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The capital financing means through the Algiers Stock Exchange

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List of abbreviations:

BAD : Banque d'Algérie de Développement

BADR: Banque d'Algérie de Développement rural

BEA : Banque Extérieure d'Algérie

BDL : Banque de Développement d'Algérie

BNA Banque Nationale d'Algérie

BOC : Bulletin Officiel de Cote

BVM : Bourse de Valeurs Mobilières

CB : Central Bank

COSOB: Commission d'Organisation et de Surveillance des Opérations de Bourse

CNEP: Caisse National d'Epargne et de Prévoyance/banque

CPA: Crédit Populaire d'Algérie

DFI: Foreign Direct Investment

DN: Discount Note

EPE : Economic Public Enterprises

ERCN : Euro Reserve Convertible Note

FCP : Fonds Ccommun de Placement

IMF : International Monetary Funds

IOB : Intermédiaires en Opérations d'achat

ISIN : International Standard Identification Number

JSC: Joint-Stock Company

MENA: Middle East and North America

OAT : Obligations Assimilables au Trésor

OBSA : Obligation à Bon de Souscription d'Actions

OBSO : Obligation à Bon de Souscription d'Obligation

OCEANE : Obligation de Conversion et/ Convertible en Actions Nouvelles ou Existantes

OPCVM : les Organismes de Placement Collectif en Valeurs Mobilières

OPV : Offre Public de Vente

ORA : Obligation Convertibles en action

OTC: over the counter

PME: Petites et moyennes entreprises

SARL : Société à Responsabilité

SGBV : Société de Gestion de la Bourse des Valeurs

SICAV : Société d'Investissement à Capital Variable

SME : Small and Medium Enterprises

SPA : Société par Actions

SVM : Société des Valeurs Mobilières

TTC : Teneurs de compte conservateurs de titres

WB: World Bank

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General introduction

The Algerian financial market has quite developed during these last years, which implies the existence of a financial system adapted to the requirements of a new context.

Facing a situation characterized by the decline of the households' savings, an inadequacy in the financial structure of enterprises and disequilibrium of public finances appeared the necessity for a modernized stock market that will be the place where the supply of long term funds meets a solvent demand.

The stock market is one of the capital market's components that allow the financing of the economy; it's the place where there is the issuance and trading of shares and bonds.

The Algiers stock exchange market was created in 1993 by the Legislative Decree n°93-10 on the stock exchange, and has begun its activity in 1998 by the listing of public enterprises.

The existence of a stock market has constituted an alternative of financing and a better way to achieve growth objectives for the Algerian enterprises.

Furthermore, the existence of a stock market goes naturally with the opportunities that it offers to the financial system in particular and the economy in general.

The problematic:

Our problematic is articulated around the following principal question:

What are the capital financing means offered by the Algiers stock market and how can it boost the economy?

The sub-questions that support the principal question are:

- In what context has the Algiers stock market been created and does it affect its functioning?

- How does the financial market function considering the limitations and constraints from which it suffers?
- What is the contribution of the Algiers stock market in the financing of the economic growth?
- Why are the majority of the Algerian enterprises not listed on the stock exchange market?

The hypotheses:

- Hypothesis 1: The Algerian stock market comports a market for equity securities (shares) and a market for debt securities (bonds and Treasury Bonds). Despite this, it does not have any role because the economy is based on an economy of indebtedness.
- Hypothesis 2: the stock market is operating and effective in the developed countries thanks, mainly, to a “stock-exchange culture” for the households on one hand, and on the other thanks to a “managerial culture” for the enterprises.
- Hypothesis 3: les conditions of admittance in the stock market are constraining for the Algerian enterprises.

The importance of the research:

- The factors that block the development of the Algiers stock exchange market.
- Understand why very few enterprises are listed.

Methodology and tools of research:

The first part is purely theoretical. We are going to begin with the presentation of the financial market; the second chapter is about the steps of instauration of the Algerian financial market.

