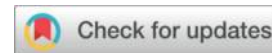




Law No. 25-10 Between Compliance with FATF Standards and the Strengthening of Anti-Money Laundering and Counter-Terrorist Financing Mechanisms



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Abstract

This study addresses the combating of money laundering and terrorist financing in Algeria as one of the most salient contemporary legal and economic issues, given the threat that these two offences pose to the stability of the State, the integrity of its financial system, and the confidence of those operating within it. It highlights the evolution of the national legal framework in this field, in an effort to keep pace with emerging developments and to strengthen prevention and enforcement mechanisms in line with the adopted international standards.

The significance of the study lies in underscoring the Algerian legislator's commitment to modernising the country's legal and institutional framework and adapting it to the rapid transformations witnessed in the financial sphere, as well as in demonstrating the growing role of international standards in guiding national policies—a reflection of an increasing awareness of the gravity of the phenomenon and of its repercussions for the State's economic security and financial credibility.

Keywords: money laundering; terrorist financing; Algeria; legal framework; Financial Action Task Force (FATF); international standards.

Introduction

Economic and financial crimes are among the most serious challenges facing contemporary States, on account of the grave effects they produce upon the stability of the State and the erosion of the confidence of those dealing within its financial system. Foremost among these crimes is the offence of money laundering, which consists in conferring an appearance of legitimacy upon funds derived from unlawful activities such as drug trafficking, corruption, smuggling, and transnational organised crime. Its danger intensifies when it becomes coupled with an offence of no lesser gravity—namely, the financing of terrorism—for the close interdependence between the two phenomena renders them a twofold threat that simultaneously reaches economic security, social stability, and national

sovereignty. The accelerating pace of digital transformation, together with the emergence of virtual assets that has accompanied it, has further complicated the means of committing and concealing these two offences, thereby imposing an additional challenge upon national legal systems.

Conscious of the gravity of these challenges, the Algerian legislator moved to enact Law No. 05-01 of 6 February 2005 on the prevention and combating of money laundering and terrorist financing, which constituted the first building block in the construction of a specialised legislative framework. Practical application, however, revealed gaps affecting this text—most notably the failure of its definition of the offence to keep pace with international standards and digital developments, the limited powers conferred upon the supervisory and institutional bodies, and the confinement of the scope of obligations to the financial sector without extending it to the liberal professions and the non-financial sectors that are themselves liable to be exploited in laundering and financing operations. The international obligations incumbent upon Algeria rendered the revision of this framework and the remedying of its gaps imperative—a matter confirmed by Algeria's inclusion, in October 2024, on the “grey list” of the Financial Action Task Force (FATF), which comprises States subject to enhanced monitoring on account of deficiencies in their anti-money laundering and counter-terrorist financing systems.

In response to these requirements, Algeria embarked upon a gradual reform trajectory embodied in a series of texts, beginning with Law No. 23-01 of 2023 and the executive decrees and regulations issued by the Bank of Algeria that followed it, and culminating in Law No. 25-10 of 24 July 2025, amending and supplementing Law No. 05-01. This latter instrument introduced substantial additions on two interrelated levels. At the level of the concept of the offence, the legislator broadened the definition of money laundering to encompass virtual assets and to accommodate the developments of the digital financial environment, tightened the penalty for the offence of terrorist financing, and expanded the list of persons subject to obligations. At the level of institutional mechanisms, it enshrined a risk-based approach, reinforced the role of the bodies entrusted with supervision and prevention, and strengthened their powers and their sanctions regime. This trajectory bore fruit: at its plenary session held in Paris on 19 June 2026, the Financial Action Task Force decided, by consensus of its members, to remove Algeria from the grey list—an explicit international acknowledgement of the seriousness of the reforms accomplished and of the country's success in aligning its system with international standards.

Herein lies the significance of this study: in bringing to light the legislative evolution witnessed by the Algerian legal system in this field, through the transition from an initial, foundational framework embodied by Law No. 05-01 to the comprehensive, institutional approach enshrined by Law No. 25-10—a transition that reflects the legislator's awareness of the gravity of the phenomenon and its concern to adapt the national system to international standards.

This study pursues a number of objectives, foremost among them the analysis of the conceptual evolution of the offences of money laundering and terrorist financing in Algerian legislation, the highlighting of the contribution of Law No. 25-10 to strengthening the institutional structure entrusted

with supervision and prevention, and the demonstration of the impact of the standards of the Financial Action Task Force in guiding this reform trajectory.

On the basis of the foregoing, the research problem crystallises in the following question:

To what extent has the Algerian legislator, through Law No. 25-10, been able to remedy the shortcomings of Law No. 05-01 and to strengthen the legal system in a manner that ensures the effectiveness of combating the offences of money laundering and terrorist financing?

