

# ANALYTICAL STUDY OF THE IMPLEMENTATION OF AAOIFI'S ETHICAL STANDARDS IN THE ALGERIAN ISLAMIC BANKING SYSTEM: ASSESSMENT AND RECOMMENDATIONS

**Boudjelida Abdelhak**

*Department of Accounting, LEZINRU Laboratory, University Mohamed El Bachir El Ibrahimi, Bordj Bou Arreridj, Algeria*

**Bouaita Abderrezzak**

*Department of Economics, University Mohamed El Bachir El Ibrahimi, Bordj Bou Arreridj, Algeria*

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## ABSTRACT

**Purpose** — The application of ethical requirements is an important means for all stakeholders in the Islamic finance industry to build trust and promote integrity. This study aims to assess the extent to which the Algerian banking system has adopted the ethical standards for Islamic financial transactions issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

**Design/Methodology/Approach** — This study utilises the descriptive approach to present the study's variables and employs the analytical approach to discuss the various concepts and legal regulations that govern the banking sector so that it can provide recommendations that would help to build a solid foundation for the Algerian banking system.

**Findings** — The findings revealed that the Algerian monetary authority is committed to gradually promoting Islamic banking regulations in a thoughtful manner. However, the study also found that there is a lack of clarity regarding the adoption of regulatory laws in Algeria for the ethical standards issued by AAOIFI, even within the 2023 Monetary and Banking Act.

**Originality/Value** — To the best of the authors' knowledge, this paper is the first study to assess the extent to which the Algerian banking system has adopted the ethical standards for Islamic financial transactions issued by AAOIFI.

**Research Limitations/Implications** — The primary limitation of this research is its exclusive focus on the Algerian banking system and its reliance on secondary data. As such, the study's focus is on the adoption of ethical standards within the Algerian Islamic banking system and not at the level of individual Islamic banks.



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**Practical Implications** — This research offers valuable insights for those in decision-making roles. It recommends the establishment of a committee of experts to develop standards tailored to the Algerian Islamic banking environment. The committee should be financially independent and under the supervision of the monetary authority. Additionally, the study suggests the issuance of a code of ethics to govern the professional conduct of Islamic banks (IBs) and Islamic financial institutions (IFIs) in accordance with Shari'ah.

**Keywords** — AAOIFI, Ethical standards, Islamic banking, Monetary authority

**Article Classification** — Conceptual paper

## INTRODUCTION

Islamic banking has achieved rapid growth and significant developments in recent years (IFSB, 2022). However, this evolution, in the face of increasing competition, necessitates that Islamic financial institutions (IFIs) adhere to the principles and regulations of Sharī'ah (Islamic law) to ensure their stability and sustainability. To this end, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), a leading international body, was established to support the Islamic finance industry. It aims to enhance the quality of auditing practices, governance and ethics in these institutions by issuing various Islamic standards derived from ethical values and Sharī'ah. Algeria has a long history of engagement with AAOIFI, as the signing of AAOIFI's establishment agreement in 1990 took place in Algeria (AAOIFI, 2015). Furthermore, a cooperation agreement was signed in 2021 between AAOIFI and the Bank of Algeria, the country's central bank, to recognise and adopt its standards (AAOIFI, 2022a).

Algeria explicitly adopted Islamic banking through the issuance of Regulation No. 20–02, and it began to implement it in line with local legislation. Many conventional banks have also opened Islamic banking windows for marketing Islamic banking products. However, Algeria's experience of Islamic windows is still relatively new (Laounia, 2020). A quantitative study by Asma and Khemissi (2021) found a complete lack of ethical financial culture in active commercial banks in Algeria, supporting the conclusions of Mansour *et al.* (2015) in a study on the extent of the ethics of Islamic banking. They point out that Islamic banking practices do not align with the *maqāṣid al-Sharī'ah* (objectives of Islamic law) and require more attention to achieve their intended effect. In this regard, it is essential to ensure that these financial transactions comply with Sharī'ah provisions to avoid manipulations and enhance banks' credibility with customers and investors. In response to the latest challenges, the Bank of Algeria has recently updated the legislative framework regulating Islamic banking by issuing the Monetary and Banking Act in 2023, which includes several amendments that affect this industry.