The second part is purely practical; it is going to be the Algerian stock market, the level of its transactions and the evolution of market capitalization.

Introduction of the first part:

The first part of this work is going to be the theoretical aspects related to the financial market and its functioning.

This first part is further divided in two chapters:

-The first chapter is about the presentation of the financial market.

-The second chapter is going to retrace the measures undertaken to constitute the Algerian financial market.

Chapter I:

Presentation of the financial market and its role

Introduction of the first chapter

In the context of economic competition, the structural reforms are becoming a necessity for a smooth transition to the economy-market.

Several countries are willing to adapt their economic structures to the new requirements of the world environment, which is characterized with an accelerated development of economic reforms with a growing need for financing.

In fact, the search for an adequate source of financing is the motivation for the economic reforms and changes.

Thus, the establishment of a financial market is recommended, because the financing by banks is always or more often than not incapable of solving the problem of financing.

In this chapter, we are going to talk about the functioning of financial markets and then their role in the financing of the economy.

Section 1: presentation of financial market and its role

1- Definition of the financial market:

« Le marché financier est à l'origine un marché de valeurs mobilières qui constituent, à partir du siècle dernier, une forme nouvelle de la richesse dont l'importance est allée en grandissant. Celles-ci sont des titres négociables qui représentent soit des droits d'associés soit des droits de créances, qui sont susceptibles de procurer des revenus à leurs détenteurs ».

(A.CHOINEL, G.ROUYER, « le marché financier : structure et acteurs », Revue Banque Edition, 8^{ème} édition, p37.)

« Le marché financier est habituellement défini comme le marché des capitaux disponible, c'est-à-dire des capitaux offerts par des investisseurs pour répondre à un besoin de financement. Un tel besoin de financement peut provenir d'entreprises ou même d'organismes publics ».

(Sébastien NEUVILLE, « droit de la banque et des marchés financiers », Ed Puf droit, 2005, p12).

According to the first definition, the financial market is originally a market for securities that constitute, for the last decades, a new form of richness whose importance has been growing.

These securities are negotiable. They represent either partner's rights or rights of creditors and procure revenues to their holders.

As for the second definition, the financial market is habitually defined as the market for available funds, meaning funds offered by investors to meet a financing need.

This need for financing may come from corporations as well as public organizations.

From these definitions, we can say that financial markets refer broadly to any marketplace where the trading of securities occurs, including the stock market, bond market, derivatives market among others.

It plays a crucial role in allocating limited resources, in the country's economy. It acts as an intermediary between the savers and investors by mobilizing funds between them.

When we talk about financial markets, we have two distinct notions that complement each other: the primary market and the secondary market.

1-1- Primary market:

The primary market provides the channel for selling new securities. Their issuer sells them in the primary market to raise funds for investment purposes and to discharge some obligation.

It is also known as the market for new.

The primary market is limited in time as opposed to the secondary market

1-2-Secondary market:

The secondary market deals with securities previously issued. It enables those who hold securities to adjust their holdings in line with response to changes in their appraisal of risks and returns. People also sell securities for cash in order to meet their liquidity needs.

It is also known as the old market.

1-3-Over the Counter Market (*marché gré à gré*)

In addition to the primary and secondary markets, we have another type of financial market and that is: “Over The Counter” market (OTC).

It is a decentralized market, meaning it does not have physical locations, and trading is conducted electronically; in which market participants trade securities directly between two parties without a broker.

2-Role and functions of financial markets

Financial markets exist for several reasons, but the most fundamental function is allocating wealth and excess savings to productive ventures in the global economy.

The financial system is composed of entities that enhance the flow of funds from economic agents who have funds to invest to those who need funds to invest.

The financial markets are the perfect place where-the financial intermediation can be smoothly performed.

Financial markets' functions:

➤ **Facilitate the transfer of savings from savers to investors:**

They permit borrowing and lending as they allow the transfer of funds from one party to another. In other words, they give purchasing power to different agents involved in the transactions. This happens to facilitate either investment or consumption.