In answering this problem, we have relied upon the descriptive method in delineating the requisite concepts and terms, and upon the analytical method in deconstructing the legal texts and elucidating their content, in accordance with the following plan:

Section One: The standards of the Financial Action Task Force and their impact on the development of the Algerian anti-money laundering and counter-terrorist financing system.

Section Two: The legal developments in combating the offences of money laundering and terrorist financing under Law No. 25-10.

Section One: The Standards of the Financial Action Task Force and Their Impact on the Development of the Algerian AML/CFT System

In recent years, the international financial system has witnessed a marked escalation in the challenges associated with money laundering and terrorist financing, which has driven the need to strengthen prevention and enforcement mechanisms at both the national and international levels (Osama Hussein Muhyi al-Din, 2009, p. 10).

In this context, the Financial Action Task Force (FATF) has assumed a pivotal role in establishing reference standards and precise recommendations aimed at unifying international efforts to confront these grave financial crimes. These standards have prompted numerous States (Haytham Faleh Shihab, 2010, p. 32), Algeria among them, to review and develop their legal and institutional frameworks in line with the requirements of international compliance; the inclusion of certain States on the grey lists has likewise constituted an additional impetus to accelerate the pace of reforms and to enhance the effectiveness of national systems.

Hence the importance of this section lies in setting out the conceptual framework of the Financial Action Task Force, and then in analysing its impact on the development of the Algerian system, particularly in light of the legislative and regulatory reforms that have made it possible to improve the level of compliance and to exit the grey list.

First: The Concept of the Financial Action Task Force and Its Principal Recommendations

The Financial Action Task Force (FATF) is an intergovernmental body established in 1989 by the ministers of its member States, whose mandate consists in setting international standards and promoting the effective implementation of the legislative, regulatory, and operational measures aimed

at combating money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction, as well as confronting other threats liable to affect the integrity of the international financial system. It also works, in cooperation with various international actors, to identify areas of weakness at the national level in order to protect the global financial system from unlawful exploitation (FATF (2012–2023), FATF Recommendations—International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation).

Accordingly, where the Financial Action Task Force identifies the existence of substantial deficiencies in the financial system or the regulatory frameworks of a given State, it may place that State on one of two cautionary lists. The first category is known as the “grey list”, officially designated “Jurisdictions under Increased Monitoring” or “States with strategic deficiencies”; it comprises States whose systems suffer from shortcomings in the field of anti-money laundering and counter-terrorist financing, but which undertake to cooperate with the Financial Action Task Force and to work towards implementing the reforms required to address those shortcomings. The second category, known as the “black list”, is officially designated “High-Risk Jurisdictions subject to a Call for Action”; it comprises States that had previously been placed on the grey list and were called upon to adopt the measures and reforms recommended by the Financial Action Task Force (Broyer Philippe, 2000, p. 20), but which failed or refrained from implementing them. Such States may also be characterised as non-cooperative countries or territories. The Financial Action Task Force recommends that States and other financial institutions apply enhanced due diligence measures when engaging in financial dealings with States placed on the black list—that is, exercising a greater degree of caution and scrutiny—given the elevated risk that such dealings may be linked to unlawful activities or to non-compliance with the applicable international standards (fatf-gafi.org).

The recommendations of the Financial Action Task Force therefore constitute an integrated and coherent framework of measures that States are required to adopt in order to combat money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction. Given the divergence of legal, administrative, and financial systems among States, these recommendations do not impose uniform procedures; rather, they represent international standards that each State adapts according to its own particular circumstances. The recommendations of the Financial Action Task Force set out a body of fundamental measures that States ought to adopt, the most important of which are:

- Identifying risks and establishing the national policies and coordination mechanisms necessary to confront them.
- Combating the offences of money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction.
- Applying preventive measures to the financial sector and other designated sectors.
- Empowering the competent authorities—such as the investigative, prosecutorial, and supervisory bodies—with the powers and competences necessary to perform their functions.

- Enhancing transparency and ensuring the availability of information relating to the beneficial owners of legal persons and legal arrangements.
- Supporting and facilitating international cooperation in the field of combating financial crime (FATF (2012–2023), FATF Recommendations—International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation).

Second: The Removal of Algeria from the Grey List in Light of FATF Requirements

For Algeria, the decision taken by the Financial Action Task Force on 19 June 2026 represents an important milestone. At its plenary meeting held in Paris, the international body specialised in combating money laundering and terrorist financing officially announced the removal of Algeria from the list of States subject to enhanced monitoring, known as the “grey list”; Namibia likewise benefited from the same decision. This development constitutes a positive signal directed at international investors, financial institutions, and credit-rating agencies, inasmuch as it reflects the progress achieved by Algeria in aligning its system for the prevention and combating of money laundering and terrorist financing with international standards.

