have different characteristics from many of today's building blocks, so that they are seen as a safeguard and accompaniment to the Islamic financial industry against any future shocks. In this context, the problem of the study can be formulated as follows:

**What are the most important institutions supporting the Islamic financial industry at the international and local levels?**

In an attempt to answer this problem, the institutional frameworks for the establishment and promotion of the Islamic financial industry will be addressed, which are mainly the Islamic banking system, the Central Bank, Islamic banks, Islamic financial markets, insurance companies, Islamic investment companies, brokerage and financial services firms in addition to companies operating in the field of Islamic securities.

There have been calls for standardization of treatment vis-à-vis Islamic banking institutions to produce and adopt specific, clear and easy-to-apply standards. At that time, the Islamic financial industry witnessed the establishment of many supporting international institutions and bodies that reflect the universality of this industry, and work to integrate religious values with the demands of the capital market for efficiency, effectiveness and productivity.

### **2- Studies Review:**

**2.1. The study by Masouda Nasbah and Fella Ashour (2017)**, entitled Islamic Financial Institutions and their Role in Supporting the Islamic Financial Industry and Islamic Banking. This study aimed to clarify the extent of the spread of Islamic financial institutions globally, and become a reality that has imposed itself in the global economic arena. The study found that despite the tireless efforts made by these institutions to advance the financial industry and Islamic banking, they still face many challenges in their march, which prevented them from achieving their development goals as expected, which necessitates to take appropriate measures to emerge into the global space with greater strength, making them the focus of attention of other global financial institutions.

**2.2. The study of Shilaq Rabeah and Bin Qaid Al-Sheikh (2018)**, entitled *The Role of Institutions Supporting the Islamic Financial Industry in the Development of Islamic Sukuk*. The study dealt with the fact that Islamic finance tools generally need supportive institutions for their success and development, among these tools are Islamic Sukuk, which has emerged as one of the most important Islamic finance tools that have become global and international and have reached Islamic and non-Islamic countries, as they are the fruit of Islamic financial engineering efforts for the sake of the Islamic finance industry.

Therefore, the integration of Islamic financial institutions is a scientific development and expansion commensurate with future needs, as they constitute a supportive environment for the Islamic finance industry on the one hand and Islamic sukuk on the other, and the role of these institutions lies in strengthening banking supervision of Islamic banks and Islamic financial institutions.

These articles focused on supporting institutions and their role in developing Islamic financial products to serve Islamic banking and the Islamic economy in general, in harmony with the provisions and principles of Islamic Sharia. In view of the importance of these supporting institutions, periodic meetings are organized on the status of supporting institutions and their role in upgrading the performance of the Islamic banking system and its resilience to violent financial shocks.

### **3. Bodies and institutions supporting the Islamic financial industry:**

The Islamic financial industry witnesses the establishment of many supporting international institutions and bodies that reflect the universality of this industry, the most important of which are the following:

#### **3.1. Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI)**

**3.1.1. Definition and objectives:** AAOIFI represents one of the most prominent international non-profit organizations supporting Islamic financial institutions, established in 1991 and headquartered in the Kingdom of Bahrain, and has professional achievements of great impact, led by the issuance of 100 standards so far in the fields of accounting, auditing, business ethics and governance, in addition to the Sharia standards adopted by central banks and financial authorities in a group of countries as mandatory or guideline, as well as supported by a number of member institutions, including central banks, regulatory authorities, financial institutions, accounting, auditing and law firms from more than 45 countries, the SIA standards currently apply leading Islamic financial institutions around the world, which have provided an advanced degree of harmonization of Islamic financial practices globally (AAOIFI, 2022). Within the framework of the provisions and rules of Islamic Sharia, AAOIFI aims to (AAOIFI, 2022):

- Develop the thought of accounting, auditing, governance and ethics related to the activities of Islamic financial institutions taking into account international standards and practices in accordance with the provisions of Islamic Sharia.
- Disseminate the thought of accounting, auditing, governance and ethics related to the activities and applications of Islamic financial institutions, through training, holding seminars, issuing periodicals, preparing research and reports and other means.