➤ **Determine securities prices:**

Financial markets provide vehicles or channels by which prices are set both for newly issued financial assets and for the existing stock of financial assets.

➤ **Determine the price of risk:**

Here we recall the notion of the market premium, which is the difference between the rate of the risk free asset and the expected rate of the market portfolio.

➤ **Determine the quantity of risk for different securities:**

They determine the quantity of risk pertaining to different securities.

➤ **Collect information:**

Financial markets act as collectors and aggregators of information about financial asset values and the flow of funds from lenders to borrowers. Financial markets pool and communicate information about the issuers of financial instruments, summarizing it in the form of a price.

➤ **Provide liquidity:**

Financial markets create liquidity that allows businesses to grow and entrepreneurs to raise money for their ventures. Buyers and sellers can decide to trade their securities anytime. They can use financial markets to sell their securities or make investments as they desire.

➤ **Lower the transaction costs:**

They perform efficiency in the extent of reducing transactions costs and information costs.

➤ **Reduce risks:**

They reduce risk by having information publicly available to investors and traders.

Section 2: Types of financial instruments:

There are two major classes of financial instruments: the primitive securities; also called “cash” securities and the second class is known as the derivative instruments.

1-Primitive securities:

They are those financial instruments used primarily as stores of value.

We have bonds and shares or stocks.

1-1-Bonds:

Bonds are regarded as a form of loan; in exchange of obtaining funds, the government or corporation pledges to make payment in the future.

They are used by the borrower to finance the company’s operations and by the lender to store value.

Bonds are first issued in the primary market and then traded in the secondary market.

1-1-1-Characteristics of bonds:

➤ Nominal value:

It is the value from which the annual (or semi-annual) interest’s –or the coupon- calculation starts.

➤ Maturity:

It is defined as the remaining period until the maturity date.

Generally, it is the settlement date.

➤ **Issuance value (or price):**

It is the amount paid by the subscriber, if it is “*au pair*”, the issuance value equals the facial value.

It could also be “*au dessous de pair*”; that means there is a difference between these two values. In this case, we have a reimbursing prime.

➤ **Reimbursing value:**

It is at least equal to the nominal value. In some cases, it is superior; thus we have a reimbursing prime (the difference between the two values) to the benefit of the holder.

➤ **Bond coupon:**

It is the amount of paid interests at each maturity for each security.

➤ **Nominal interest rate:**

This interest rate is applied to the nominal value in order to calculate the coupon.

This interest rate could be fixed or variable each year or semester.

➤ **Actuarial rate of return:**

It takes into consideration the primes of issuance, the reimbursing primes, the delay between the dates of maturity and settlement.

➤ **Dates of first entitlement to interest payments:**

The date from which the calculation of interests starts.

If it is prior to the settlement date, the subscriber pays an accrued coupon (coupon couru).

➤ **Settlement date:**

This is the date when the bond is liquidated.

1-2-Stocks or shares:

A stock or a share is a small piece of a firm that allows its holder the right to take part of its profit.

The owner of a firm sells stocks as means of raising funds to enlarge operations as well as a way of transferring risk of ownership to someone else.

Buyers of stocks use them primarily as stores of wealth.

In other words, a stock stands as a type of a security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earning.

2-Hybrid securities:

This is a broad group of securities that combine the characteristics of two classes of securities; the bonds and the stocks.

We have: (Source: REMIDI Djoummana, *mémoire de fin d'étude*, 2011, p33)

- **Bonds convertible into shares (Obligation Convertible en Actions or ORA):**

They are half bonds and half stocks with an optional aspect.

They allow their holder to transform, at any moment, their securities into stocks of the issuing company, generally after two (2) to six (6) years.

The advantage for the issuer- who receives funds straight away- is that he/she borrows more cheaply, and that the issuing company does not reimburse the principal, because it has been transformed into augmentation of capital if the price of the activity is interesting.

