

Money Laundering as a Mechanism for Safeguarding the Algerian Economy

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Abstract---Money laundering refers to the process through which large sums of illicitly acquired funds are transformed into seemingly legitimate assets that can circulate within lawful economic activities. This phenomenon generates severe economic repercussions, including the erosion of financial stability, reduced investment flows, and depreciation of the national currency against foreign currencies. In response to the growing complexity and transnational nature of money laundering, Algeria has adopted an active legal and institutional framework, ratifying several international conventions and enacting comprehensive domestic legislation aimed at curbing this financial crime. The present study seeks to examine the principal mechanisms established within Algerian law to combat money laundering and to assess their role as instruments for preserving the integrity and resilience of the national economy.

Keywords---Money laundering, Algerian economy, financial crimes, economic security, legal framework.

Introduction

Money laundering is among the most perilous financial crimes, exerting detrimental effects on both national economies and social structures. The rapid advancement of digital and financial technologies has facilitated the transnational movement of capital, rendering the detection of illicit transactions increasingly difficult. Financial institutions, particularly banks, often serve as the primary channel for such operations through complex transactions, covert transfers, and the misuse of financial instruments under the guise of legitimate business activities. Nonetheless, these same institutions are also pivotal in countering money laundering by monitoring suspicious deposits and withdrawals.

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3358

In Algeria, the growing recognition of this crime's threat to national economic stability has prompted the state to develop a comprehensive anti-money laundering framework. This includes enacting targeted legislation, strengthening financial oversight mechanisms, and participating in regional and international cooperation agreements. Through these measures, Algeria aims not only to prevent the infiltration of illicit capital into its economy but also to reinforce transparency, trust, and accountability within its financial system.

Research Problem

Given the profound threat that money laundering poses to national and international financial stability, Algeria has pursued a dual strategy encompassing both preventive and punitive measures to address this crime. Accordingly, the central research question underpinning this study is as follows: **What are the principal mechanisms established under Algerian legislation to combat money laundering and to what extent do they contribute to the protection of the national economy?**

Objectives of the Study

This research seeks to achieve several interrelated objectives, namely:

1. To delineate the legal and conceptual foundations of the crime of money laundering.
2. To examine the stages and instrumental methods employed in laundering illicit funds.
3. To analyze the economic repercussions of money laundering on national development and financial integrity.
4. To identify and evaluate the legal frameworks and institutional mechanisms established by Algerian legislation to prevent and combat money laundering.

Methodology

The study adopts a descriptive analytical legal approach, focusing on the examination and interpretation of Algerian legislative instruments and regulatory frameworks designed to counteract money laundering activities. Through qualitative analysis of statutory provisions, institutional mandates, and enforcement mechanisms, the research aims to assess the effectiveness of Algeria's legal response in safeguarding its economic system from the destabilizing effects of illicit financial flows.

Section One: The Nature of the Crime of Money Laundering

The concept of money laundering has evolved in parallel with the diversification and sophistication of illicit economic activities. As transnational organized crime expanded and financial systems became increasingly complex, the mechanisms of concealing illicit proceeds have likewise adapted to exploit regulatory and technological gaps. This section, therefore, explores the conceptual and legal nature of money laundering (Subsection 1), followed by an examination of its stages and operational instruments (Subsection 2).

Subsection 1: The Concept of Money Laundering

Despite the growing global recognition of money laundering as one of the gravest financial crimes, the international community has yet to establish a universally binding legal definition. The absence of a single authoritative definition reflects both the multifaceted nature of the crime and the diversity of legal systems addressing it. Nonetheless, legal scholars and international conventions have advanced complementary approaches that collectively delineate the contours of this phenomenon.

1. Jurisprudential Definitions

A wide range of legal scholars have offered doctrinal definitions of the crime of money laundering, each emphasizing particular dimensions of its structure, purpose, and methods. The most prominent of these definitions include the following:

Money laundering is the act of concealing assets obtained through unlawful means, whether by exporting them abroad, depositing them into foreign bank accounts, transferring them between jurisdictions, or investing them in legitimate ventures, with the intent of evading detection and confiscation, and making them appear as if derived from lawful sources¹. It is defined as an illicit

activity aimed at concealing or disguising the proceeds of organized crime, thereby obstructing the traceability of those proceeds to their criminal origins².

