

## FIRST SYMPOSIUM ON ISLAMIC FINANCE

# A credible alternative to conventional finance

▶ BY : Hocine Adryen :

The speakers at the 1st Symposium on Islamic Finance, held on Tuesday October 23rd at the Palace of Culture in Kouba, gave a very careful and methodical explanation of the reasons which led them to organize a conference on Islamic insurance and finance, scheduled for the 24th and 25th of this month in Dar El Imam (Mohamadia). SAAFI 2018 is a unique symposium which aims to ensure the successful establishment of Islamic finance and Takaful insurance in Algeria.

According to the organisers, this event will be attended by national and international experts who will provide financial institutions and professionals working in the banking and insurance sector in Algiers with "all the expertise necessary to successfully tackle this new challenge".

Professor Mohamed Boudjelal (chairman of the scientific council of SAAFI 2018 and member of the Algerian president's High Islamic Council - HCI), Ezzedine Ghlamallah (Chairman of the SAAFI consultancy), Nacer Hideur (CEO of Al Salam Bank), and Abdelhakim Hadjou (CEO of Trust Assurance) explained what was needed to fully understand the challenges which lie ahead for Algerian Islamic finance, a subject which remains largely unknown.

Professor Mohamed Boudjelal, the pioneer of this concept in Algeria - his books on this subject attest to this - and de facto sponsor of this event, made a number of announcements. He revealed that the Islamic High Council (HCI) had prepared a draft on the amendment of laws to accelerate the development of Islamic finance in Algeria:

"Islamic finance is now part of the global industry by virtue of its presence in 57 Islamic and non-Islamic countries. Islamic finance is able to provide solutions not offered by other so-called conventional banks. With its roots in the religion, Islamic finance offers the world an alternative and it shows itself to be sounder than conventional banking practices. The global subprime crises epitomise the uncontrolled tendency to focus exclusively on profit. In 2017, the IMF recognized the principles of Islamic financial regulation." Indeed, the IMF has officially added Islamic finance to the scope of its activities. The IMF recognizes that Islamic banking "provides an opportunity for many member countries to strengthen financial intermediation and financial inclusion."

The IMF deems it "appropriate to consider a proposal formally recognizing the guidelines for the regulation of Islamic finance" (banking sector), established by the Islamic Financial Services Board (IFSB), as "a standard within the framework of the IMF/World Bank Standards and Codes Initiative." The representative of the HCI added that the draft Islamic financial regulation law, submitted to the Algerian president nearly a year ago, "proposes amendments to regulations



relating to different aspects of Islamic finance", adding that it "is not limited just to banking products but also relates to Takaful insurance." An expert in Islamic finance, he explained that the project concerns notably the creation of a higher national legal authority to "support the development of the national economy and the expansion of the Islamic finance industry" in consultation with partners in the national

financial markets. The project also involves proposals for the amendment of the law on money and credit and the law on insurance.

He urged deputies to present this project to the Bureau of the Assembly as part of the debate on the 2019 Finance Act: "We want Islamic banking products and those of conventional banks to be placed on an equal footing for the greater good of the national economy. There is a strong demand for these products. We need a specific regulation for Islamic banking."

In this regard, he reiterated that the Bank of Algeria, which has already set up an internal committee to discuss this issue, had repeatedly stated that it was "in the process of preparing a regulatory framework specifically for Islamic banking products", offering the possibility for public banks to "market financial products complying with the Islamic sharia". But he pointed out that this project "has fallen well behind", thus slowing down the development of Islamic finance within state banks. Boudjelal also discussed proposals relating to the HCI law on Islamic insurance, known as Takaful. Among the suggestions contained in the HCI draft, there are also a couple of bills proposing the creation of two institutions whose purpose will be to regulate the management of funding and charitable donations.

The first concerns the zakat fund which, so far, has had no legal basis, while the second concerns the creation of a waqf facility, an innovation which should make a significant contribution to the fight against poverty and the development of the national economy, he claimed.

Moreover, the HCI project proposes a "sharia committee" to validate the certification of these sharia-compliant products: "We have taken a typically Algerian approach based on the different experiences of Muslim countries", Boudjelal said. He believes that Algeria "has fallen far behind" in the development of Islamic finance and adds that the country "needs to catch up by accelerating the reform of its financial institutions, especially since there is an urgent demand for these products. We have done our job as an advisory institution and I have no doubt about the sincerity of the presidency's institution to make such proposals succeed."