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- Preparing and issuing Sharia standards and Sharia requirements for investment, financing and insurance formulas and interpreting these Sharia standards and requirements.
- Seek to use and apply the standards, data and guidelines issued by the relevant regulatory authorities, Islamic financial institutions and others.
- Provide educational and training programs, including professional development programs related to accounting, auditing, ethics, governance, Shari'a principles and other related fields, in order to increase knowledge of Islamic banking and finance and encourage further specialization in them.
- Approving compliance with AAOIFI standards in order to achieve greater awareness and acceptance of AAOIFI standards for Islamic financial institutions.

### **3.1.2. standards**

AAOIFI issues five types of standards, of which a total of 98 have been issued so far, detailed as follows (Brahimi Faiza and Hadidi Adam, 2020, pp. 458-459):

**Shari'a Standards (58):** Trading in Currencies, Debit Cards, Charge Cards and Credit Cards, Procrastinating Debtor, settlement of dept by set off, Guarantees, Conversion of a Conventional Bank to an Islamic Bank, Hawalah, Murabahah, Ijarah and Ijarah Ending with Ownership, Salam and parallel Salam, Istisna'a and parallel Istisna'a, Mousharaka and modern Corporation, Mudarabah, Documentary Credit, Houalah, Commercial Papers, Investment Sukuk, possession, Loan, Sales of commodities in organized Markets, Financial paper, concession Contracts, Agency and the act of an uncommissioned Agent, syndicated Financing, combination of contracts, Islamic insurance, indices, banking services in Islamic banks, Stipulations and ethics of fatwa controls in the institutional framework, Monetization (tawarruq), Controls on Gharar in financial transactions, arbitration, endowment (Waqf), hiring persons, zakat, impact of contingent Incidents on commitments, credit agreement, online financial dealings, mortgage and its contemporary applications, profit distribution in investment accounts on the basis of speculation (Moutharabah), Islamic reinsurance, financial rights how they are exercised and transferred, insolvency, Obtaining and deploying liquidity, protection of Capital and investments, investment agency, Rules for calculating profit in financial transactions, options to terminate due to breach of trust, unilateral and bilateral promise, irrigation partnership (Mousaqat), options to revoke contracts due to incomplete performance, options to reconsider, Arboun (earnest money), revocation of contracts by exercise of a cooling-off option, investment manager's guarantee, gold and its dealing, repurchase.

**Accounting Standards (26):** Presentation and general disclosure in the lists of the mechanism of banks and the institutions of the Islamic mechanism, Murabahah and Murabahah for purchase order, Mudarabah financing, Musharqaqah financing, Salam and parallel salam, Ijarah and Ijarah ending with ownership, Zakat, Istisna'a and parallel Istisna'a, provisions and reserves, general presentation and disclosure of the basis for determining and distributing surplus or deficit in Islamic insurance companies, investment funds, provisions and reserves in insurance companies, foreign currency transactions and foreign currency operations, Islamic financial services provided by conventional financial institutions, subscriptions to Islamic insurance companies, forward sale, disclosure of asset transfers, sector reporting, consolidation of financial statements, investment in

entities Affiliate, investment in Sukuk, stocks and similar instruments, investment in real estate, investment accounts.

**Audit Standards (5):** Audit objective and principles, external auditor's report, conditions of association with the audit process, external auditor's examination of compliance with the provisions and principles of Islamic Sharia, external auditor's responsibility to investigate forgery and error when auditing financial statements.

**Governance Standards (7):** Appointment, composition and report of the Sharia Supervisory Board, Shari'a Supervision, Internal Shari'a Supervision, Audit and Governance Committee for Islamic Financial Institutions, Independence of the Sharia Supervisory Board, Statement of Governance Principles in Islamic Financial Institutions, Corporate Social Responsibility: Conduct and Disclosure in Islamic Financial Institutions.