Another definition describes it as the process of converting large sums of illegally acquired funds into seemingly legitimate capital, enabling such funds to circulate freely within lawful commercial and financial systems³. From an economic perspective, money laundering constitutes a crime that undermines the national economy, granting offenders the ability to use and manipulate illicitly acquired funds in various public and commercial activities by disguising their unlawful origins. This practice expands the scope of criminal enterprise and amplifies illicit profits through reinvestment into legitimate markets. Some scholars classify it as an economic crime intended to legitimize property that is prohibited both legally and religiously, through acts such as acquisition, deposit, transfer, exchange, or manipulation of value. The illicit proceeds commonly originate from crimes including drug production and trafficking, human abduction, jewelry theft, hijacking of vehicles, terrorism, fraud, deception, breach of trust, prostitution, smuggling of antiquities, crimes threatening state security, bribery, embezzlement of public funds, abuse of authority, counterfeiting, and forgery, among others⁴.

Another definition characterizes it as a “white-collar” transnational crime, in which individuals engage in a series of systematic financial operations involving illicit funds. These activities are prohibited under the domestic laws of the offender’s state of nationality. Typically, such operations are conducted through intermediaries or shell entities used as fronts to facilitate transactions, exploiting administrative corruption and weaknesses in financial supervision to shield illicit assets from legal and law enforcement scrutiny⁵. Some jurists define money laundering as the process of converting proceeds from criminal activities for the purpose of concealing their illegal origin, or to assist an offender in evading legal responsibility for retaining the profits of crime⁶.

From the preceding doctrinal perspectives, it becomes evident that jurisprudential thought is divided into two principal approaches:

1. The narrow approach, which confines money laundering to the concealment of assets derived from drug trafficking and related offenses, and
2. The broader approach, which extends the concept to encompass all serious crimes capable of generating substantial financial proceeds, is not limited to narcotics⁷.

2. Legal Definitions

Although the international community unanimously recognizes the gravity of money laundering and its destabilizing effects on the global financial system, there remains no single universally accepted legal definition of the offense.

This divergence stems from variations among national legal systems, political frameworks, and economic structures. Nonetheless, several international conventions and institutional frameworks have proposed definitions that collectively shape the modern legal understanding of money laundering.

1. At the International Level

a. The United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention, 1988)

Article 3(b) of the Vienna Convention defines money laundering as:

“The conversion or transfer of property, knowing that such property is derived from an offense, for the purpose of concealing or disguising the illicit origin of the property, or of assisting any person who is involved in the commission of the predicate offense to evade the legal consequences of his actions.”

This was the first legally binding international instrument to explicitly criminalize the laundering of drug-related proceeds, setting the foundation for subsequent international efforts⁸.

b. The Basel Declaration (1988)

Issued by the Basel Committee on Banking Supervision, this declaration describes money laundering as the process by which criminals or their associates conceal the origin, ownership, or control of illicit funds by depositing them into financial institutions or investing them in lawful economic activities, with

the intent of obscuring their true source. Although non binding, the Basel principles were instrumental in shaping the compliance and due diligence standards later adopted by global financial institutions⁹.

c. The Financial Action Task Force (FATF) Definition

The FATF, established in 1989, provides a comprehensive definition that has become the cornerstone of modern anti-money laundering legislation:

Money laundering encompasses any act involving the conversion, transfer, concealment, or disguise of property, knowing that such property represents the proceeds of crime, undertaken for the purpose of concealing its illicit origin or assisting any person involved in the predicate offense to evade legal consequences. This definition's broad scope reflects the FATF's holistic approach, encompassing all serious crimes that generate unlawful proceeds rather than limiting the offense to drug-related activities¹⁰.

2. At the National Level (Algerian Law)

The Algerian legislator has codified a precise definition of money laundering consistent with international standards, yet tailored to domestic legal contexts.

Article 389 bis of the Algerian Penal Code provides that: "Any person who converts or transfers proceeds derived from a felony or a misdemeanor for the purpose of concealing or disguising their true origin, or of assisting any person involved in committing the original offense to evade the legal consequences thereof, shall be deemed guilty of money laundering. Likewise, any person who acquires, possesses, or uses such proceeds, knowing their illicit origin, shall also be deemed an offender." Also, Article 2 of Law No. 05-01 of 2005 on the Prevention and Combating of Money Laundering and Terrorism Financing reiterates this definition: "Money laundering refers to any act intended to conceal or disguise the origin of funds derived from criminal activities, or to assist the perpetrator of such crimes in evading the legal consequences of his actions.

Subsection 2: The Stages and Instruments of Money Laundering

Money laundering is not a singular act but a complex, multi layered process that unfolds through successive and interdependent phases. Each phase serves a distinct strategic function within the broader scheme of concealing the illicit origin of assets and reintegrating them into the legitimate economy. Also, the successful execution of this process depends on a set of instruments and channels, both traditional and technological, that facilitate the circulation and transformation of criminal proceeds.