In turn, Abdelhakim Hadjou, the CEO of the Trust Assurance, declared that "Algeria must be a model for Islamic finance, a platform to attract foreign investors." For Nacer Hideur, DG Al Salam Bank, "it is vital to encourage the market for Islamic finance while waiting for the regulation to be put into place. It has been possible to create companies without the laws to give them a legal identity. This process should not depend on a regulatory and legal framework", he argued. Regarding the sound practices which Islamic finance intends to bring to the financial sector, he revealed the three guiding principles which prevent tendencies for unhealthy practices.

Ezzedine Ghlamallah, the young CEO of SAAFI, talked about the conditions which made it possible to launch this activity first in France and then in Alge-

ria: "The idea of creating SAAFI arose following my meeting with three people - present at our conference today - in Strasbourg in 2014. We wanted to know how to best set up this business in Algeria. In France, this activity [Islamic finance] exists and is booming. So, we decided to join forces and create this firm to achieve a better implementation of Islamic finance in Algeria. In addition to the two managers present at this conference (Trust Assurance and El Salam Bank), other partners will join us, such as AGB, Cash Assurances, BADR, IBC and others as well as the HCI which provides us with religious approval, thanks to my mentor Professor Boudjelal."

The other speakers all emphasised that Islamic finance should respect religious and moral principles, according to which profit is not the only goal. Islamic finance must, therefore, respect principles related to sharia law while maintaining profitability objectives. Islamic finance, therefore, applies particular rules to all financial activities such as savings, investment and lending. In a lender-borrower relationship, Islamic finance requires a more equitable distribution of risk between the two parties, in accordance with the five main pillars of the religion. It is forbidden to take advantage of a loan if this is not justified (the riba prohibition). Pure speculation - including that on derivatives and short selling - is banned (gharar and maysir prohibitions). In addition, maysir means that uncertainty in transactions is banned, the aim being to finance the real economy rather than encouraging speculation. In a borrower/lender relationship, risk and rewards are shared equitably. This is known as participatory finance. If the borrower fails, without having been grossly negligent,

# ENGLISH ISSUE

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the lender must share the losses with his client.

The first Algerian symposium on insurance and Islamic finance (SAAFI), to be held on the 24th and 25th of this month at the Palais de la Culture in Algiers, promises to be a high-profile event. In any case, that was the impression made at the press conference, recently held in Algiers to announce the event. According to the president of SAAFI, the symposium will be a forum for all professionals in the banking and insurance sector, especially for those working in Islamic finance. According to Ghlamallah, "SAAFI 2018 aims to provide an exceptional opportunity, offering expertise and competence for the benefit of all actors - institutions and professionals alike - working in the Algerian financial system. SAAFI 2018 will see the participation of several officials and specialists from foreign countries such as Morocco, Senegal, the United Arab Emirates, Saudi Arabia, etc."

This first symposium on insurance and Islamic finance will be held in two venues: the auditorium which will house the conference-debates and the great hall which will be reserved for sponsors (banks, insurance companies and other financial institutions). "The conference-debates scheduled to take place during the SAAFI will have a specific goal: they aim to propose solutions to the government," explained the president of SAAFI 2018.

Mohamed Boudjelal, in turn, stated that the organization of SAAFI was motivated by the desire of the Algerian government to adopt Islamic finance and by its success in the world. "Conventional finance has revealed its limitations. Indeed, it is the main reason for the instability the world now faces," he said. Asked whether Algerians are sufficiently informed about Islamic finance, Mohamed Boudjelal, member of the HCl, stated that, as with all things, you have to start somewhere. "Islamic finance is already well known in Algeria. There are two Islamic banks and an insurance company," he said. The main difference between Islamic finance and conventional finance "is that Islamic finance, in general, saves the client from bankruptcy. Islamic finance shares gains and losses."

The CEO of Essalam Bank Algeria, Nacer Hideur, said that "Islamic finance is increasingly popular with customers. Islamic banking products are expensive because the customer is pro-

ected. He is supported by the bank over the long term." He also took the opportunity to urge the relevant authorities "to set up the legal framework necessary for the development of Islamic finance." Ezzedine Ghlamallah disagreed with the idea that Islamic finance would be an obstacle to foreign investors: "We have many countries calling for investment within the framework of Islamic finance", he stated, adding that classical finance "will always be there for those who ask for it."

According to the general manager of the insurance company Trust Algeria, Abdelhakim Hadjou, Islamic finance "stimulates the insurance sector." Algeria has two Islamic banks: Al Baraka Bank, a subsidiary of the eponymous group created in 1991, and Al Salam Bank Algeria (United Arab Emirates), which launched its activities in early 2009.