- **Certificates of participation (*Titres Participatifs*):**

They are assets with a type of bonds because they procure a regular coupon -that can be either fixed or variable- and they are also a type of stocks because their remuneration is tied to the performance of the issuing company.

- **Bond redeemable in shares or investment certificate (*Obligation Convertible en Actions ou Certificat D'investissement*):**

The issuing of bonds redeemable in shares is an augmentation of capital that allows for the raising of funds at an interest rate inferior to that of the bond market.

- **Bond with subscription warrant (*Obligation à Bon de Souscription*):**

This is a bond that has a right for subscription attached to it.

This is a financial instrument that allows the acquisition of another product at a date and price both predetermined.

There are two (2) types: bonds with share subscription right (*Obligation à Bon de Souscription d'Obligation* or OBSO), bond with a bond subscription warrant (*Obligation à Bon de Souscription d'Actions* OBSA)

- **Bond redeemable in shares with share subscription warrant (*Obligation Remboursable en Actions à Bon de Souscription d'Actions*):**

It is issued at fixed rate, reimbursable in shares and assorted with a share subscription warrant.

- **Bond with option of conversion and/or exchange in to new or existing shares (*Obligation à Option de Conversion et/ou d'Echange en Actions Nouvelles ou Existentes* or OCEANE):**

This is a complex security; because it is inspired by a double hybridization: Bond redeemable in shares and bond exchangeable in shares.

- **Euro Reverse Convertible Note (ERCN):**

The combination of a bond with a fixed rate and an option for a share (*combinaison d'une obligation à taux fixe et option de vente sur un sous-jacent de type action*).

- **Discount note (DN):**

It has the same principal as the ERCN, but in the benefit of a strong issuance prime. But there is no capital guarantee; the investor is exposed to the risk of decrease of the rating of the share.

3-The derivative instruments:

Beside the primitive instruments, the financial markets have developed instruments to cover against the risk of increase or decrease of the value of assets. But they also could constitute investment opportunities.

We have two (2) main categories: the futures and options.

3-1-the futures:

A future contract is an agreement between two (2) parties to exchange a fixed quantity of commodity or an asset at a fixed price on a set future date.

They always specify the price at which the transaction will take place.

They are a type of derivative instrument because their value is based on the price of another asset.

These types of contracts are used to transfer the risk of price fluctuation from one party to another.

3-2-Options :

They provide their holder with the right, not the obligation, to buy or sell a fixed quantity of the underlying asset at a predetermined rate either on a specified date or at any time during a specific period.

We have two (2) categories of options:

- ✓ Call: *option de vente*.
- ✓ Put: *option d'achat*.

If the delivery can be demanded by the buyer at any moment, then we have what is called “option à l’américaine”.

If the delivery cannot be made at any time other than the maturity and no earlier, we have “option à l’européenne”.

Conclusion of chapter I:

From what we have seen so far, the financial market plays a fundamental role in the economy and the use of savings in a productive way.

The financial market acts as an intermediary between those who have a need for financing and those who have an excess of funds.

Thus, the financial market has great importance given the fact it provides effective allocation of limited resources.

The secondary market represents an innovative market; because the financial instruments are in constant development.

Chapter II:

The Algerian financial market

Introduction of chapter II:

The instauration of a financial market in Algeria has been the way to correct certain behaviors and strategies that no longer work well for the economy.

In this chapter, we are getting to know the structure and organization of the Algerian financial market and the stock market.

Then, we are going to talk about the obstacles that Algeria has faced while implementing the financial market and why it is not well developed compared to other countries.

Section 1: structure and organization of the Algerian financial market

With the transition from the centrally-planned system to the market-economy, Algeria was forced to change the system of financing that was based on the financing of investments by the Public Treasury to other strategies to ensure an effective mobilization of resources.

This transition requires a radical change in the financial system.

1-Historical context of the creation of the financial market in Algeria:

In the former socialist countries, the government owned all financial instruments and did not allow private ownership of banks. These monopoly practices also restricted the integration of financial markets.