1. The Stages of Money Laundering

The laundering process typically unfolds through three principal stages, each characterized by its own operational logic and degree of risk exposure:

a. Placement (or Integration Stage):

This is the initial and most vulnerable phase, wherein criminal organizations seek to introduce illicit proceeds into the formal financial system. Funds generated from unlawful activities such as drug trafficking, corruption, or smuggling are deposited into banks, exchanged for foreign currencies, or invested in seemingly legitimate businesses¹¹. The objective is to "place" these illicit funds under the guise of lawful financial activity, thereby distancing them from their criminal source. Because these transactions are most susceptible to detection by financial intelligence units, this phase represents the critical point of intervention for anti-money laundering authorities¹².

b. Layering (or Concealment Stage):

Once the funds have entered the financial system, the second phase involves a series of complex and often transnational financial operations designed to obscure the audit trail. This may include multiple electronic transfers between accounts and jurisdictions, the use of shell companies, offshore accounts, and investment in high-value assets or securities. The overarching aim is to create layers of transactions so intricate that tracing the source of the funds becomes practically impossible. This stage epitomizes the technical sophistication of modern financial crime¹³.

c. Integration (or Reinvestment Stage):

At this final stage, the laundered funds are reinjected into the legitimate economy under the appearance of legally acquired assets. The money may be invested in real estate, luxury goods, or legitimate business ventures, often generating profits that appear entirely lawful. By this point, the illicit origin of the funds has been effectively concealed, rendering detection exceedingly difficult and allowing criminals to enjoy the proceeds of their crimes with minimal legal exposure¹⁴.

2. The Instruments and Channels of Money Laundering

The efficiency of money laundering operations depends on the exploitation of diverse financial and non-financial instruments, many of which leverage systemic loopholes, regulatory weaknesses, or technological innovations. Among the most prevalent instruments are¹⁵:

- a. **Illicit Trade and Trafficking:** Including drug trafficking, arms smuggling, and counterfeit goods activities that generate vast amounts of unrecorded cash requiring legitimization.
- b. **Financial Institutions:** Banks and other financial intermediaries may, knowingly or unknowingly, provide cover for laundering activities through loans, deposits, or transfers under fictitious names, especially when protected by strict banking secrecy laws.
- c. **Real Estate Transactions:** Criminal organizations frequently invest illicit proceeds in real estate projects or rental properties as a means of converting illegal funds into tangible assets.
- d. **Loan Mechanisms:** Criminals may use fraudulent loans or interest based schemes as a façade for channeling illegal funds, thereby giving the appearance of legitimate financial activity.
- e. **Online and Digital Technologies:** The rise of internet banking, cryptocurrency exchanges, and electronic payment systems has expanded the toolkit available for laundering operations. These platforms enable anonymous, rapid, and borderless movement of capital, complicating regulatory oversight and detection efforts.

Section Two: The Economic Implications of Money Laundering and Algeria's Counteractive Framework

Money laundering constitutes one of the most pervasive threats to both national and international economic order. By distorting financial markets, undermining legitimate enterprise, and eroding public trust in institutions, it inflicts profound and multifaceted damage on the economy. Algeria, recognizing the magnitude of these threats, has developed a comprehensive legal and institutional strategy aimed at curbing the proliferation of illicit financial activities and preserving macroeconomic stability. This section explores two major dimensions of the issue: the economic repercussions of money laundering (Subsection 1) and the legal and institutional mechanisms established in Algeria to combat it (Subsection 2).

Subsection 1: The Economic Impacts of Money Laundering

The deleterious effects of money laundering extend far beyond the mere concealment of illicit profits; they compromise the very foundations of economic governance and sustainable growth. Among the principal repercussions are the following:

1. **Depreciation of the National Currency:**
The conversion and transfer of illicit funds are often conducted in foreign currencies, leading to heightened demand for external exchange and, consequently, the devaluation of the domestic currency. Persistent outflows of capital diminish foreign reserves and reduce liquidity, ultimately destabilizing the monetary system and weakening the economy's capacity to absorb financial shocks¹⁶.
2. **Distortion of Income Distribution:**
Since laundered money stems from unlawful gains, it generates unjustified wealth accumulation for criminal actors while depriving productive segments of society of equitable access to resources. Furthermore, by facilitating tax evasion, money laundering reduces public revenues and constrains the state's ability to fund essential services, exacerbating social inequality and eroding the redistributive role of fiscal policy¹⁷.
3. **Decline in Domestic Savings and Investment:**

Capital flight associated with laundering operations drains domestic resources that could otherwise be mobilized for national investment. As illicit proceeds are often transferred abroad, the domestic savings rate declines, curtailing productive investment and employment generation. The consequence is slower economic growth and greater fiscal pressure on the government¹⁸.