"In order to offer an Islamic financial product, a board (composed of at least three sharia scholars) has to assess whether it complies with sharia law. After deliberation, the board issues a fatwa and it is only then can that the product be marketed. There is a real risk that products non-compliant with sharia law - even though they claim to be compliant - are launched onto the market. This could undermine the credibility of the model", he stated. There are five principles of Islamic finance: prohibition of interest; prohibition of uncertainty; certain businesses deemed illicit must not be financed (weapons, pork, alcohol); the

about Islamic banking in the Maghreb, though there was some mention of it in relation to Best Bank (Tunisia) or Baraka Bank (Algeria).

Since then, various measures have been taken to develop this business. In Algeria, Al Salam Bank has opened its doors and its shareholders include the Emirati real estate group E'maar, a Lebanese-Canadian bank and an Emirati insurance company. Al Salam Bank has been authorised to operate as a universal bank. The forum participants are expected to discuss methods to



**Nacer Hideur, DG d'Al Salam Bank**

accordance with the precepts of Islamic law (sharia), the development prospects of this finance in Algeria as well as an explanation of the Islamic financial products offered in other countries. Several renowned national and foreign experts, together with consultants and representatives of Islamic banks operating in Algeria, are expected to attend this conference.

BY : Hocine Adryen :  
TRANSLATED BY : James A. Pollard

finance the economy and investment in



**Ezzedine Ghlamallah, President of SAAFI**

equitable distribution of profit and loss between participants in a financial transaction; and, finally, all transactions must be backed by a tangible asset. In addition, there is another restriction relating to "the shallow depth and diversification of the market, in particular the limited number of sharia-compliant liquid asset classes, a fact which reduces the investment opportunities for Islamic banks and exposes them to risky assets, such as real estate or equity markets. In addition, Islamic financial institutions run a reputational risk, like all banks, but they also face the risk of being perceived as not complying with sharia law, which could lead to customer suspicion and withdrawal of deposits." Islamic finance has developed very rapidly over the past twenty years.

Before 2006, few people talked

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**REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE  
MINISTÈRE DE L'HABITAT DE L'URBANISME ET DE LA VILLE  
Office de promotion et de Gestion Immobilière de GHARDAIA  
NIF : 0978 47 1000 30 39**

**Avis D'attribution Provisoire D'avis D'appel D'offre ouvert  
Avec Exigence de capacités Minimales N°13/2018**

Conformément aux dispositions des articles 65, du décret présidentiel N°15/247 du 16/09/2015, portant réglementation du marché public et délégation du pouvoir public, l'Office de Promotion et de Gestion Immobilière de Ghardaïa, adresse : 400 logts Sidi Abaz Bounoura Wilaya Ghardaïa, informe l'ensemble des soumissionnaires ayant participé au avis d'appel d'offre ouvert avec exigence de capacités minimales N°13/2018 paru le 29/05/2018 dans les quotidiens nationaux, relatif à la Réalisation de 66/1000 logts public locatif urbain de type F3 sans vrd surface moyenne de 67 m2 commune de Hassi Gara PQ(2005-2009) Wilaya de GHARDAIA qu'après évaluation des offres le marché est attribué provisoirement à :

N° lot	Nbr de logts	Attribution provisoire	Montant d'offre financière après correction (DA/TTCC)	Délai proposé (mois)	NOTE TECHNIQUE	Critère d'évaluation
COMMUNE DE HASSI GARA REALISATION DE 66/1000 LOGTS PQ(2005-2009)						
01-02 Lot Infructueux (enregistrement offre financière excédentaire)						
03	10	ZAHOUANI ABDELKADER ayant le N° d'identification fiscale : 197047020017440	25.935.680,18	16	37,00	Offre unique
04	10	ZAHOUANI ABDELKADER ayant le N° d'identification fiscale : 197047020017440	25.935.680,18	16	37,00	Offre unique
05-06-07 Lot Infructueux (enregistrement offre financière excédentaire)						

Les autres soumissionnaires, sont invité s'ils le souhaitent, à se rapprocher auprès des services de l'Office de Promotion et de Gestion Immobilière de Ghardaïa, 400 logts Sidi Abaz, Bounoura-Wilaya GHARDAIA dans un délai de trois (03) jours à compter du premier jour de la publication de l'attribution provisoire dans le BOMOP ou dans l'un des quotidiens nationaux, pour prendre connaissance des résultats détaillés de l'évaluation de leurs offres techniques et financières. La commission des marchés de l'OPGI, est compétente pour l'examen de tout recours des soumissionnaires qui doit être introduit dans délai de dix (10) jours à compter de la première parution du présent avis au BOMOP ou dans l'un des quotidiens nationaux.



**Abdelhakim Hadjou DG Trust Assurance**