

RÉPUBLIQUE ALGÉRIENNE DÉMOCRATIQUE ET POPULAIRE

THE BANKING SECTOR IN ALGERIA

Supervision of the banking sector is conducted by the Council for Money and Credit and the Bank of Algeria. The Law on Money and Credit of 1990 outlined the conditions for banking practices and decrees the norms which banks must conform to in order to obtain approval from the Bank of Algeria. In particular, bank funds must reach 8% of contracts settled before December 1999.

In the Algerian banking system, there are six public banks (CPA, BNA, BEA, BADR, BDL, CNEP) and a facilities bank (branched out from the BAD). There are no longer specialized institutions such as deposit banks/development banks nor, in theory, allocations depending on the economic activities of the clientele, nor limitations in the length of credit (without prejudice regarding the different prudential ratios). Among the six commercial banks, only BNA, CPA and CNEP have received approval from the Bank of Algeria.

The opening of private banking establishments in Algeria was authorized and regulated by the Law on Money and Credit. Decisions regarding submitted applications are made by the Council on Money and Credit, presided by the Governor of the Bank of Algeria.

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Between 1990 and 1996, only two important establishments developed banking activities in Algeria:

- since 1991, the Islamic bank, El-Baraka, 50% subsidiary of the Dallah Al Baraka de Djeddah group.
- since 1995, Union Bank, created and owned by a small number of Algerian businessmen.

In September 1997, the Council of Money and Credit approved the creation of:

- a subsidiary of Citibank which already had a representative office. It entailed a simple change in name without changing its activities. On January 31, 1999, Citibank became the first foreign establishment to receive approval as "Specialist in Treasury Assets" (SVT), involved in public stocks and shares.
- a subsidiary of the Arab Banking Corporation (ABC). ABC-Algeria held its constitutional assembly in January 1988 and opened its first office on November 2, 1998.

During its February 8, 1998 session, the Council of Money and Credit gave its approval for the creation of the Societe Generale Algerie. An office is to open in Algiers before the end of the first semester of this year. The second office in Oran is planned for the end of 1999

The activities of the Societe Generale Algerie will include:

- brokering international trade for those interested in the availability of a group network,
- commercial clientele involved in mergers and acquisitions, privatization, issue of letters of credit or capital, development of the Algerian financial market,
- foreign and joint companies established in Algeria,
- patrimonial private clientele (private Algerian savings abroad are estimated to be 35 billion dollars)
- eventual participation in the management of financing granted by the SFI, BAD, BEI or AFD and aimed to support the development of the private sector in Algeria.

Natexis-Banques Populaires obtained approval from the Bank of Algeria in July 1998 thereby enabling it to open a branch in Algiers. This branch will be headed by Mr. Hadj Nacer, former governor of the Bank of Algeria. The project should be completed during this year.

The opening of a BNP office in Algiers is also planned. Credit Lyonnais has reactivated its representative office.

Finally, two financial establishments funded by private Algerian capital were established at the beginning of this year: the Khalifa Bank (10 branch offices nationwide) and the Mouna Bank (Algiers and Oran).