In the late 1980s and early 1990s, almost all socialist countries introduced financial liberalization in order to open their financial sector to private and foreign ownership which results in a market-based system where the government exercises modest control over the financial sector.

Algeria is a former socialist country in which more than 90% of the banking sector is owned by the state. After the country regained its independence in 1962, financial authorities implemented a centralized financial system, nationalizing all foreign banks to create a monopolistic banking sector where all banks were owned by the state. Their funds were used to finance state-owned enterprises and government expenditures, and the Ministry of Finance played a major role in mobilizing financial resources.

This situation remained unchanged until 1990, when the government first initiated its program of financial liberalization.

1-1-The process of financial liberalization in Algeria:

During 1960s and 1970s, oil revenues began to rise dramatically and thus the government shifted its economic sights to oil industry. As a result, extensive industrialization took place and the economy flourished. The choice of a centrally planned decision economy was made in the first 4-year plan, 1970-1973.

Unluckily, oil prices dropped in 1980s, negatively impacting on Algeria's economy which has become almost completely dependent on oil. In addition, Algeria suffered from a series of political issues from 1988 to 1998. This period was characterized by high level of inflation and unemployment rate as well as low level of growth.

During this period, Algeria suffered from 2 IMF stabilization programs: A macroeconomic stabilization program from April 1994 to March 1995 and a structural adjustment program from April 1995 to March 1998.

These programs were designed for Algerian economy's reform.

The problems encountered during the centrally planned economy urged the authorities to introduce financial liberalization whose aim was to reduce the role of the government in the financial sector, to improve financial resources mobilization and to develop market-based monetary policy instruments.

1-2-The development of banking sector in Algeria:

Before 1962, the Algerian financial market was under the control of colonial banks. From 1962 to 1968, foreign banks dominated the national financial market.

These banks were taken over by the newly established state-owned banks: BNA (*Banque Nationale d'Algérie*), BEA (*Banque Extérieure d'Algérie*), and CPA (le Crédit Populaire de Crédit). The authorities also established BAD (*Banque d'Algérie de Développement*) to finance long-term investment.

From 1968 to 1990, all foreign banks were nationalized and replaced by state-owned banks. In the 1980s, the government set up two (2) state banks, BDL (*Banque de Développement Local*) and BADR (*Banque d'Algérie de Développement Rural*).

From 1990 onwards, and after the Algerian authorities had initiated financial liberalization, several foreign and private banks moved into the Algerian financial market.

In 1990, the new Law on Money and Credit led to various changes in the structure of the Algerian banking sector. It allowed for the creation of private banks and for the establishment of foreign banks' branches in Algeria.

This law was the first step to be taken by the Algerian government to remove many barriers towards domestic and foreign banks.

It reduced the role of the state in the banking sector and also gave the central bank full authority to manage the financial sector. It enabled both private banks and foreign banks to operate in parallel with state-owned banks.

Since 1991, government-owned banks have been repeatedly restructured. Despite the introduction of market-based reforms in the early 1990s, they have lacked the institutional framework and the experience to promote efficient financial intermediaries. They have been burdened by a legacy of comprehensive lending to public enterprises and sectoral credit specialization, which have considerably weakened the quality of their portfolios ¹.

Banking supervision has been somewhat strengthened. In the previous system of public bank monopoly, little attention was indeed paid to prudential regulation since there was an implicit government guarantee.

Starting in 1994, efforts were aimed at ensuring that commercial banks conformed to upgraded standards for banking operations and accounting, and that they initiated a program of internal and financial restructuring. All banks were required to reapply for certification with the Bank of Algeria. In addition, in 1995 the Bank of Algeria started implementing new prudential regulation to limit risk concentration and establish clear rules for loan classification and provisioning.

1-3-Privatization:

The privatization process for government-owned corporation in Algeria was officially launched in 1995 by ordinance n°95-22 of August, 1995.