Algeria had been placed, on 21 February 2025, among the States subject to enhanced monitoring alongside other States, and the European Commission had, on 10 June 2025, included it on its list of high-risk States in the field of anti-money laundering (fatf-gafi.org).

In our view, this decision, issued on 19 June 2026, represents the Financial Action Task Force's recognition of the reforms undertaken by the Algerian authorities: no new State was added to the grey list during this cycle, while Algeria and Namibia were struck from it. Algeria had previously experienced a comparable situation, having been placed on the grey list for the first time in 2011 before exiting it in 2016, and then being placed on it once more in October 2024.

To achieve this accomplishment, Algeria worked to implement a set of recommendations issued by the Financial Action Task Force, among them:

- Strengthening the identification of the beneficial owners of companies.
- Improving the governance of the financial, banking, fiscal, and customs systems.
- Enhancing supervision over the non-financial sectors, and particularly the informal activities that represent a significant portion of the national economy (Jérér Olivier, 2003).
- Increasing the transparency of cross-border financial flows.
- Tightening the penalties applicable to high-risk entities.
- Improving the risk-based approach and enhancing the reporting of suspicious operations (Bouallem Amina, 2020).

These accomplishments were grounded in a series of legal and institutional reforms adopted since 2023. Law No. 23-01 of 7 February 2023 amended the foundational Law No. 05-01 of 2005, thereby constituting a basis for the modernisation of the Algerian anti-money laundering and counter-terrorist

financing system (Law No. 23-01 of 16 Rajab 1444, corresponding to 7 February 2023, amending and supplementing Law No. 05-01 of 6 February 2005 on the prevention and combating of money laundering and terrorist financing, Official Gazette No. 08).

Law No. 25-10 of 2025 then came to reinforce this framework by tightening the obligations imposed upon the sectors most exposed to risk (Law No. 25-10 of 24 July 2025, amending and supplementing Law No. 05-01 of 6 February 2005 on the prevention and combating of money laundering and terrorist financing, Official Gazette No. 48).

In the same vein, the Bank of Algeria issued Regulation No. 24-03 (Regulation No. 24-03 of 24 July 2024 on the prevention and combating of money laundering and terrorist financing), as well as Regulation No. 25-14 (Regulation No. 25-14 of 24 September 2025, amending and supplementing Regulation No. 24-03 of 24 July 2024 on the prevention and combating of money laundering and the financing of the proliferation of weapons of mass destruction)—both of which impose upon banks and financial institutions stricter rules regarding customer identification (know-your-customer), ongoing vigilance, and the monitoring of financial transactions.

The authorities also moved swiftly to activate the National Register of Beneficial Owners with a view to enhancing transparency concerning the actual owners of legal persons. On 11 June 2026, the National Accounting Council called upon chartered accountants, statutory auditors, and licensed accountants to strengthen their vigilance procedures, the detection and reporting of suspicious operations, and the improvement of internal control systems and record-keeping (Executive Decree No. 26-163 of 20 April 2026 on the public register of the beneficial owners of legal persons and legal arrangements, Official Gazette No. 32).

In our view, the effects of this decision are not confined to improving Algeria's international image, but extend to facilitating the relations of Algerian banks with their foreign counterparts, reducing certain compliance costs, improving the country's attractiveness for foreign investment, and enhancing the credibility of the Algerian financial arena. Nevertheless, exit from the grey list does not constitute an end in itself; rather, it ought to be accompanied by the continuation of the structural reforms aimed at entrenching economic governance over the long term. In this context, the importance of restoring the standing of the Court of Accounts (*Cour des comptes*)—as the supreme constitutional body entrusted with oversight of public finances—comes to the fore: strengthening its role and its independence would send a powerful message regarding the State's commitment to transparency and good governance, whether towards citizens or towards international financial partners. For the financial credibility of States rests not upon technical reforms alone, but also upon the strength of institutions, the independence of oversight bodies, and the political will to make good governance a fundamental pillar of sustainable development.

Accordingly, tracing the Algerian trajectory reveals that the standards of the Financial Action Task Force do not operate as binding legal rules in the traditional sense; rather, they belong to the category of “soft law”, which derives its force not from its mandatory nature but from its practical and economic effects. The Forty Recommendations are not imposed upon States through a direct coercive

mechanism, yet abstention from adopting them entails a heavy cost embodied in placement on the grey list and the ensuing enhanced monitoring and diminished confidence on the part of international financial institutions. In this sense, standards that are voluntary in form are transformed into coercive standards in substance—which explains Algeria's engagement in an accelerated reform trajectory that would not have been achieved at the same pace but for the pressure resulting from its inclusion in October 2024.