**Ethical Standards (2):** Code of Ethics for Accountants and External Auditor for Islamic Financial Institutions, Code of Ethics for Employees of Islamic Financial Institutions.

**3.1.3 Organizational Structure of the Accounting and Auditing Organization for Islamic Financial Institutions:** AAOIFI consists of (Shilaq Rabeh, Bin Qaid Al-Sheikh, 2018, p. 54):

- The General Assembly: It consists of all founding members, associate members and observer members, the Assembly represents the supreme authority in the Authority, as it meets at least once a year.

- The Board of Trustees: It consists of 15 members appointed by the General Assembly for a period of 3 years, so that the Board represents multiple categories of regulatory and supervisory bodies, Islamic financial institutions, Sharia supervisory bodies, bodies responsible for regulating the accounting profession, chartered accountants... Etc.

Among the tasks of the Board is to appoint and exempt the members of the Authority's boards in accordance with the provisions of the Islamic system of the Authority, to manage the financial sources of financing the Authority and to invest its funds, to appoint two of its members in the formation of the Executive Committee and to appoint the Secretary General of the Authority.

- Executive Committee: It consists of 6 members represented by a chairman and two members of the Board of Directors, the Secretary General, the Chairman of the Standards Council, and the Chairman of the Sharia Council. Its tasks include discussing the work plan and the annual estimated budget, the financial statements and approving the employment regulations and financial regulations.

\_ General Secretariat: Consists of the Secretary-General and the administrative and technical body, the Director General is the Executive Director who coordinates the work of the General Assembly, the Board of Trustees, the Standards Council, the Sharia Council, the Executive Committee and other subcommittees.

-Technical Councils, namely: the Accounting Council, the Sharia Council, and the Governance and Ethics Council.

AAOIFI is important in providing international financial institutions with legitimacy and confidence in the emerging Islamic finance market as it does not represent a single country effort

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to develop its standards as much as it reflects the collective effort of more than two hundred international institutions. The implementation of AAOIFI standards depends primarily on the cooperation of these institutions.

### **3.2. General Council for Islamic Banks and Financial Institutions (CIBAFI)**

**3.2.1. Definition and objectives:** It is an international organization established in 2001 by a royal decree from the Government of the Kingdom of Bahrain, headquartered in the Kingdom of Bahrain, and is a member of the Organization of Islamic Cooperation (OIC). The General Council represents the official umbrella of the Islamic financial industry worldwide, as the General Council includes in its membership more than 130 financial institutions, distributed in more than 34 countries, including the most important actors in the Islamic financial market, international multilateral institutions, and professional associations in the industry, defined as one of the main foundations in the Islamic finance architecture (CIBAFI, 2022). The main objectives of the Council we find:

- Support, develop and protect the Islamic financial services industry;
- Support cooperation between members and other financial institutions with common interests and goals;
- Support and develop the Islamic financial services industry that achieves the real economy and the purposes of Sharia by representing and defending it with regard to regulatory, financial and economic policies that are in the general interest of the membership;
- Spread the concepts of Islamic finance by achieving and deepening the foundations of Shariah purposes and then promoting them internationally;
- Coordinate among members and other institutions supporting Islamic finance with a view to exchanging best practices and controlling fatwas in financial transactions;
- Promote economic development by focusing on the added value of Islamic finance and rationalizing Islamic banking;
- Enable board members, executive-level administrators and stakeholders to practice correct Islamic finance, then train staff working in operations management, customer service and other departments.

The initiatives of the General Council are based on three strategic objectives, namely supporting the added value of Islamic banking and regulatory policies and systems, encouraging research and innovation, and qualifying and professional empowerment (General Council for Islamic Banks and Financial Institutions, 2022).

**3.2.2. Organizational Structure of the General Council:** The Council consists of:

- **Board of Directors:** It consists of the Chairman and Vice-Chairman of the Board of Directors, in addition to 13 members.