This study specifically aims to achieve a set of objectives:

1. To investigate the extent to which the Algerian banking system adopts the ethical standards for Islamic financial transactions issued by AAOIFI, which is an aspect that has been neglected in previous studies.
2. To highlight the amendments to the Algerian Monetary and Banking Act of 2023 regarding Islamic banking in order to fill the gap in the literature on it, as it is recent legislation.
3. To provide proposals for the adoption and framing of Islamic ethics in the Algerian banking environment.

More precisely, this research attempts to answer the following research question: To what extent has the Algerian banking system adopted the ethical standards for Islamic financial transactions issued by AAOIFI?

To the best of the authors' knowledge, no previous study has been conducted on this topic. This study attempts to fill a gap in the limited existing research that addresses ethical standards in Islamic financial transactions in the Algerian banking environment. The specific contributions of this study include:

1. Drawing the attention of relevant authorities, including the central bank and policymakers, in order that they take into consideration the study's findings for the development of ethical standards for Islamic financial transactions in the upcoming laws and regulations governing Islamic banking.
2. The results are expected to motivate Islamic banks (IBs) and IFIs to adopt and implement Islamic ethics in their workplaces.
3. The study provides valuable insights into the Algerian Monetary and Banking Act of 2023 and compares it with AAOIFI's ethical standards.
4. As a pioneering research, it is expected to serve as a foundation and a catalyst for future studies in this area.

Accordingly, this paper is organised as follows: after the introduction, the second section discusses the literature related to the topic. The third section describes the research methodology used to achieve the study's objectives. The results and discussion are presented in the fourth section. The last section concludes the research, discusses its implications, makes recommendations based on the findings, and provides suggestions for future research.

## LITERATURE REVIEW

### **Regulatory Framework for Islamic Banking in Algeria**

Algeria, like many other Islamic countries, has sought to adopt Islamic banking to offer interest-free financial services that are aligned with Shari'ah principles. However, despite the establishment and operation of IBs in Algeria, such as Al Baraka Bank in 1991 and Al Salam Bank in 2008 (Yassamine, 2022), the legal framework for Islamic banking in the period from 1990 to 2018 was characterised by a legal gap. These banks were subject to Money and Credit Act No. 90–10, which regulated conventional banks (Tawfiq & Assia, 2022). This was considered one of the main reasons for the delayed adoption of Islamic banking in Algeria, as it failed to take into account the unique features of Islamic banking transactions.

### ***From Participatory Banking to Islamic Banking***

In late 2018, the Bank of Algeria issued Regulation No. 18–02, the first legal and regulatory framework for interest-free transactions in Algeria. This regulation established rules for banks and financial institutions to practise participatory banking operations (Laounia, 2020). The regulation also defined the banking operations and products related to participatory banking, which can be marketed through participatory windows within conventional banks provided that they are financially and administratively independent from the rest of the bank's activities (Regulation No. 18–02).

Tawfiq and Assia (2022) claim that Regulation No. 18–02 was hastily implemented and had some shortcomings. This is demonstrated by the fact that, in just two years, Regulation No. 20–02 took its place. The Bank of Algeria took the first concrete step towards implementing Islamic banking with Regulation No. 20–02. The usage of the term 'Islamic' rather than 'participatory' is one of the main distinctions between the two regulations. This change may help boost customer confidence in Islamic banking transactions. However, Miloud (2020) argues that there is no objection to using the term 'participatory', as it accurately reflects the essence of

Islamic banking, which is based on profit-and-loss sharing with customers. Another key difference is the establishment of the National Sharia Fatwa Board for the Islamic Financial Industry. The Board is responsible for certifying that the Islamic products being marketed by IBs and IFIs adhere to Shari'ah principles. However, even though IBs hold Shari'ah compliance certificates, there is insufficient regulatory supervision to guarantee that the operations are carried out correctly.

One could consider that the two regulations are two sides of the same coin. Regulation No. 20-02 is a more explicit commitment to Islamic banking, whereas Regulation No. 18-02 was only a tentative step in that direction. The publication of Regulation No. 20-02 was an encouraging first step towards the growth of Algeria's Islamic banking industry. Islamic banking transactions have become more popular, recording 16 per cent of the financing market share in 2021 (Tawfiq & Assia, 2022). Additionally, the new regulation is expected to improve the Shari'ah compliance of IBs in Algeria and reduce violations and deviations (Adem & Hichem, 2022). Nevertheless, there is still a need for improvement, particularly when it comes to regulatory oversight.