From a more precise analytical standpoint, it may be said that:

- The grey list is not so much a direct financial penalty as it is a negative signal directed at the market, one that is automatically translated into a rise in banking-compliance costs, a complication of cross-border transactions, and a decline in the attractiveness of foreign investment. Herein the impact of the standards becomes apparent, in that they reordered the priorities of the national legislator, elevating the combating of money laundering from the rank of a deferred reform to that of a pressing economic necessity.
- It is observed that the Algerian legislator moved from the logic of “formal compliance” that characterised Law No. 05-01 of 2005—whereby the mere existence of a legal text was deemed sufficient, without adequate practical effectiveness—to the logic of “effective compliance” required by the modern methodology of the Financial Action Task Force, which is founded upon the assessment of outcomes rather than the mere existence of texts. This shift explains why the reform was not confined to a single legislative amendment, but was embodied in a gradual and integrated system (Law No. 23-01, then Law No. 25-10, supported by the Bank of Algeria's Regulations Nos. 24-03 and 25-14 and the National Register of Beneficial Owners), reflecting an awareness that exit from the list is contingent upon the interconnection of texts and the integration of institutional instruments, and not merely upon the enactment of a new law.
- The impact appears clearly in the Algerian system's borrowing of the very foundations of the Forty Recommendations: the adoption of the risk-based approach in place of the rigid, uniform approach; the broadening of the scope of reporting entities to include the non-financial sectors and the liberal professions; the enshrinement of transparency concerning beneficial owners; and the enhancement of international cooperation in the exchange of financial information. These are all a direct transposition of the priorities of the Financial Action Task Force, which confirms that international standards have not merely influenced the national system from without, but have become embedded within its conceptual and institutional structure—a matter which we shall address in the second section of this study.

Two fundamental matters must therefore be noted. The first is that the removal of Algeria from the list on 19 June 2026 ought not to be read as the end of the trajectory, but rather as the beginning of a test of sustainability; for the earlier experience (placement in 2011, exit in 2016, and re-placement in 2024) reveals a pattern of “path dependency” that renders the gain fragile unless legislative reform is coupled with deep institutional reform ensuring effectiveness over the long term. The second is that

the gap between the text and its application remains the greatest challenge; for the efficacy of the new approach is contingent upon the capacity of the supervisory and judicial bodies to give effect to it, and upon the independence of the financial-oversight bodies—foremost among them the Court of Accounts—in such a way as to make the State's financial credibility rest upon the strength of institutions and political will, and not upon technical reform alone.

Section Two: The Legal Developments in Combating Money Laundering and Terrorist Financing Under Law No. 25-10

The new Law No. 25-10 came to reinforce the provisions relating to the offences of money laundering and terrorist financing, and likewise to bring national legislation into harmony with international law—particularly after the FATF had placed Algeria on the grey list on account of “deficiencies in the anti-money laundering and counter-terrorist financing system”, which included weak supervision over non-banking financial institutions, an absence of transparency concerning the beneficial owners of companies, and the low effectiveness of the reporting of suspicious transactions. In accordance with the adopted timetable, and as had been anticipated, Algeria's exit from the grey list occurred at the beginning of 2026 (Hamid Yes, 2025).

Accordingly, in this part we shall address the principal developments introduced by the new Law No. 25-10 as a mechanism for the prevention of the offences of money laundering and terrorist financing, by examining the broadening of the concept of these offences, the expansion of the list of reporting entities, and the principal modern mechanisms for combating them.

First: The Broadening of the Concept of the Offences of Money Laundering and Terrorist Financing

The legal definition of any offence constitutes an essential gateway to understanding its nature and to determining its elements and constituent components. Consistently with its international obligations, the Algerian legislator has taken care to incorporate precise definitions of these two offences within its legal texts (Al-Eid Jabbari, 2017). Before addressing the meaning of these offences, it must be noted that the Algerian legislator has intervened on numerous occasions to revise Law No. 05-01 relating to money laundering and terrorist financing, particularly in recent years, enacting numerous executive decrees, among which we may cite:

- Executive Decree No. 25-101 of 12 March 2025 relating to the procedures for freezing and/or seizing funds and property within the framework of the prevention and combating of the financing of terrorism and the financing of the proliferation of weapons of mass destruction (Executive Decree No. 25-101 of 12 March 2025, Official Gazette No. 18).
- Executive Decree No. 23-430 of 29 November 2023 determining the conditions and modalities for the exercise, by the regulatory, supervisory, and/or oversight authorities, of their functions in the field of the prevention and combating of money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction, vis-à-vis reporting entities

(Executive Decree No. 23-430 of 15 Jumada al-Ula 1445, corresponding to 29 November 2023).

- Executive Decree No. 25-102 of 12 March 2025 determining the composition, organisation, and functioning of the committee for the follow-up of targeted international sanctions (Executive Decree No. 25-102 of 12 Ramadan 1446, corresponding to 12 March 2025, Official Gazette No. 18)—and other decrees, culminating in the new Law No. 25-10, which was issued on 24 July 2025 (Official Gazette No. 48).