- **Scientific Accreditation Committee:** The Scientific Commission for Accreditation was established by a decision of the Board of Directors, and it is an independent body specialized in setting standards and rules governing accreditation services, which include the accreditation of training materials and trainers, as the General Secretariat arranges and coordinates the meetings of the Commission and implements the issued decisions.

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The Scientific Accreditation Board consists of six members and represents the following institutions:

- The International Islamic Fiqh Academy of the Organization of Islamic Cooperation - Kingdom of Saudi Arabia;
- Islamic Development Bank Institute - Kingdom of Saudi Arabia;
- Saleh Kamel Center for Islamic Economics, Al-Azhar University, Egypt;
- The International Academy of Sharia Research of the Central Bank of Malaysia – Malaysia;
- Institute of Islamic Economics of King Abdelaziz University, Saudi Arabia;
- Institute of Banking Studies of the Central Bank of Jordan.

- Members of the Advisory Group: It includes 9 members in its composition.

- Sustainability Working Group: includes a Chief Strategy Officer, Director of the Development Sector Department and 17 other members.

- Innovation and Technology Working Group: includes the President of the Middle East and Africa Region, the Global Head of Islamic Banking, the Assistant General Manager for Planning and Development, and 24 members.

- General Secretariat: which consists of the Secretary-General, the technical and administrative units, and its tasks include coordinating the activities of the General Assembly, the Board of Directors and subcommittees, taking the necessary measures to ensure the implementation of the decisions adopted by any of these bodies and following up on their implementation, managing the daily affairs and activities of the Council, coordinating and supervising studies, publications, brochures and reports issued by the Council, strengthening relations between the Board and other organizations with similar objectives, as well as between the Board and other Islamic financial institutions, Preparing the Board's future plans and annual budget and submit them to the Board of Directors for discussion prior to approval, preparing financial statements and reports and submit them to the Board of Directors for discussion prior to approval, Serving as a rapporteur of the General Assembly and the Board of Directors.

### **3.3. Islamic Financial Services Board (IFSB)**

**3.3.1. Definition and objectives:** The Board was officially opened on November 3, 2002, and began its work on March 10, 2003, and is based in Kuala Lumpur (Malaysia). It is an international standard-setting body for regulators and supervisors with a direct interest in ensuring the safety and stability of the Islamic financial services industry, which generally comprises the banking, capital markets and insurance sectors. As part of its mandate, the Board is working to develop a strong Islamic financial services industry. Transparency, through the issuance of new standards, or the adaptation of existing international standards compatible with the provisions and principles of Sharia, and recommending their adoption. Its work complements that of the Basel Committee on Banking Supervision, the International Organization of Securities Commissions and the International Federation of Insurance Supervisors. At the end of 2021, the Council had 187 members from 57 countries. The Council also issued thirty-four standards, guidelines and technical observations, specific to the Islamic financial services industry (Islamic Financial Services Board, 2022). There are several objectives of the IFSB, summarized as follows (Saleh Humaid Al-Ali, 2014, p. 62):

- Supports and coordinates initiatives to develop tools and procedures for effective operation and risk management;

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- Supports the development of the prudential and transparent Islamic financial services industry by introducing new standards or adopting existing ones in accordance with Islamic Sharia,
- Provides guidance on effective supervision and control mechanisms for institutions offering Islamic financial products;
- Works on the development of standards for the Islamic financial services industry to help identify, measure, manage and disclose risks;
- Encourages participation among Member States in the development of the Islamic financial services industry;
- Improves and coordinates initiatives aimed at developing mechanisms and procedures that assist in the conduct of operations, in particular risk management;
- Facilitates training and soft skills development, and commits to research, studies and surveys on the Islamic financial services industry;
- Establishes a database of Islamic banks, financial institutions and financial industry experts.