### ***Monetary and Banking Act 2023***

The Algerian Monetary and Banking Act took effect on 21 June 2023. The Act is a comprehensive reform of Algeria's banking and financial sectors. The Act contains 167 articles divided into nine sections aimed at addressing major economic and financial transformations as well as technological challenges. The following paragraphs highlight some of the key amendments and new provisions related to Islamic banking in the 2023 Act.

#### ***Emergency Liquidity Provision***

Borrowing from the Bank of Algeria usually involves interest, which is against the spirit of Islamic banking operations, which eschew *ribā* (interest/usury). On the other hand, IBs could encounter financial challenges that are hard to overcome within the framework of the previous Banking Act while still maintaining Shari'ah principles. Article 47 of this Act gives the central bank the authority to provide emergency liquidity to solvent banks that are experiencing temporary liquidity problems in order to ensure the bank's financial stability. To be eligible for emergency liquidity, the bank must be solvent, and the transaction must be fully secured by appropriate securities. If the bank's solvency cannot be verified or if the bank is unable to provide sufficient guarantees, the operation must have full government support. Along with this, the bank is required to provide a business plan outlining its strategy for liquidity recovery and repayment of the emergency liquidity. This provision provides a lifeline for IBs that are facing temporary liquidity problems. Nevertheless, it is crucial to remember that the bank still needs to adhere to Shari'ah requirements, such as providing appropriate security for the transaction. This provision can be seen as a bridge between the two worlds of Islamic and conventional banking, as it enables IBs to access liquidity when needed while still adhering to their core principles.

#### ***Expanding the Scope of Islamic Banking Operations***

The Monetary and Banking Act's Article 68 outlines the definition of banking operations as 'receiving public funds (...) and banking operations related to Islamic finance' (Monetary and

Banking Act 2023, p. 13). This article does not expressly define the banking operations that IBs and IFIs can engage in. In addition, Article 71 of the same Act provides extra confirmation by defining Islamic banking activities as ‘any operation conducted by banks or Islamic windows in compliance with Shari‘ah rules’ (Monetary and Banking Act 2023, p. 13). This broad definition allows IBs and IFIs to be flexible in creating and introducing new products and services, as well as conduct any type of banking activity that complies with the principles of Shari‘ah. This is a major shift from Regulation No. 20–02, which restricted Islamic banking to eight products and required them to be usury-free. In the near future, there is a chance of generating new Islamic banking products such as *ṣukūk* (Islamic investment certificates).

### *Creation of Exclusive IBs and IFIs*

The Algerian Monetary and Banking Act of 2023 permits the establishment of exclusive (i.e., full-fledged) IBs and IFIs dedicated to conducting banking operations related to Islamic banking. Furthermore, Islamic windows must be financially and administratively independent of the rest of the bank or financial institution, and also in terms of their accounting systems. To market Islamic banking products, banks and financial institutions must obtain a certificate of compliance with Shari‘ah from the National Shari‘ah Board for Fatwās for the Islamic Financial Industry, as well as approval from the Bank of Algeria. These requirements are identical to those in the previous Regulation No. 20–02, articles 13 and 14.

### *Adapting Monetary Policy Tools to the Specificities of Islamic Banking*

The Bank of Algeria can monitor, manage and regulate bank liquidity by intervening in the money market through the use of its monetary policy tools. However, these tools are *ribā*-based (interest-based) and do not consider the needs of IBs. Article 44 of the Algerian Monetary and Banking Act of 2023 authorises the Bank of Algeria to adapt its intervention tools in the money market to the specificities of Islamic banking operations. The Act did not provide details about these new tools, but it opens up the possibility of investing excess liquidity in IBs without involving interest. One possible way to adapt the Bank of Algeria’s monetary policy tools to Islamic banking is to develop Shari‘ah-compliant liquidity management instruments such as *ṣukūk*. *Ṣukūk* is far more effective as a tool of monetary policy than *ribā*-based conventional monetary policy. Selim (2015) and Selim & Hassan (2019) argue that *ṣukūk* has several advantages in this regard, such as promoting economic growth, boosting employment and maintaining low inflation rates.