Foreign direct investment (FDI) in Algeria has remained very low compared to other countries in the Middle East and North Africa (MENA) region and is mainly focused on the hydrocarbon industry. Thus, the privatization process in Algeria never really took off unlike countries in the former Eastern bloc or in Latin America.

Nevertheless, beginning in the early 1990s, numerous economic reforms were undertaken due to constraints imposed by the IMF and the WB. As a result, the conditions for the various structural adjustment plans took the form of price liberalization, tighter budget constraints on State-owned enterprises, the lifting of monopolies on foreign trade, autonomy for the central bank, and the introduction of prudential rules for the banking and financial system. The change in the institutional framework was supposed to increase Algeria's appeal for FDI (i.e. privatizations) and to implement a market economy able to compete in a globalized world.

1-3-1-Challenges and constraints of privatization in Algeria:

Between 1996 and 1999, there had been mass layoffs of workers which provided justification for the rising opposition of unions and politicians, and fostered the emergence of fears surrounding privatization as a direct threat for the jobs and jeopardizing specific benefits that were awarded to workers such as: access to health care, access to wage good, job security...etc.

Various financial clean-up plans were aimed at government-owned corporations and banks, but did not produce the expected results.

However, the situation of the government-owned corporations must be viewed in the context of the specific objectives given to them in the period 1967-1980. These objectives mainly consisted of providing employment and access to wages goods for an increasingly number of Algerians.

The concepts of “profitability” and “market sanction”, (i.e. bankruptcy) as used in a market economy, were therefore meaningless.

This was the basis for the development of behaviors and customs that are called into question by privatization.

In transitional economies, privatization has often been presented as a necessity. In Algeria, the government-owned corporations targeted by privatization carry high levels of debt. This debt calls into question the debate on privatizing the very weak banking system.

An analysis of the Algerian monetary and financial system over the period of 1967-1990 shows that monetary power is confiscated by government-owned corporations.

Between 1986 and 1990, a succession of laws was passed to reform the Algerian monetary system and the relationship between government-owned corporations and banks. The change in the banking system’s regulatory framework was aimed at fostering competition between banks and fulfilling stand-by agreement signed with IMF.

1-3-2-Internal resistance to privatization:

The process of privatization in Algeria was viewed with substantial mistrust by employees and management alike. These fears were linked to the lack of transparency in the privatization process and the absence of communication within firms.

The complexity and substantial politic influence reveal the politic and economic stakes that crystallize the privatization debate in Algeria and reflect the government’s desire to maintain direct control of industrial assets(source: east west journal of economics and business, privatization in Algeria: an institutional economic analysis of the failed privatization process, p 128)

The emergence of forms of resistance which were publicized by organizational structures further worsened the financial situation of government-owned corporations, thus jeopardizing even more the possibility for privatization to be a success.

Privatizations in Algeria are made outside the financial market; they are made in the Over The Counter market (OTC) or by Public Offers.

Section 2: the creation of Algiers stock exchange market

The Algerian financial market has begun to take shape when the reforms related to the economic public enterprises have been pursued.

In 1988, new laws on the economic public enterprises were promulgated:

- ✓ The law n°88-01 of 12 January 1988 related to the orientation of EPE (economic public enterprises).

(La loi n°88-01 du 12 janvier 1988 portant loi d'orientation des entreprises publiques économiques ; article 5 : les entreprises publiques économiques sont des sociétés par action ou des sociétés à responsabilité limitée dont l'Etat et/ou les collectivités locales détiennent, directement ou indirectement, la totalité des actions et/ou parts sociales.)

- ✓ The law n°88-03 and 04 of January 12, 1988 amending and supplementing Ordinance n°75-59 of September 26, 1975 on the Code of Commerce.

(La loi n°88-03 du 12 janvier 1988 relative aux fonds de participation ; la loi n°88-04 du 12 janvier 1988 modifiant et complétant l'ordonnance n° 75-59 du 26 septembre 1975 portant code de commerce et fixant les règles particulières applicables aux entreprises économiques publiques.)