**3.3.2. Standards issued by (IFSB):** The Board sets supervisory and supervisory standards for the Islamic banking industry working on their development to suit the work of financial institutions principles. The Board issued thirty-four standards, guidelines and technical observations, specific to the Islamic financial services industry, which we mention here in as follows:

- Standards: Risk Management Guidelines for Institutions (other than Insurance Institutions) that are limited to the provision of Islamic financial services, Capital Adequacy Standard for Institutions (other than Insurance Institutions) that are limited to providing Islamic financial services, Guidelines for Managing Controls for Institutions that are limited to the provision of Islamic financial services (except Islamic insurance institutions (Takaful) and Islamic investment funds), Disclosures Standard To enhance transparency and market discipline for institutions that provide only Islamic financial services other than Islamic insurance institutions/Takaful, Guidelines on key elements of supervisory control procedures for institutions limited to the provision of Islamic financial services (other than Islamic insurance institutions (Takaful), Islamic investment funds), Guidelines for Collective Investment Scheme Controls, Capital adequacy requirements for Sukuk, Sukuk and real estate investments, Guidelines for Takaful Insurance Regulations, Guidelines for Business Conduct for Institutions Providing Islamic Financial Services, Guidelines for Shari'a Regulations for Institutions Providing Islamic Financial Services, Solvency Requirements Standard for Takaful Insurance, Liquidity Risk Management Guidelines for Institutions (Other than Takaful Institutions and Islamic Collective Investment Schemes) Providing Islamic Financial Services, Guidelines for stress tests for institutions (other than Takaful institutions and collective investment schemes) providing Islamic financial services, Risk Management Standard for Takaful companies (Islamic insurance), Modified Capital Adequacy Standard for institutions providing Islamic financial services other than Islamic insurance institutions (Takaful) and Islamic collective investment schemes, Revised Guidelines for the Basic Elements of Supervisory Procedures for Institutions Providing Islamic Financial Services (Other Than Takaful Institutions and Islamic Collective Investment Schemes), Basic Principles of Supervision of Islamic Finance (Banking Sector), Basic Principles of Supervision of Islamic Finance (Banking Sector), Guidelines for Re-Takaful (Islamic Reinsurance), Guidelines for Disclosure Requirements for Islamic Capital Market Products (Sukuk and Islamic Collective Investment Programs), Key elements of the regulatory review process for Takaful and Re-Takaful



companies (Islamic insurance sector), Basic Principles for the regulation of Islamic finance (Islamic Capital Market Sector), Revised Standard for Disclosures to Enhance Transparency and Market Discipline for Institutions Providing Islamic Financial Services (Banking Sector), Guidelines for Investor Protection in Islamic Capital Markets Disclosures to enhance transparency and market discipline for Takaful/Re-Takaful companies, Basic Principles of Effective Islamic Deposit Insurance Regulations, Basic Principles of Regulation of Islamic Finance (Capital Market Infrastructure Sector), and Adjusted Capital Adequacy Standard for Islamic Financial Services Institutions (Banking Sector).

- Technical Notes: Technical Note on Financial Inclusion and Islamic Finance, a stress test for institutions providing Islamic financial services.

- Guidelines: Capital Adequacy Standard Guidelines; Recognition of Ratings of Shari'a Compliant Financial Instruments Issued by External Credit Rating Institutions, Risk Management and Capital Adequacy Guidelines; Murabahah Transactions in Commodities, Guidelines on the Practice of Profit Payment Support for Investment Account Holders, Guidelines on Capital Adequacy Standards, Determination of Alpha Factor in Capital Adequacy Ratio, Guidelines on Recognition of Ratings Issued by Credit Rating Institutions External Takaful and Re-Takaful Insurance, Guidelines on Quantitative Standards for Liquidity Risk Management for Institutions Providing Islamic Financial Services.

These regulatory standards can be summarized in Capital Adequacy, Risk Management, Corporate Management, Transparency, Market Discipline and Islamic Financial Institutions Management Controls.