### **AAOIFI’s Code of Ethics**

Ethics are defined as a set of moral standards that encompass the qualities and characteristics an individual possesses, which are reflected in their behaviour and interactions with society. These ethical standards govern how individuals conduct their actions and differentiate between what is right or wrong, good or bad. Without ethical foundations and rules that govern society, individuals and companies cannot function (Kouzo & Falikhatun, 2023). Islam places a strong emphasis on ethics in all aspects of life since every action undertaken by a Muslim must adhere to the requirements of Shari‘ah. Islam derives its ethical values from the Qur’ān and Sunnah

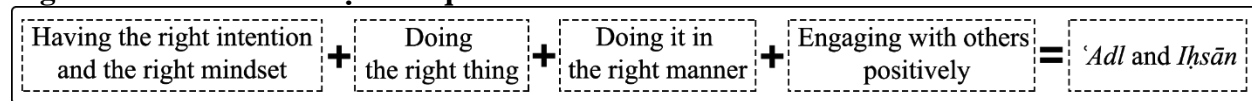
(Prophetic teachings), and these Islamic ethics represent the principles of one's right and wrong (As Sahara & Setiawan, 2022).

In order to ensure the application of the spirit of Sharī'ah in terms of values and behaviour, in addition to legal rules, AAOIFI issued, through its Technical Board for Governance and Ethics, the Code of Ethics for Islamic Finance Professionals, which replaced the two previous ethics standards: The Code of Ethics for Accountants and External Auditors for Islamic Financial Institutions in 1999 and the Code of Ethics for Employees of Islamic Financial Institutions in 2001 (AAOIFI, 2019a). Furthermore, AAOIFI recently discussed in a public hearing a draft governance standard for the institutional framework for the application of ethics in order to institutionalise ethics (AAOIFI, 2023). This standard will provide guidance on how to create and implement an ethics programme within IFIs.

### ***'Adl and Ihsān Equation***

The AAOIFI ethical model is like a compass that guides Islamic finance professionals (IFPs) towards a more just and equitable world. It is based on an equation that includes both *'adl* (justice) and *ihsān* (benevolence). IFPs must achieve *'adl* in all work activities at all times, and failure is regarded as an injustice. To achieve and maintain *'adl* on a continuous basis, the professional must aim for and prioritise *ihsān* in all matters as a first step. By following the *'adl* and *ihsān* equation, depicted in **Figure 1**, IFPs can play a vital role in the global economy and contribute to the well-being of society (AAOIFI, 2019b).

**Figure 1: The *'Adl and Ihsān* Equation: A Framework for Ethical Islamic Finance**



Source: AAOIFI (2019b, p. 13)

### ***Ethical Virtues***

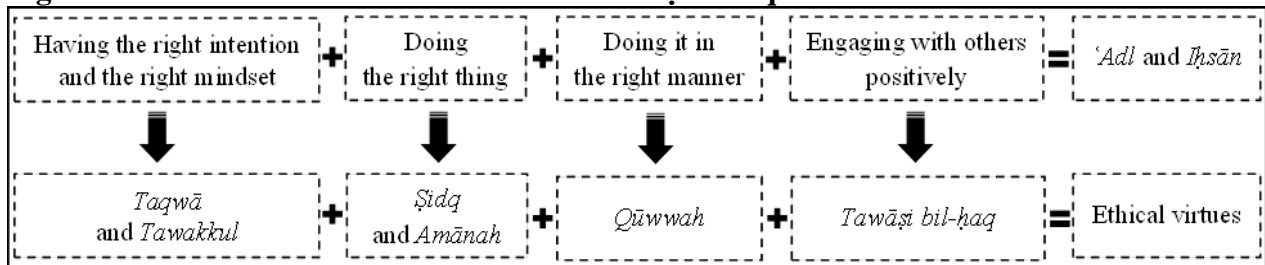
Ensuring that all four elements of the equation of justice and benevolence shown in **Figure 1** are upheld, IFPs are required to uphold the following six ethical virtues (AAOIFI, 2019b):

- *Taqwā*: (consciousness of God and His constant observation of human behaviour), a state of mind that leads to obedience. In case of deviation and disobedience, one must immediately repent.
- *Tawakkul* (trust in Allah (SWT)): to have faith in God's plan and be content with the outcome of one's efforts after taking all possible measures.
- *Ṣidq* (integrity): truthfulness and consistency in all aspects of our lives, including our beliefs, intentions, words and actions.
- *Amānah* (trust): respecting and fulfilling the duties, authorities and responsibilities associated with one's role, rank, position and status. This includes being trustworthy and taking good care of the resources entrusted to us.
- *Qūwwah* (strengths): to possess the skills and knowledge necessary to perform one's job to the best of one's ability.