These laws stipulated that the EPE are either joint-stock companies (*sociétés par actions* or SPA) or limited liability companies (*sociétés à responsabilité limitée* or SARL), their participation funds manage all of their stocks instead of the State.

(Les EPE deviennent soit des entreprises publiques autonomes sous forme de société par actions, soit des sociétés à responsabilité limitée et dont les fonds de participation détiennent la gestion de la totalité de leurs actions à la place de l'Etat).

In 1990, SVM (*Société de Valeurs Mobilières*) was created with a capital of 3.200.000 AD.

On May 28th 1991, three (3) decrees have been promulgated in order to rectify the shortcomings of the financial market that has been established in 1990; these decrees are:

- ✓ The first decree n°91-196 on the organization of the transactions of securities where the mission of the society of stock exchange has been defined.
- ✓ Second decree n°91-170 on the types of securities and conditions of their issuing.
- ✓ Third decree n°91-171 on the stock commission and its primary mission which is the organization of the securities market.

In 1992, its capital became 9.320.000 AD and it became BVM (*Bourse des Valeurs Mobilières*). Due to the absence of specific laws and a code of commerce suitable for the market-market, the stock exchange has been unable to perform.

In 1993, the Legislative Decree n°93-10 of May 23, 1993 has been promulgated, which has:

- -Established the stock exchange market in its first article.
- Defined the stock exchange as the framework for the organization and running of the operations on the securities issued by the State, moral person of public rights as well as the joint-stock companies.

(Décret Législatif n°93-10 du 23 mai 1993, 1^{er} article : la bourse des valeurs mobilières est le cadre d'organisation et de déroulement des opérations sur les valeurs mobilières émises par l'Etat, les autres personnes morales de droit public ainsi que les sociétés par actions.)

- Defined the organisms found in the stock market exchange:

1. The Securities Investment Organization and Monitoring Commission (*la Commission d'Organisation et de Surveillance des Opérations de Bourse* or COSOB) as the market authority, and which is called The Commission;
2. The Society of Stock Exchange Management (*Société de Gestion de la Bourse des Valeurs* or SGBV);
3. The Central Depository (*le dépositaire central des titres* or Algérie Clearing) (established by Law n°03-04 of February 14, 2003).

4. The Brokerage Firms (*les Intermédiaires en Opérations de Bourse* or IOB)

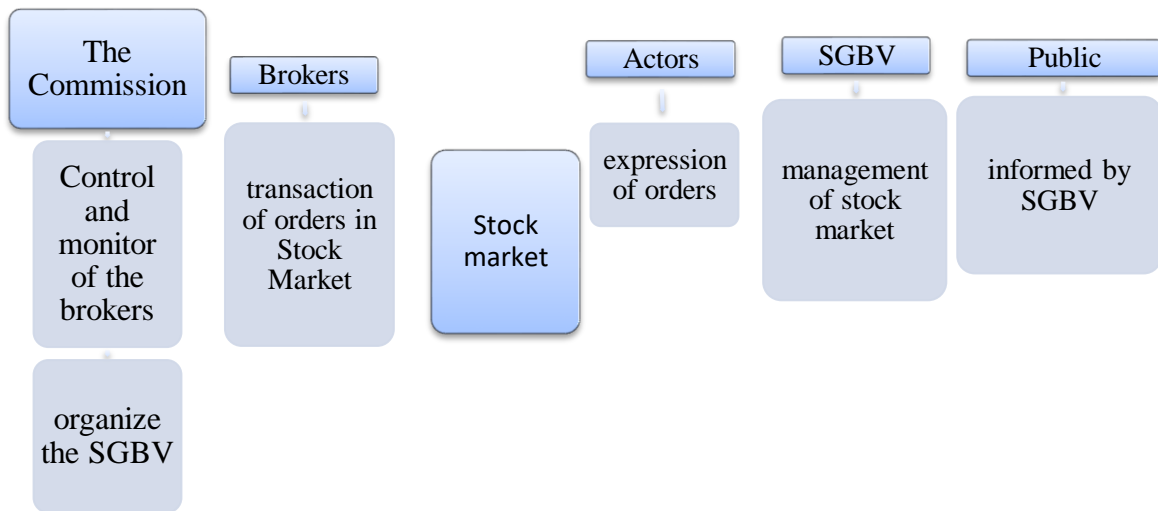
In 1995, the Law n°95-25 of September 25, 1995 on the management of the merchant capital of the State has defined the specific rules of organization, management and control of the public funds held by the State.