4. Disturbance in Foreign Exchange and Monetary Policy:

Each state determines the value of its national currency in relation to foreign currencies and strives to maintain the stability of the exchange rate for a specified period to implement desired economic reforms and preserve financial stability. But, money laundering activities in the foreign exchange market disrupt this balance by effectively dividing the market into two parallel segments:

An official market, in which the exchange rate is regulated and fixed by the state, is often characterized by a limited supply of foreign currency relative to high demand. An informal or parallel market, where exchange rates exceed the official rate and operate beyond regulatory oversight, is also present¹⁹.

Money laundering operations exert downward pressure on the state's foreign currency reserves, as illicitly obtained funds are frequently transferred abroad or used in speculative trading. This leads to imbalanced exchange rate relationships between domestic and foreign currencies, undermining monetary stability. Consequently, such distortions give rise to the phenomenon of currency hoarding, whereby individuals and entities refrain from depositing foreign currencies within the formal banking system, instead holding them in anticipation of future profits in informal or black markets. These unregulated markets thrive on currency speculation, yielding substantial profits for illicit traders but causing serious harm to the national economy²⁰.

The black market for foreign exchange is typically characterized by intense and dynamic activity, as money launderers actively purchase and accumulate foreign currencies. These funds are then redirected to finance unregulated or prohibited economic activities. For example, foreign currency accumulated through laundering schemes may be injected into the formal economy to finance the importation of luxury or non-essential goods²¹.

5. Erosion of Confidence in Financial Institutions:

The involvement of banks in laundering operations whether through negligence, corruption, or inadequate oversight erodes public confidence in the financial system. Repeated patterns of suspicious deposits and withdrawals may expose institutions to insolvency risks, while corruption and bribery within the banking sector invite reputational damage and capital flight, this weakens the integrity of the entire financial industry²².

6. Destabilization of Capital Markets:

Stock exchanges and investment funds are particularly vulnerable to manipulation by launderers seeking to legitimize illicit proceeds. When securities are purchased not for investment but to disguise illegal income, market volatility increases, prices become artificially inflated, and transparency deteriorates. Such distortions can lead to abrupt market collapses, as seen in several emerging economies²³.

7. Degradation of Investment Funds and Corporate Transparency:

Money laundering undermines the credibility of corporate disclosures and accounting practices. Fraudulent companies may report manipulated profits to attract investors or understate earnings to evade taxes²⁴. This leads to inaccurate market valuations, loss of investor confidence, and reduced capital inflows, ultimately impeding sustainable economic development²⁵.

8. Effects on the Stock Market and Investment Funds

The stock market fundamentally relies on transparency and disclosure in providing accurate information about listed companies, including their financial statements, closing balance sheets, and key financial ratios that reflect the company's actual performance and creditworthiness. But money laundering operations severely undermine this transparency by promoting inaccurate and often misleading accounting practices. In many cases, false profit and loss accounts are deliberately prepared to present a reduced taxable base, enabling the manipulation of declared earnings. Simultaneously, inflated profitability ratios may be publicized in capital markets to encourage public subscription to shares of companies that, in reality, are financed by illicit funds. This deceptive

practice ultimately misleads investors in the securities market. After the listing and trading of these shares by a large number of investors, their prices frequently collapse once the companies involved begin to withdraw or request delisting, leading to significant financial losses for ordinary shareholders. As for investment funds, they typically operate on the assumption that the general non-banking public, especially average investors, lacks sufficient technical knowledge to assess the quality of financial securities or construct an optimal investment portfolio that balances risk and return. To address this, investment funds employ financial experts to evaluate securities on behalf of individual investors. The funds then pool capital from numerous small investors and allocate it to risks, fixed financial instruments, thereby minimizing the overall investment risk. Nevertheless, in certain cases, collusion arises between fund managers and the administrators of companies engaged in laundering operations. These collaborations serve to artificially promote and inflate the market value of such companies' securities. As demand for these shares rises, ordinary investors are drawn into purchasing them at artificially high prices, allowing both the fund and the laundering companies to reap speculative and capital gains²⁶.

Section Two: Mechanisms for Combating Money Laundering in Algeria:

Algeria has sought to adopt a set of regulatory and punitive measures to combat the crime of money laundering. We now review preventive measures (Section One), punitive measures (Section Two), and Algeria's ratification of a number of international agreements and treaties (Section Three).

Subsection 1: Preventive Measures

Prevention has always been more effective than cure, and Algeria has accordingly adopted a series of preventive and supervisory mechanisms to deter and detect money laundering before it occurs. These measures are anchored in Law No. 05–01 of 2005 on the Prevention and Combating of Money Laundering and Terrorism Financing and complemented by the Monetary and Credit Law and related executive decrees.