- *Tawāṣi bil-ḥaḡ* (exhorting truth): encouraging others to do *ma'rūf* (righteous) and avoid *munkar* (evil) in a kind and compassionate manner.

These virtues are essential for IFPs, as they help them maintain high ethical standards in their work. They also help to promote justice and fairness in the Islamic finance industry. **Figure 2** shows the interaction between the *'adl* and *iḥsān* equation and ethical virtues. In order to be ethical, IFIs must not only comply with the principles of Sharī'ah, but must also strive to embody the ethical virtues in their dealings with customers and society as a whole.

**Figure 2: The Interaction Between the 'Adl and Iḥsān Equation and Ethical Virtues**



Source: AAOIFI (2019b, p. 14)

### ***The Reality of the Application of AAOIFI's Code of Ethics***

Many countries and regulatory authorities worldwide adopt AAOIFI standards. AAOIFI receives support from over 55 regulatory authorities in 48 countries, and the levels of adoption vary from one country to another (AAOIFI, 2022b). However, the adoption of AAOIFI's Code of Ethics remains optional. There is a noticeable scarcity of studies that have examined the application of AAOIFI's ethical standards in IBs and IFIs. The AAOIFI Code of Ethics is completely missing in the instance of Algeria. There are various causes for this. Firstly, Islamic banking in Algeria is relatively new, having only been operating for three years. Additionally, there is a lack of infrastructure for implementing these standards, as well as no legal requirements obligating IBs and IFIs to adhere to them.

On an international level, there are a limited number of studies about this topic. Among the reasons for this absence is that AAOIFI does not require the adoption of its Code of Ethics. IBs and IFIs have the option to either adopt an internal code of ethics or adopt a government code of ethics issued by the regulatory authority or another external body. Ali and Majid (2022) in their study of the extent to which accountants and auditors of Cihan Bank in Iraq comply with the professional ethics charters issued by AAOIFI, stressed that the lack of obligation of the AAOIFI Ethics Charter might weaken the binding power of AAOIFI's Code of Ethics and could lead to neglect from relevant authorities. In the same regard, Sarea and Mohd Hanefah (2013) proposed that adoption of the standards issued by AAOIFI should be mandatory.

Among the positive effects of the application of AAOIFI's ethical standards is their role in evaluating the effectiveness of accountants and auditors' work and identifying negative aspects. This is achieved through a comparison of actual performance with what is required according to Sharī'ah principles (Ali & Majid, 2022). Furthermore, the adoption of AAOIFI's ethical standards provides guidelines for the elaboration of an ethical charter that suits the



banking environment while providing solutions to contemporary problems (Ibnu Haitam *et al.*, 2021). Additionally, the findings of Elhalaby *et al.* (2023) indicate that IBs which adopt AAOIFI standards are less involved in earnings management.

### **The Importance of Ethical Standards in Islamic Finance**

The spirit of Islamic banking is based on the Islamic ethical system; if neglected, IBs will become just like conventional banks. In their study on the ethical principles of financial institutions, Adebayo and Hassan (2013) emphasised the need for strict adherence to Islamic ethics by IFIs to maintain consumers' trust in them. Non-compliance with these ethics will lead to the bank's falling into a quagmire of unethical practices and, ultimately, to its collapse. This is evident in the collapse of the Islamic Bank of South Africa in 1997 and the Ihlas Finance House in Turkey in 2002, both of which were caused by unethical practices (Ali, 2007). It is a reminder that Islamic banking is not just about following a set of regulations; it is also about upholding a set of ethical values.