### **3.3.2. Organizational Structure of the Islamic Financial Services Board**

The Board consists of:

- **General Assembly:** includes full members, associate members, and observer members.
- **The Supreme Council:** Represents the supreme executive body responsible for setting the policies of the Islamic Financial Services Board. The membership of the Supreme Council is occupied by one representative from each full member.
- **Executive Committee:** Consists of at least five members selected by the Supreme Council for a period of two years. One of its functions is to advise the Supreme Council on operational and administrative matters relating to the Islamic Financial Services Board.
- **Technical Committee:** It consists of a maximum of thirty members selected by the Supreme Council for a period of 3 years, the Technical Committee provides advice to the Supreme Council on technical issues in accordance with the terms of reference.
- **Working Group:** Its task is to formulate standards and guiding principles.
- **Task Group:** Responsible for specific tasks.
- **Arabic Version Drafting Committee:** drafts and edits IFSB documents translated from English into Arabic.

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-General Secretariat: The permanent administrative entity of the Islamic Financial Services Board (IFSB), headed by a full-time Secretary General appointed by the Supreme Council, in accordance with terms and conditions determined by the Supreme Council.

### **3.4. International Islamic Financial Market (IIFM)**

(IIFM) was established in 2002 by Royal Decree No. (23) of the Kingdom of Bahrain, as a neutral and non-profit organization for the development of the infrastructure of the Islamic financial industry, established by the Central Bank of Bahrain, the Central Bank of Malaysia, the Central Bank of Sudan, the Central Bank of Indonesia, the Islamic Development Bank of the Kingdom of Saudi Arabia, and the Monetary Authority of Brunei Darussalam (IIFM, 2022).

The IIFM consists of two main committees: (Shilaq Rabeh, 2018, p. 59), The Shariah Committee, whose members include Islamic intellectuals, specializes in economic issues and determines the compatibility of investment instruments with Islamic principles besides the Development and Studies Committee. The Objectives of this body are summarized as follows (IIFM, 2022):

- Establishing, developing and regulating an international financial market based on the principles and provisions of Islamic Sharia;
- Work to create an environment that encourages both Islamic and non-Islamic financial institutions to participate effectively in the financial market;
- To encourage and improve the cooperative framework between Islamic countries and their financial institutions;
- Improving the collaborative framework among Islamic financial institutions globally;
- Establishing and developing a secondary market in which Sharia-compliant financial products and instruments are traded.

### **3.5 Liquidity Management Centre (LMC)**

(LMC) which is a Bahraini shareholding company established in 2002, and has obtained a license as an Islamic investment bank (Liquidity Management Center, 2022), supported by its owning Islamic banks, which are among the leading institutions in Islamic banking, and which have equal shares in the ownership of the center (Shafia Ketaf, 2020, p. 180). The Liquidity Management Center aims to:

- Enable Islamic financial institutions to manage their liquidity (cash surpluses) through short- and medium-term investments in accordance with the principles of Islamic Sharia and tradable;
- Address the problem of increased or under liquidity of Islamic financial institutions, and encouraging the handling of the Liquidity Management Centre;
- Contribute to the preparation of strategic plans for liquidity management and the balance between banks' resources with liquidity and their uses;
- Establish the secondary market for trading Shariah-compliant investment instruments for short-term terms.

### **3.6. International Islamic Classification Agency (IICA)**

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The agency was established in 2006 as a joint stock company based in Bahrain, which is an authority specialized in classifying Islamic banks and financial institutions and their products according to international standards, and the classification to be issued by this agency will be accredited at the international level (International Islamic Rating Agency, 2022). The International Islamic Classification Agency aims to (Samer Mazhar Kantakji, 2015, p. 518):

- Classify public and private entities;
- Conduct an independent assessment and opinion on (1) the potential future losses of the designated entity and (2) the extent to which the financial entity or instrument is in accordance with Shari'a principles;
- Assist Islamic banks and financial institutions to grow their business and offer their securities on the international market after they are able to obtain an international classification by this company, especially with foreign expenses;
- Disseminate data and information that help develop the Islamic capital market;
- Contribute to the promotion of the international Islamic capital market and Islamic financial instruments;
- Strengthen the infrastructure of the Islamic financial market to add strength and strength to the work of Islamic financial institutions and enable them to assess the magnitude of the risks they face;
- Develop Islamic banking activity and making its products more acceptable globally.