1. Supervisory Measures

To ensure effective control over illicit financial flows, Algerian legislation mandates strict financial oversight. Chapter III of Law No. 05–01 establishes detailed procedures for monitoring and reporting suspicious transactions.

a. Supervision at the Level of Banks and Financial Institutions

Articles 6 through 10 of Law No. 05–01 impose specific obligations on financial institutions to prevent them from becoming inadvertent channels for money laundering. Article 6 requires banks to exercise heightened scrutiny over large or unusual financial transfers. Articles 7 and 8 mandate customer due diligence, compelling institutions to verify and document the identity of all clients.

Article 10 further requires continuous monitoring of complex or atypical financial operations to detect anomalies that might conceal illicit activity. To preserve accountability, Articles 7, 10, and 14 obligate all financial institutions to retain transaction records and customer identification documents for at least five years after the closure of accounts or termination of business relations. This archival requirement ensures the traceability of transactions and supports subsequent legal or regulatory investigations²⁷.

b. Oversight by the Banking Commission

Under Article 143 of the Monetary and Credit Law, a Banking Commission is established to supervise compliance with financial regulations and sanction proven violations. Articles 147–153 delineate the Commission's powers, which include both on site and document-based inspections of banks and financial institutions²⁸.

Law No. 05–01 also expands the Commission's authority by empowering it to:

1. Transmit confidential reports from Bank of Algeria inspectors to the Financial Intelligence Unit (FIU) whenever suspicious or unjustified transactions are detected.
2. Initiate disciplinary proceedings against financial institutions that fail to submit required Suspicious Transaction Reports (STRs).

3. Conduct independent investigations into suspicious operations.
4. Also, the Commission is tasked with promoting the development of internal compliance programs within banks, equipping them with the tools and expertise necessary to detect and prevent money laundering²⁹

Subsection 2: Monitoring and exploration bodies

The Algerian legislator has established a robust set of criminal sanctions and procedural mechanisms aimed at both deterring and effectively prosecuting money laundering offenses. These measures are embedded within Law No. 05–01 of 2005 and the Algerian Penal Code, as amended by Law No. 04–15 of 2004, as well as the Code of Criminal Procedure.

1. The Financial Intelligence Unit

The Financial Intelligence Unit, known in Algeria as the *Cellule de Traitement du Renseignement Financier*, is established under Chapter III of Law No. 05–01 and further regulated by Executive Decree No. 02–127³⁰. The Unit plays a pivotal role in Algeria’s anti–money laundering and counterterrorism financing framework, exercising both preventive and repressive functions. From a preventive perspective, the FIU is empowered to propose legislative or regulatory texts aimed at strengthening the legal framework for combating money laundering and terrorism financing. It is also responsible for developing and implementing procedural mechanisms to detect and prevent all forms of money laundering and the financing of terrorism³¹. These measures are intended to enhance transparency, traceability, and compliance within the national financial system. From a repressive perspective, pursuant to Article 4 of Executive Decree No. 02–127, the FIU is entrusted with the operational enforcement of Algeria’s anti–money laundering regime. It receives and analyzes suspicious transaction reports (STRs) related to suspected money laundering or terrorism financing submitted by entities and individuals designated under the law³²

2. The National Authority for the Prevention and Combating of Corruption

The National Authority for the Prevention and Combating of Corruption was established pursuant to Law No. 06–01, which represents one of the most significant legislative developments in Algeria’s modern legal framework³³. This law was enacted to align domestic legislation with international anti–corruption conventions ratified by Algeria and to reinforce the national system of integrity and accountability. The overarching objective of Law No. 06–01 is to strengthen preventive and corrective measures against corruption, enhance transparency and responsibility in the management of both the public and private sectors, and facilitate international cooperation and technical assistance aimed at preventing and combating corruption³⁴.

The Authority’s core mandates are multifaceted and include³⁵:

1. Proposing and formulating a comprehensive national policy for the prevention and suppression of corruption;
2. Collecting and analyzing information relevant to the detection and prevention of corrupt practices;
3. Receiving and reviewing asset declarations submitted periodically by public officials to ensure the integrity of their financial interests;
4. Ensuring the coordination and follow-up of anti–corruption initiatives, particularly those conducted through field operations, based on periodic and systematic reports supported by statistical and analytical data;
5. Strengthening intersectoral coordination and cooperation with national and international anti–corruption bodies to foster joint strategies and efforts;
6. Conducting investigations and evidence collection concerning suspected corruption cases, in close collaboration with competent judicial and administrative authorities

3. The Customs and Tax Administrations

Article 48 of the Algerian Customs Code grants customs officers holding the rank of Inspector of Control or higher, as well as officers entrusted with the duties of tax collection, the authority to inspect and access relevant documents at any time during the performance of their duties. Such documents include invoices, delivery notes, shipping manifests, transportation contracts, ledgers, and other commercial records related to their area of competence. This power ensures that customs officials can effectively monitor the legality of import and export operations, detect irregularities, and prevent the circulation of illicit goods or undeclared capital flows that may be associated with money laundering schemes³⁶.