Ethical standards play a significant role in enhancing and activating the governance of banks and financial institutions, as confirmed by previous studies (Hakim & Mahmoud, 2015; Rabah, 2017; Kouzo & Falikhhatun, 2023). These studies found a strong correlation between the commitment of IBs and financial institutions to ethical values and their positive financial performance, as ethical values build trust with stakeholders, which leads to more confident economic decision-making. Islamic ethics also help IBs achieve competitiveness and gain customer trust. This is because Islamic ethics impact overall customer satisfaction (Ibrahim & Kamri, 2017). In addition, Islamic ethics play a vital role in reducing creative accounting practices in IBs (Rabah, 2017) by instilling in accountants professional ethics derived from Shari'ah rules and principles.

## **METHODOLOGY**

This study is based on both descriptive and analytical methods. The descriptive method was used to present the study's variables, such as the ethical standards for Islamic financial transactions issued by AAOIFI as well as the regulatory framework for Islamic banking in Algeria. This was achieved through a review of previous literature that addressed AAOIFI's ethical charters and the current state of Islamic banking in Algeria. Subsequently, the analytical method was employed for in-depth analysis and discussion of fundamental concepts and legislative texts governing banking operations in Algeria and to provide recommendations as building blocks for a strong foundation based on the adoption of AAOIFI's standards.

It is worth mentioning that prior to conducting the study the authors confirmed that Algerian banks do not formally adhere to AAOIFI's ethical standards. They did so by contacting a sample of local banks as well as through the observed gap in the literature on this topic. Accordingly, the study focuses on examining the adoption of ethical standards within the Algerian Islamic banking system and not at the level of individual Islamic banks.

## **RESULTS AND DISCUSSION**

The Algerian banking system includes a set of articles related to the ethical conduct of banks and financial institutions. The Act aims to ensure that banks and financial institutions operate with

integrity and comply with codes of conduct. Banks and financial institutions are required to adhere to ethical principles, and managers must ensure that their institution's activities align with professional ethics. Specific penalties are imposed in case of violations of ethical rules. However, the Act has a shortcoming in that the regulatory framework for banking activities does not clearly define the set of ethical rules that must be complied with. The Act has also granted the Banking and Credit Committee powers to intervene in matters related to good conduct rules and professional ethics applied to banks and financial institutions, given its role as a regulatory authority. Similarly, the Banking Committee, as a supervisory body of Algeria's banking system, works to verify and penalise violations assigned to it, including ensuring compliance with the rules of professional conduct. However, it is important to note that the specificity of IBs has not been taken into account. There is no exclusive Shari'ah-compliant regulatory authority for IBs and IFIs to assess the extent to which banking operations comply with the ethics and provisions of Shari'ah. This raises the question of whether the supervisory authority of the Algerian banking system has the necessary expertise to supervise Islamic banking activities. The absence of a dedicated Islamic banking supervisory authority does not necessarily mean that Islamic banking activities are not being supervised effectively. On the other hand, it is crucial to guarantee that supervisors possess the knowledge and experience required to oversee Islamic banking operations in a manner compliant with Shari'ah and industry standards.

The Algerian Monetary and Banking Act for the year 2023 does not take into consideration the specificities of IBs and IFIs, even though the Act makes reference to ethical considerations in banking operations. It does not address Islamic ethical standards and instead adheres to conventional ethics, which are applicable to all banks and financial institutions, regardless of their nature. Similarly, the banking system lacks a clear code of ethics that defines professional conduct rules and procedures. To date, no code of ethics has been issued to highlight the rights and obligations of IFPs.

Furthermore, the Algerian banking system has not addressed how to adopt the standards issued by AAOIFI. To date, there is no legal article or text that outlines how to adopt and implement these standards in IBs and financial institutions. Upon reviewing the Monetary and Banking Act and comparing it to AAOIFI standards, it is evident that these standards have not been fully or partially adopted by the Act. Rather, they have been allowed to be used and relied on as a set of guidelines or as reference material without any legal restrictions. It is worth noting that the Bank of Algeria has agreed with AAOIFI to develop a plan for the issuance of *shukūk*, which opens up opportunities for the adoption of AAOIFI standards, particularly concerning ethical aspects.