1. The Meaning of Money Laundering

Under Law No. 05-01, the offence of money laundering was defined as any conduct aimed at the conversion or transfer of property, with the perpetrator's knowledge that its source is a felony or a misdemeanour, for the purpose of concealing or disguising its unlawful nature, or for the purpose of assisting the perpetrator of the predicate offence to evade punishment. Laundering is likewise embodied in any operation aimed at concealing or disguising the truth as to the nature, source, location, disposition, or movement of property, or the rights relating thereto, with knowledge that it is derived from a felony or a misdemeanour. Laundering is also realised in the case of the possession or use of property where the holder was aware of its unlawful source at the time of receipt (Law No. 05-01 of 6 February 2005 on the prevention and combating of money laundering and terrorist financing, Official Gazette No. 09 of 9 February 2005).

Under Law No. 25-10, amending Law No. 05-01, however, the concept of funds was broadened to encompass digital assets, in order to keep pace with current developments. Digital assets are defined by the Law as those digital values that are capable of being traded or transferred by digital means, and which may be used as a means of payment or as an instrument of investment, while paper currencies, securities, and all other traditional financial assets are excluded from their scope (Article 2 of Law No. 25-10). Virtual assets thus represent a newly created legal concept intended to regulate the digital values capable of being traded and transferred by digital means, so as to permit their use in payment or investment. It is observed that the legislator excluded paper currencies, securities, and all other traditional financial assets from their scope, with a view to distinguishing them as an independent category of a special nature. This delineation opens the way for the establishment of a special legal regime governing their circulation and monitoring their use, particularly within the framework of combating the offences of money laundering and terrorist financing; the definition thereby strikes a balance between recognition of the reality of virtual assets and the necessity of regulating them legally in order to protect the financial system.

Article 6 bis of Law No. 25-10 provides that the issuance or circulation of virtual assets in all their forms is prohibited, including their purchase, sale, use, possession, or promotion. It is likewise prohibited to establish or operate platforms for the trading of these assets, which encompass property, proceeds, funds, or other assets, or any equivalent value. This prohibition also includes:

- Their use as a means of payment or their recognition as a currency.

- Their use as a means of investment. In addition, the carrying out of any activities relating to the mining of virtual currencies is prohibited (Article 6 of Law No. 25-10).

Any person who contravenes the aforementioned prohibition is subject, under Article 31 bis—and without prejudice to the more severe penalties provided for in the legislation in force—to imprisonment of two (2) months to one (1) year and a fine of DZD 200,000 to DZD 1,000,000, or to one of these two penalties (Article 31 bis of Law No. 25-10).

It may accordingly be understood from Article 31 bis that this penalty constitutes a legal instrument aimed at regulating virtual financial dealings and preventing the unlawful activities associated with them, thereby protecting the national financial system from the risks associated with virtual currencies—such as money laundering, terrorist financing, or tax evasion. It further seeks to safeguard the stability of the national economy and to prevent any activities liable to undermine confidence in the financial system, particularly given that virtual currencies are considered assets that are not legally recognised in Algeria; consequently, their issuance or the dealing therein constitutes a manifest breach of the law. It should nonetheless be noted that, in our view, the application of this article is liable to encounter technical difficulties in tracing virtual dealings, given their decentralised and anonymous nature.

2. The Meaning of Terrorist Financing

As has been stated, terrorist groups require money in order to persist and to carry out terrorist acts; terrorist financing encompasses the means and methods employed by terrorist organisations to fund their activities (United Nations, Countering the Financing of Terrorism).

Accordingly, under Law No. 05-01, this offence was defined as any act consisting in the provision, collection, or management of funds, property, or financial resources, by any means whatsoever, whether directly or indirectly, with knowledge that they will be used, in whole or in part, to commit a terrorist act, or for the benefit of a terrorist organisation or a terrorist individual. Among the forms of financing is also the provision of any assistance or advice liable to facilitate or support the commission of terrorist acts, or the financing of the organisations or persons associated therewith (Article 2 of Law No. 05-01).

Second: The Expansion of the List of Persons Subject to AML/CFT Obligations

Determining the categories subject to the obligations prescribed in Law No. 25-10 is an essential step in ensuring the effectiveness of the mechanisms for preventing the offences of money laundering and terrorist financing; for their scope is not confined to financial institutions alone, but extends to encompass various persons, whether natural or legal, whose activity may constitute a potential field for the exploitation of these offences. Setting out these categories accordingly helps to clarify the legal responsibilities incumbent upon them, in a manner that enhances the transparency of transactions and protects the national financial and economic system. They may be divided as follows:

- **Financial institutions:** These include banks, insurance companies, financial intermediaries, payment service providers, and exchange offices. Such institutions are bound to apply customer

due diligence measures, to report suspicious operations, and to comply with the supervisory regulations, with a view to ensuring transparency and preventing the exploitation of the financial system in unlawful activities.