Algerian legislation provides robust and effective mechanisms enabling the Tax Administration to fulfill its fiscal responsibilities by verifying the accuracy and authenticity of taxpayers' financial information. According to Article 45 of the Tax Procedures Code, tax officers are granted the "right of access" (*droit de communication*), which authorizes them, for the purpose of establishing and monitoring the tax base, to review and examine all financial and accounting records specified in the relevant provisions of the law. Furthermore, Article 51 of the same Code stipulates specific circumstances under which banks may incur fiscal penalties for non-compliance or obstruction of tax audits. These provisions collectively reinforce the preventive framework against financial crimes by ensuring transparency, accountability, and lawful conduct within both customs and taxation systems, two of the most critical sectors in the detection and deterrence of money laundering activities³⁷.

4. Accompanying Procedural Measures

In addition to substantive penalties, Algeria has introduced a suite of procedural mechanisms to ensure the effectiveness of investigations and prosecutions concerning money laundering offenses.

Sanctions Prescribed for the Crime of Money Laundering

1. Sanctions under Law No. 05–01

Articles 31 to 34 of Law No. 05–01 provide a set of penalties aimed at preventing and combating money laundering.

Article 31 stipulates that: "Any person who makes or accepts a payment in violation of the provisions of Article 6 shall be punished with a fine ranging from 50,000 to 500,000 Algerian dinars."

Article 32 provides that: "Any obligated entity that deliberately and knowingly refrains from preparing or submitting the suspicious transaction report provided for in this law shall be punished with a fine ranging from 100,000 to 1,000,000 dinars, without prejudice to more severe criminal or disciplinary sanctions."

Article 33 states that: "Managers and employees of financial institutions required to submit suspicious transaction reports who intentionally inform the owner of the funds or operations concerned that such a report has been filed, or disclose to them information about the results related to it, shall be punished with a fine ranging from 200,000 to 2,000,000 dinars, without prejudice to more severe criminal or disciplinary sanctions."

Article 34 adds that: "Managers and employees of banks and similar financial institutions who deliberately and repeatedly violate the preventive measures against money laundering and terrorism financing provided for in Articles 7, 8, 9, 10, and 14 of this law shall be punished with a fine ranging from 50,000 to 1,000,000 dinars.

The financial institutions mentioned in this article shall be punished with a fine ranging from 1,000,000 to 5,000,000 dinars, without prejudice to more severe penalties."³⁸

2. Sanctions under the Penal Code

The Penal Code No. 04–15 of 10 November 2004 establishes penalties applicable to natural persons and legal persons in Articles 389 bis to 389 bis 9, as follows:

Penalties for Natural Persons:

The Algerian legislator provides both principal and supplementary penalties for individuals convicted of money laundering. According to Articles 389 bis and 389 bis 2, a natural person who commits the crime

of money laundering shall be punished by imprisonment from five (5) to ten (10) years and a fine ranging from 1,000,000 to 3,000,000 Algerian dinars. The offender shall be punished by imprisonment from ten (10) to twenty (20) years and a fine from 4,000,000 to 8,000,000 dinars if the offense is committed habitually, or by using the facilities provided through the exercise of a professional activity (such as banking), or within an organized criminal group.

Supplementary penalties are provided under Article 389 bis 5, which states:

“A natural person convicted of the offenses set out in Articles 389 bis 1 and 389 bis 2 shall be subject to one or more of the supplementary penalties provided for in Article 9 of this Code.”³⁹

Penalties for Legal Persons:

Article 51 bis of Law No. 04–15 establishes that a legal person is criminally liable for offenses committed on its behalf by its organs or lawful representatives, when so provided by law. Also, Article 389 bis 7 specifies the penalties applicable to legal entities that engage in money laundering operations. Also to the aforementioned sanctions stipulated under the Algerian Penal Code, a series of complementary procedural and legislative measures have been adopted to strengthen the national framework for combating money laundering⁴⁰.

These include the following:

1. Law No. 06–22 Amending and Supplementing Ordinance No. 66–155

Containing the Code of Criminal Procedure This law introduced several new provisions designed to enhance the efficiency and effectiveness of judicial proceedings in cases involving serious crimes, including money laundering. Extension of Jurisdiction, Investigation, and Inquiry:

Article 37 of the Code of Criminal Procedure authorizes the Public Prosecutor to extend his jurisdiction to the territorial competence of other courts in matters relating to money laundering.