## CONCLUSION

All stakeholders in the Islamic finance industry share the goal of enhancing its integrity through adherence to ethical requirements. However, despite the signing of a cooperation agreement between the Bank of Algeria and AAOIFI to adopt its issued standards, along with the issuance of the Algerian Monetary and Banking Act of 2023, which included several provisions promoting Islamic banking in Algeria, the said Act does not address or adopt the ethical standards for Islamic financial transactions issued by AAOIFI. The study has thus reached several key findings, among them:

- The absence of ethical standards for Islamic financial transactions in the Algerian banking system.
- The lack of clarity regarding the adoption of AAOIFI's ethical standards into Algerian banking laws, even in the Monetary and Banking Act of 2023.
- The Algerian banking system lacks a code of ethics for the profession.
- The absence of an exclusive Sharī'ah supervisory board for IBs and IFIs to ensure compliance with Islamic ethics and Sharī'ah rules.
- The Algerian regulatory authority is actively working on gradually updating laws that support Islamic banking.

The Algerian government could take a number of steps to address this gap, given that the laws governing Islamic banking are in their early stages. In parallel with Algeria's gradual efforts to develop them both legislatively and regulatively, there is a possibility of enacting new laws for banks and financial institutions. Overall, this study supports the idea that there is no objection to adopting the ethical standards of AAOIFI as an initial experiment and to implementing the following recommendations and proposals:

- The necessity of forming a committee of experts in the Islamic finance industry tasked with creating standards that suit the Algerian Islamic banking environment. This committee should operate independently and be under the supervision of the regulatory authority. This approach would open the door for qualified individuals to participate in developing the necessary plans and standards rather than relying solely on the judgements of the High Islamic Council.
- There is a need for the Bank of Algeria to issue a code of ethics that frames professional conduct rules in IBs and IFIs in accordance with Sharī'ah principles. The study suggests that this code should be issued by the central bank in a mandatory format.
- The agreement between the Bank of Algeria and AAOIFI should be activated by applying the standards issued by AAOIFI in IBs and IFIs. This can be achieved by issuing a supplementary regulation that obligates banks to consider the ethical aspects in their operations.
- A Sharī'ah supervisory board should be established to oversee IBs' and IFIs' compliance with Sharī'ah guidelines. This authority should be independent and have both pre- and post-regulatory authority under the central bank's supervision.

Overall, this study is a valuable contribution to the field of Islamic banking, but it is not without some limitations that can be addressed in future studies. Among the study's limitations is its focus on examining the Algerian banking system exclusively, without studying Islamic banking systems in other countries. Another limitation is that the study relies only on secondary data, without gathering primary data through interviews or surveys. Future studies could focus on the extent to which IBs adhere to Islamic ethical standards. They could also include qualitative methods, such as interviewing Islamic bankers about the institutional framework for the application of ethics. Overall, conducting a cross-country comparison and a qualitative study would be a valuable way for researchers to gain a deeper understanding of the adoption and application of Islamic ethics in IBs and IFIs.

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## ABOUT THE AUTHORS

**Boudjelida Abdelhak** is a PhD candidate at University Mohamed El Bachir El Ibrahimi, Bordj Bou Arreridj, Algeria. His areas of interest are accounting, finance, Islamic banking and taxation. He is the corresponding author and can be contacted at: [abdelhak.boudjelida\\_2@univ-bba.dz](mailto:abdelhak.boudjelida_2@univ-bba.dz)

**Bouaita Abderrezzak, PhD**, is a professor at the Department of Economics at University Mohamed El Bachir El Ibrahimi, Bordj Bou Arreridj, Algeria. He has up to 10 years of teaching and research experience. His areas of expertise are Islamic banking and finance, financial and monetary economics, and international financial markets.

## DECLARATION

### Credit Authorship Contribution Statement

- Boudjelida Abdelhak: Conceptualisation, Writing-original draft, Presentation of findings, Review and editing.
- Bouaita Abderrezzak: Supervision, Methodology, Review and editing.

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The authors declare that they have no known competing financial interest or personal relationships that could have influenced the research work.

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### Ethical Statement

The authors declare that they understand the Ethical Guidelines and have adhered to all the statements regarding ethics in publishing. They also confirm that this paper is original and has not been published in any other journal nor is under consideration by another publication.

### Data Availability

None

### Disclaimer

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### Appendix

None