### **3.7. International Islamic Centre for Reconciliation and Arbitration (IIRA)**

The International Islamic Center for Reconciliation and Arbitration was established on 9/4/2005, and began activity in January 2007, based in Dubai, United Arab Emirates. The Center represents an independent international non-profit institution, and its establishment was the result of the concerted efforts of the Islamic Development Bank and the General Council for Islamic Banks and Financial Institutions (Bin Qaid Al-Sheikh, 2018, p. 64).

Among its objectives, (Saleh Hamid Ali, 2014, p. 14), the center provides advice and information on arbitration in general and Islamic arbitration in particular, affords legal support to Islamic financial industry institutions and regulates the adjudication of all financial disputes arising between financial institutions, between them and their customers, or between them and third parties through conciliation or arbitration.

The standards on which arbitration is relied are the same as those used in international laws (such as the respect of right of defense, means of proof, representation of clients and other standards), with the statute of the Center imposing commitment to the provisions and principles of Islamic Sharia in all its decisions, which shows the difference in arbitration between the Arbitration Center and other arbitration institutions.

### **3.8. Islamic Development Bank**

#### **3.8.1 Definition and tasks**

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It is an international financial institution, established by the First Conference of Finance Ministers of the Islamic Member States of the Organization of the Islamic Conference held in Jeddah in 1973, and officially opened in 1975 in Jeddah - Kingdom of Saudi Arabia. The Islamic Development Bank aims to (Samer Mazhar Kantakji, 2006, pp. 15-16):

- Support the economic development and social progress of the Member States peoples and Muslim communities around the world in accordance with the provisions of Islamic Sharia;
- Finance projects and programs produced in the public and private sectors in Member States;
- Provide technical assistance to Member States and assists in the development of foreign trade;
- Conduct Sharia studies and research in Islamic economics and Islamic banking transactions;
- Finance development projects in Member States through a number of forms of financing in accordance with Sharia rulings, such as loans, leasing, term sales, etc.;
- Develop trade through trade financing programs mainly import trade financing operations, export financing programs, Islamic filiation portfolio, and others.

### **3.8.2. Prerogatives**

The powers of the Islamic Development Bank are (1) Accepting deposits and mobilizing financial resources through formulas that are in accordance with the provisions of Islamic Sharia, (2) Providing loans to productive institutions and projects in the private and public sectors in the Member States for their economic and social development, (3) Enhancing the role of Islamic finance in economic and social development (4) Establishing economic cooperation through the promotion and development of foreign trade among member states and investment in economic and social infrastructure projects.

### **3.8.3. Organizational Structure of the Bank:**

- The Board of Governors: is the supreme policy-making body, which meets once a year. The Board elects the members of the Board of Executive Directors and the President of the Bank, addresses issues related to the Bank's membership, and approves cooperation agreements.

- Board of Executive Directors: The Board consists of 14 members, and its responsibilities include preparing the work of the Board of Governors, making decisions related to the Bank's business and operations, submitting the Bank's annual accounts to the Board of Governors for approval, in addition to approving the Bank's budget.

- President of the Bank: He is responsible for the daily conduct of the Bank's business.

## **4. Institutions supporting the Islamic financial industry in Algeria**

Algeria's reforms in the financial system, including the opening of Islamic banking windows, are accompanied by amendments to the regulatory framework for financial institutions such as banks, insurance companies, capital markets and others, and the creation of supporting institutions in addition to the Bank of Algeria, the Sharia Supervisory Board and the Supreme Sharia Board of the Supreme Islamic Council.