Article 40 provides that: “The local jurisdiction of the investigating judge may be extended, by regulation, to the territorial competence of other courts in cases involving drug trafficking, transnational organized crime, offenses against automated data processing systems, money laundering, terrorism, and violations of foreign exchange legislation.” Furthermore, Article 16 extends the jurisdiction of judicial police officers to cover the entire national territory⁴¹.

Search and Seizure:

Article 47 of Law No. 06–22 stipulates that searches, inspections, and seizures may be conducted in any premises, residential or otherwise, at any hour of the day or night, provided that prior written authorization is obtained from the competent Public Prosecutor. Interception of Communications, Audio Recording, and Image Capture⁴²

One of the modern investigative techniques introduced to combat money laundering is provided under Article 65 bis 5, which authorizes the Public Prosecutor, by written order and under his supervision, to permit a judicial police officer to intercept communications conducted through wired or wireless means. The measure allows the installation of technical devices, without the suspect’s consent, for secretly recording, transmitting, or storing speech. Article 65 bis 9 authorizes the capture of images under similar judicial oversight⁴³.

Undercover Operations and Surveillance: Pursuant to Article 65 bis 12,

“A judicial police officer or agent assigned to coordinate the operation may monitor individuals suspected of committing a felony or misdemeanor by misleading them into believing that he is an accomplice, associate, or confidant.”

Undercover operations must be conducted strictly for investigation or inquiry into offenses listed under Article 65 bis 5 of the same Code⁴⁴.

Detention for Questioning (Garde à vue):

As a general rule, detention for questioning may not exceed 48 hours. But, under Article 51 of the Code of Criminal Procedure, the duration may be extended up to three additional times, upon written authorization from the Public Prosecutor, when the offense concerns money laundering⁴⁵

2. Law No. 06–01 on the Prevention and Combating of Corruption

This law comprises 73 articles distributed across six chapters, and represents a cornerstone of Algeria's anti-corruption and anti-money laundering framework. The first chapter sets forth the general provisions, defining key terminology and establishing the Central Office for the Suppression of Corruption (Office Central de Répression de la Corruption). The second chapter provides for preventive measures aimed at deterring corruption and money laundering. The third chapter establishes the National Authority for the Prevention of Corruption, placed under the authority of the President of the Republic, and defines its missions as well as its relationship with the judiciary. The fourth chapter sets out the criminalization and penalties applicable to acts of corruption, including the laundering of criminal proceeds as stipulated in Article 42 of the law. The fifth chapter deals with asset recovery by prohibiting and detecting the transfer of proceeds of crime and establishing mechanisms for the repatriation of illicit assets. The sixth and final chapter repeals all provisions inconsistent with this law, particularly those contained in the amended and supplemented Penal Code⁴⁶.

3. Ordinance No. 96–22 on the Suppression of Violations of Foreign Exchange Regulations and the Movement of Capital to and from Abroad. According to Article 2 of Ordinance No. 96–22, any violation or attempted violation of the legislation and regulations governing foreign exchange and the movement of capital to or from abroad constitutes an offense.

Such violations include:

1. False declarations,
2. Failure to comply with disclosure obligations,
3. Failure to repatriate funds to the national territory,
4. Non-compliance with prescribed procedures or formalities, and
5. Failure to obtain the required authorizations or to respect their attached conditions.

The corresponding penalties are provided in Article 3 for natural persons and in Article 5 for legal persons of the same Ordinance⁴⁷

Subsection 3: International and Regional Conventions Ratified by Algeria

Given the inherently transnational nature of money laundering, effective suppression of this phenomenon requires broad international cooperation. Algeria has long recognized this necessity and has demonstrated its commitment through accession to multiple global and regional conventions designed to harmonize legal standards, promote information exchange, and strengthen mutual legal assistance mechanisms.

1. International Conventions

a. The United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention, 1988)⁴⁸

This convention represents the first comprehensive international instrument to explicitly criminalize money laundering activities derived from drug trafficking. It obliges State Parties to adopt legislative and administrative measures to criminalize the conversion or transfer of property knowing that such property is derived from an offense, as well as the concealment or disguise of its illicit origin. Algeria formally acceded to the Vienna Convention pursuant to Presidential Decree No. 95–41 of 28 January 1995, thereby aligning its domestic anti-money laundering laws with the foundational international framework⁴⁹.

b. The United Nations Convention against Transnational Organized Crime (Palermo Convention, 2000)