- **Designated non-financial businesses and professions:** These comprise lawyers, notaries, chartered accountants, brokers, and agents for the sale of high-value assets. This category is bound to report any suspicions relating to money laundering or terrorist financing and to verify the identity of clients in high-risk transactions, thereby closing the gaps that may be exploited in unlawful activities.
- **Non-profit organisations:** These include associations and foundations that collect funds or provide related services. They are bound to ensure that the funds they collect are not used in the financing of terrorism or in unlawful activities, thereby enhancing oversight over the flows of funds in the non-profit sector (Article 2 of Law No. 25-10).
- **Natural and legal persons dealing in virtual currencies:** This includes individuals or companies that issue or trade virtual currencies, such as trading platforms, digital wallets, and financial intermediaries. This category is bound to report any suspicious activities and to refrain from the issuance or circulation of unauthorised virtual currencies, in order to protect the financial system from the risks associated therewith.
- **Supervisory and oversight authorities:** These include the entities entrusted with monitoring compliance with legislation, such as the competent ministries, the supervisory bodies, and the national committees. They are bound to issue regulatory instructions, to monitor compliance, and to impose penalties where necessary, in order to ensure the effective implementation of the laws and to enhance transparency and accountability (Article 2 of Law No. 25-10).

It thus becomes apparent that the persons subject to obligations are all those parties that may, whether directly or indirectly, affect the stability of the financial system. The new legal texts accordingly aim to encompass all parties that may be liable to exploitation in financial crimes—reflecting a comprehensive vision for the protection of the national economy, particularly inasmuch as it focuses on prevention through the imposition of clear obligations upon the aforementioned categories, alongside the corresponding penalties.

Third: The Modern Mechanisms for Combating Money Laundering and Terrorist Financing

The process of aligning Algerian national legislation with international standards—and in particular with the recommendations of the Financial Action Task Force (FATF)—is a pivotal step in strengthening the effectiveness of the national system for combating money laundering, terrorist financing, and the proliferation of weapons of mass destruction. In this context, Algeria has moved to introduce a number of fundamental mechanisms and procedures. The importance of this alignment manifests itself in several respects, most notably: strengthening confidence in the Algerian financial system at the international level, supporting national efforts in combating organised financial crime, and averting the placement of Algeria on negative lists or its exposure to international sanctions.

We shall accordingly address the principal mechanisms that have been added by virtue of Law No. 25-10.

1. The Risk-Assessment Mechanism

Risk assessment is considered one of the fundamental pillars upon which the legal system for combating money laundering and terrorist financing rests under Law No. 25-10. Through Articles 5 bis, 7 bis 1, and 7 bis 2, the legislator has established an integrated framework delineating the responsibilities of both the National Committee and the reporting entities. Article 5 bis entrusts the National Committee with the task of identifying, assessing, and understanding the relevant risks, while obliging it to update these assessments periodically and to make them available to the authorities and the reporting entities—which ensures the existence of a precise reference database (Article 5 bis of Law No. 25-10). Article 7 bis 1, by contrast, places upon reporting entities the duty to carry out a comprehensive assessment of the risks associated with clients, products, services, channels, and geographical areas, together with the necessity of documenting the results of the assessment and updating them regularly, so as to keep pace with the accelerating developments in the financial environment (Article 7 bis 1 of Law No. 25-10). Article 7 bis 2 further emphasises the necessity of applying enhanced measures in situations of elevated risk, particularly with regard to the additional verification of the identity of clients and beneficial owners (Article 7 bis 2 of Law No. 25-10).

In our view, the risk-assessment mechanism enshrined by Articles 5 bis, 7 bis 1, and 7 bis 2 represents a qualitative shift in the philosophy of the Algerian legislator, moving it from the logic of applying rigid rules to all in equal measure, to the logic of directing supervisory effort towards the true loci of risk. This orientation is not a purely national innovation, but rather a direct response to the first of the recommendations of the Financial Action Task Force, which made the understanding and appraisal of risks the foundation upon which all subsequent preventive measures are built. Yet, notwithstanding the theoretical rigour of this framework, its effectiveness remains contingent upon a number of structural problems that warrant pause—perhaps the gravest of which is the problem of virtual assets, which constitutes an existential challenge to the traditional approach, for they transcend geographical boundaries, weaken the territorial dimension upon which Article 7 bis 1 is founded, and open a wide door to the transfer of funds beyond the reach of oversight.

It should further be added that the success of the risk-based approach is contingent upon the quality and currency of data; hence, a shortage of accurate and reliable data is not a mere transient technical obstacle, but a defect liable to hollow out the mechanism of its substance. For an erroneous assessment of risks may be more harmful than the absence of assessment altogether, since it confers a false sense of supervisory reassurance that diverts attention from the true loci of risk. To this may be added the difficulty of coordination among the various entities in the exchange of information, and the high costs entailed by continuous assessment.