**The Bank of Algeria has played** a major role in the localization of Islamic banking in Algerian banks through the issuance of Regulation No. 20-02 and the opening of Islamic windows in

conventional banks, in addition to the establishment of two Sharia bodies for supervision and fatwas, the first is the Sharia Supervisory Board for Banking Financial Transactions within Banks, which was defined by the International Islamic Fiqh Academy Resolution No. 177 (19-03) as: "A group of scholars specialized in Islamic jurisprudence, especially the jurisprudence of transactions, and who have scientific competence and knowledge of practical reality. The Commission issues fatwas and reviews to ensure that all the transactions of the institution comply with the provisions and controls of Islamic Sharia, and submits a report to the General Assembly and its decisions are binding." Article 15 of Regulation 20-02 states, "In the course of practicing operations related to Islamic banking, the bank or financial institutions must establish a Shari'a Supervisory Board, consisting of at least three members, appointed by the General Assembly", and thus, banks licensed to open Islamic banking windows are required to have a Shari'a Supervisory Board. The second body is the Iftaa Authority, which works to grant a certificate of conformity to banks wishing to adopt Islamic financial transactions according to specific conditions.

In *Algeria*, for example, the Shari'a Supervisory Board of Al Baraka Bank, Algeria, consists of five members, selected from among jurists specialised in financial and economic transactions, who have the necessary scientific qualifications and experience, with good reputation in the field of compliance with the provisions of Islamic Sharia, in order to give credibility to the Board in the business, advice and fatwas it provides.

Finally, the **National Sharia Board for Issuing Fatwas to the Islamic Financial Industry** of the Supreme Islamic Council, whose establishment was announced in April 2020, comes as a voluntary scientific body, whose mission is to grant the Sharia Conformity Certificate to banks and financial institutions to start practicing Islamic banking, thus encouraging initiatives that help make a qualitative leap in national economic development. This mission will support the Bank of Algeria in the localization of Islamic banking. The establishment of the Authority comes in implementation of Regulation No. 20-02 of March 15, 2020, determining the banking operations related to Islamic banking and the rules of its practice by banks and financial institutions as a result of the Supreme Islamic Council statement on the subject of Islamic banking on December 17, 2017.

## **5. Conclusion:**

Through this paper, we try to count most of the Islamic financial bodies and institutions, which constitute the supporting bodies of the Islamic financial industry, through the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the General Council for Islamic Banks and Financial Institutions (CIBAFI), the International Islamic Rating Agency (IIRA), the Liquidity Management Center (LMC), the International Islamic Financial Market (IIFM), the Islamic Financial Services Board (IFSB) and other supporting institutions.

Each of the Islamic financial institutions, banking and bodies has specialised in providing a part of the general identity of the Islamic financial industry, highlighting these contributions as follows:

- Preparing and issuing accounting and auditing standards to facilitate the use of financial statements and making useful comparisons;
- Setting Shariah standards to be followed in the execution of transactions;

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Preparing and developing standards for the control and supervision of the Islamic industry and working to support risk management mechanisms;

- Providing information related to the banking industry and spreading public awareness about Islamic banking;

Assess the performance and efficiency of Islamic financial institutions and enhance transparency;

- Establishing a financial market in which Sukuk and securities are traded in accordance with the rules and provisions of Islamic Sharia.

It is clear that these institutions come to meet all the needs of the Islamic banking sector in its growth and development, including fatwa, guidance, supervision and others. Supporting institutions remain of a special place in the Islamic financial industry because of its role in reducing conflicts between different dealers and standardising transactions and management methods, all this to upgrade and develop services and innovate financial products and tools to enhance the position of this bank. The financial industry and increasing its ability to attract new customers at the local and international levels, which increases the chances of stabilizing the global financial industry.

Locally, Algeria develops its institutions supporting the Islamic financial industry, represented by the Bank of Algeria, which played a major role in activating and localizing Islamic banking in Algerian banks through the issuance of Regulation No. 20-02, which was followed by the opening of Islamic windows in many conventional banks, in addition to the establishment of the Sharia Supervision Department for banking financial transactions within banks and the National Sharia Board for Issuing Fatwas for the Islamic Financial Industry, which is under the tutelage of the Supreme Islamic Council, which works to grant a certificate of conformity to banks wishing to Adoption of Islamic financial transactions. Finally, solidarity, endowments, zakat institutions and the newly created Algerian General Takaful insurance company.

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