Considered the cornerstone of the international community's response to transnational organized crime, the Palermo Convention broadens the scope of criminalization beyond drug-related proceeds to include the laundering of assets derived from any serious offense. It mandates State Parties to establish mechanisms for international cooperation, information exchange, and mutual legal assistance in the detection and prosecution of financial crimes. Algeria ratified this Convention under Presidential Decree No. 02–55 of 5 February 2002, reinforcing its commitment to combating organized crime and financial corruption at the global level⁵⁰.

c. The United Nations Convention against Corruption (Merida Convention, 2003)

The Merida Convention aims to strengthen preventive measures against corruption, promote transparency and integrity in public affairs, and facilitate the recovery of assets obtained through corrupt or illicit financial practices, including money laundering. Algeria was among the first signatories of this landmark convention through Presidential Decree No. 04–128 of 19 April 2004, underscoring its proactive role in advancing international anti-corruption governance.⁵¹

2. Regional Conventions

a. The Arab Convention on Combating Money Laundering and Terrorism Financing (1995)⁵²

Adopted under the auspices of the League of Arab States, this convention seeks to enhance inter Arab cooperation through information sharing, coordination of judicial procedures, and the extradition of offenders involved in financial crimes across borders. Algeria ratified the Convention through Presidential Decree No. 96–239 of 13 July 1996, integrating regional commitments within its domestic legal framework⁵³.

b. The Arab Convention on the Suppression of Terrorism (1998)

This convention provides for collective measures among Arab States to combat cross-border crimes, including terrorism financing and money laundering. It emphasizes the importance of mutual legal assistance, joint investigations, and the exchange of intelligence among member states. Algeria approved this instrument by Presidential Decree No. 99–66 of 22 March 1999, reaffirming its dedication to regional security and financial integrity⁵⁴.

3. Algeria's Participation in FATF Style Regional Bodies

Beyond formal treaty obligations, Algeria plays an active role in international financial governance through its membership in the Middle East and North Africa Financial Action Task Force (MENAFATF) since its establishment in 2004. As a participating member, Algeria regularly undergoes mutual evaluation processes assessing its compliance with the Financial Action Task Force (FATF) Recommendations, the global benchmark for anti-money laundering and counter terrorism financing standards. This engagement illustrates Algeria's commitment not only to aligning with international norms but also to continuously improving its institutional, legal, and technical capacities to confront evolving financial crimes⁵⁵.

Conclusion

Money laundering stands among the most pernicious financial crimes affecting both national and global economies. It undermines the stability of financial systems, widens the socioeconomic divide, and erodes public confidence in legitimate institutions. The clandestine movement and reintegration of illicit assets disrupt capital markets, distort investment flows, and weaken the fiscal integrity of states. This study demonstrates that Algeria has long recognized the gravity of this offense and has proactively developed a comprehensive legal and regulatory framework to confront it. The cornerstone of this framework is Law No. 05–01 of 2005 on the Prevention and Combating of Money Laundering and Terrorism Financing, supported by complementary instruments such as the Anti-Corruption Law (Law No. 06–01 of 2006), the Code of Criminal Procedure, and the Monetary and Credit Law. Also, Algeria's commitment extends beyond its national boundaries. The country is a party to several key international conventions, including the Vienna Convention (1988), the Palermo Convention (2000), and the Merida Convention (2003), as well as regional agreements such as the Arab Convention on Combating Money Laundering and Terrorism Financing (1995) and the Arab Convention on the Suppression of Terrorism (1998). Through these instruments, Algeria has aligned itself with the global consensus on financial transparency, accountability, and international judicial cooperation. Nevertheless, emerging challenges persist, particularly with the rapid expansion of digital technologies and the advent of cryptocurrencies, which have created novel pathways for concealing illicit assets. These developments call for a dynamic and adaptive legal response capable of addressing the complex intersection between cybercrime and financial regulation.

Recommendations

1. The Algerian anti-money laundering legislation should be updated to encompass cyber-enabled laundering and the use of digital and virtual currencies, ensuring legal adaptability to technological innovations.
2. Strengthening the technical and analytical capacities of the Financial Intelligence Unit, banking sector compliance departments, and regulatory bodies is essential for enhancing the effectiveness of financial intelligence gathering and risk analysis.
3. Algeria should further intensify its bilateral and multilateral collaboration with foreign jurisdictions and international organizations to facilitate the exchange of financial intelligence and dismantle criminal networks.
4. Integrating financial literacy and legal education within academic curricula and media platforms is crucial to fostering a culture of transparency and social responsibility, thereby reducing societal tolerance for illicit financial practices.
5. Establishing a national mechanism to monitor and evaluate the implementation of Financial Action Task Force (FATF) recommendations would help ensure sustained compliance with global AML/CTF standards and reinforce Algeria's international credibility.

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