2. The Punitive Mechanisms for Combating Money Laundering and Terrorist Financing in Algerian Legislation

The punitive system in Algeria, in the field of combating money laundering and terrorist financing, rests upon a body of precise legal texts. The Algerian legislator has laid down criminal and financial penalties, alongside supplementary measures, applicable to the contravening acts in accordance with the relevant legal articles.

2.1 Criminal Penalties

- **Imprisonment and fine:** Any person who contravenes the provisions relating to money laundering is punishable by imprisonment of two months to one year and a fine ranging between DZD 200,000 and DZD 1,000,000 (Article 6 bis of Law No. 25-10). Article 32 bis 1 also prescribes a penalty of imprisonment of six months to two years and a fine of DZD 1,000,000 to DZD 2,000,000 against any person who deliberately refrains from declaring the beneficial owner (Article 32 bis 1 of Law No. 25-10).

Among the most precise provisions introduced by the Law is that the deliberate refraining from declaring the beneficial owner gives rise to imprisonment and a fine. The significance of this is that the legislator has transferred this obligation from a mere administrative duty, the breach of which was met with an administrative sanction, to a criminal obligation coupled with a custodial penalty. This transition reflects a profound realisation that the concealment of the beneficial owner is the principal gateway to all organised laundering operations; for whoever controls the information controls the fate of the entire prosecution.

- **Aggravated penalties:** Any person who deliberately contravenes the provisions relating to the freezing or seizure of funds, or the prohibition of making them available for the benefit of the persons or entities placed on the consolidated sanctions list, is punishable by imprisonment of one to three years and a fine of between DZD 1,000,000 and DZD 3,000,000 (Article 32 bis 3 of Law No. 25-10).
- **Supplementary penalties:** The chairpersons and members of the boards of directors of financial and non-financial institutions, or their managers, representatives, or employees, are punishable by imprisonment of six months to two years and a fine of between DZD 500,000 and DZD 2,000,000, in the event of contravention of the provisions relating to the measures for the prevention of money laundering and terrorist financing (Article 34 of Law No. 25-10).

It is observed that the legislator adopted a graduated punitive scale that precisely reflects the degree of gravity of the act with respect to the financial system. This distinction in gravity is not arbitrary; for the contravention of freezing measures directly affects Algeria's international obligations arising from the Security Council resolutions relating to combating terrorism and its financing. The aggravation of the penalty here therefore carries a twofold dimension: the protection of the internal financial system on the one hand, and the safeguarding of the State's reputation and its international obligations on the other.

2.2 Financial Penalties

- **Financial fines:** A fine equivalent to 5% of the turnover realised during the last closed financial year is imposed; in the absence of a defined turnover, the penalty is assessed at DZD 5,000,000.

As for the chairpersons and members of the boards of directors, a fine of DZD 500,000 is imposed, while non-profit organisations are required to pay a financial fine of DZD 300,000 (Article 10 bis 16 of Law No. 25-10).

Among the most noteworthy aspects meriting analysis in the financial component is the adoption, by Article 10 bis 16, of a proportional fine equivalent to 5% of the turnover realised during the last financial year, together with the assessment of a fixed amount (DZD 5,000,000) in the absence of a defined turnover. The philosophy underlying the proportional fine is that it achieves a more realistic form of punitive justice, inasmuch as it renders the impact of the sanction commensurate with the financial size of the offender; a fixed fine would thus be neither trifling in respect of large institutions—such that they would bear it as an ordinary cost—nor disproportionately burdensome upon small actors. The legislator also took account of the specific character of non-profit organisations by allocating a fine commensurate with their nature.

2.3 Supplementary Measures

Funds associated with terrorist persons or entities are frozen or seized immediately and without prior notice. Article 10 bis 15 also permits the imposition of disciplinary penalties such as warning, reprimand, suspension of authorisation, or its definitive withdrawal (Article 10 bis 15 of Law No. 25-10).

It becomes apparent that the profound significance of the element of immediacy is that it reflects the nature of the offence targeted; for funds in financing offences are fast-moving, and any prior notice would in practice afford the opportunity to smuggle them away. The principle of surprise is therefore not severity in itself, but a necessity imposed by the very nature of the criminal act.

3. Implementation Mechanisms

Financial penalties are collected by the Public Treasury in accordance with the legislation and regulations in force. These penalties, in their various forms, are applied on the basis of the aforementioned legal articles, in a manner that enhances the effectiveness of combating money laundering and terrorist financing and enshrines strict compliance with national and international standards.

Implementation mechanisms may at first glance appear to be the least prominent link, yet they are in truth the link upon which the effectiveness of the entire system depends; for a punitive text, however rigorous, remains a dead letter unless it finds an effective path to application. The legislator has assigned the collection of financial penalties to the Public Treasury in accordance with the legislation and regulations in force.

The analytical significance of this assignment is that it links the special system for combating laundering with the general system for the collection of public funds, thereby conferring upon it a stable and tested enforcement power, rather than creating a parallel mechanism that might lack expertise and means. Institutional coherence is thereby achieved, rendering the financial sanction

actually collectible, so that the trajectory is completed from criminalisation, to penalty, and then to enforcement.

The effectiveness of this mechanism nonetheless remains contingent upon the degree of coordination between the judicial bodies that impose the sanction and the financial bodies that collect it, and upon the capacity of the Treasury to trace funds—particularly where they assume complex or cross-border forms. Hence the completion of the enforcement system requires an informational infrastructure and institutional cooperation no less important than the legal text itself.

Conclusion

Through an analysis of the provisions of Law No. 25-10 relating to the prevention and combating of money laundering and terrorist financing, it becomes evident that the Algerian legislator has taken a qualitative step towards modernising the national system for combating financial crime, in response to the observations of the Financial Action Task Force (FATF) and out of a concern to align the national framework with international standards. Algerian legislation has moved from a foundational approach of limited scope, embodied by Law No. 05-01, to a comprehensive approach founded upon risk assessment, the broadening of the circle of reporting entities, and the tightening of the punitive system—reflecting the State's will to build a more rigorous and transparent legal framework.

The true value of any legislative reform, however, is measured not solely by the robustness of its texts, but by the extent of its efficacy on the ground. From this perspective, the decision of the Financial Action Task Force of 19 June 2026, removing Algeria from the grey list by consensus of the members, represents the foremost practical test of these reforms, inasmuch as it constituted an explicit international acknowledgement of the effectiveness of the measures accomplished and of the seriousness of the political and institutional commitment that accompanied their implementation. Nevertheless, exit from the grey list is not an end in itself so much as it is a station in a continuous trajectory that remains contingent upon the continuation of structural reforms, the effectiveness of field application, and coordination among the various bodies—particularly in the face of the technical challenges posed by virtual assets by virtue of their decentralised and anonymous nature.

In light of the foregoing, the study has reached a number of findings, the most important of which are:

- Law No. 25-10 addressed a significant portion of the gaps left by Law No. 05-01, broadening the concept of money laundering to encompass virtual assets in keeping with digital developments, and expanding the list of associated predicate offences.
- It extended the scope of obligations to include, alongside financial institutions, the designated non-financial professions, non-profit organisations, and dealers in virtual assets, thereby closing the avenues of exploitation that had been beyond oversight.
- It enshrined a risk-based approach, reinforced the punitive system, and granted the National Committee broader powers in coordination and the exchange of information domestically and

internationally, thereby overcoming the weakness of coordination that had characterised the preceding phase.

- It contributed to aligning the national system with the Forty Recommendations of the Financial Action Task Force—a matter that was embodied in practice in the removal of Algeria from the grey list.

On the basis of these findings, we arrive at a number of recommendations, namely:

- Strengthening specialised training and qualification for the benefit of judges, oversight agents, and compliance officers within financial and non-financial institutions, in order to ensure the sound application of the new texts.
- Moving towards the digitisation of the tracing of financial operations and developing the technical tools capable of monitoring virtual assets, so as to reduce the margin of manoeuvre available to financial-crime networks.
- Strengthening international cooperation in the field of the exchange of financial information, particularly with neighbouring States, in order to curb cross-border operations.
- Supporting the independence of the financial-oversight bodies—foremost among them the Court of Accounts—given that the financial credibility of the State rests not upon technical reforms alone, but also upon the strength of institutions and the political will to entrench good governance.

Finally, it may be said that Law No. 25-10 represents a genuine leap in the Algerian system for combating money laundering and terrorist financing; yet entrenching this gain requires converting the international confidence acquired into a sustainable supervisory practice that safeguards the integrity of the national financial system over the long term.

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Executive Decree No. 25-102 of 12 Ramadan 1446, corresponding to 12 March 2025, determining the composition, organisation, and functioning of the committee for the follow-up of targeted international sanctions, Official Gazette No. 18.

Executive Decree No. 23-430 of 15 Jumada al-Ula 1445, corresponding to 29 November 2023, determining the conditions and modalities for the exercise, by the regulatory, supervisory, and/or oversight authorities, of their functions in the field of the prevention and combating of money laundering, terrorist financing, and the financing of the proliferation of weapons of mass destruction, vis-à-vis reporting entities.

3. Regulations

Regulation No. 25-14 of 24 September 2025, amending and supplementing Regulation No. 24-03 of 24 July 2024 on the prevention and combating of money laundering and the financing of the proliferation of weapons of mass destruction.

Regulation No. 24-03 of 24 July 2024 on the prevention and combating of money laundering and terrorist financing.