(La loi n°95-25 du septembre 1995 relative à la gestion des capitaux marchands de l'Etat a défini les règles spécifiques d'organisation, de gestion et de contrôle des fonds publics détenues par l'Etat sous forme de valeurs mobilières en représentation du capital).

1-Structure of the stock exchange market and its organization:

The organization of the stock exchange in Algiers and the missions of its different components are illustrated in the following figure:

Figure 1: Organization of the Algiers stock exchange market



The figure above represents the different actors in the stock market:

- The Society of Stock Exchange Management (or SGBV).
- The Securities and Investments Organization and Monitoring Commission (or COSOB).
- The Brokerage Firms (or IOB).
- The other actors: the State, holding, enterprises, financial institutions, OPCVM and individuals.

1-1-The different stakeholders in the Stock Exchange:

The organization of the stock exchange in Algiers does not differ much from other stock exchanges, for they all fulfill the same roles and missions.

The only difference is the degree of maturity and development of the Algerian Stock Exchange.

The Legislative Decree n°93-08 of April 25, 1993 has introduced the possibility of constitution of joint-stock companies with a public offer for savings, defined the securities that the listed companies –or those that are about to- can issue.

This decree has been followed by the Legislative decree n°93-10 of May 23, 1993 that established the Stock Exchange and defined the organisms that defined the latter.

The stock exchange stakeholders are:

- The market actors.
- The market professionals.
- The other stakeholders.

1-1-1-The market actors or operators:

1-1-1-1-COSOB or the Commission:

It was established by the Legislative Decree n°93-10 amended and supplemented by Ordinance n°96-10 of January 10, 1996; Law n°03-04 of February 17, 2003 and the 95th article of the Law n°17-11 of December 27, 2017 on the Law of finance for 2018; and granted the moral personality and financial autonomy, as well as having its regulatory powers of monitoring and control reinforced¹.

The Commission that was installed on February 1996 represents the market authority of the Stock Exchange.

It is composed of:

- ✓ A president appointed by a presidential decree for a period of four (4) years.
- ✓ Six (6) members appointed by a decree of the Minister of Finance for a period of four (4) years.

The Commission's mission is to organize and oversee the securities market, in particular:

- To attend to the protection of the investors in securities.
- To ensure the smooth running, transparency of the securities market.

To enable it to perform its function, the Commission is entitled with (source: [sgbv.dz/market operators](http://sgbv.dz/market-operators), consulted on August 24th, 2021):

- **Regulatory power:**

The Commission shall enact regulations mainly relating to:

- The information disclosure obligations of the issuers while issuing securities through initial public offerings, market admission and listing;
- Accreditation of brokers in stock market transactions as well as the professional rules applicable to them;
- Conditions for trading and clearing of securities listed on stock market;
- The rules on the keeping of account-custody of securities;
- The rules on the management of system of settlement/delivery of securities;
- The management of portfolio of securities.

Regulations enacted by the Commission are approved by the Minister of Finance and published in the Official Journal.

- **Monitoring and control power:**

This power allows the Commission to ensure:

- The compliance with laws and regulations by market participants;
- That companies making public offerings comply with information disclosure obligations to which they are subject;
- The smooth functioning of the market.

- **Disciplinary and arbitration power:**

It is established within the Commission (COSOB) a disciplinary and arbitration chamber composed of a president, two (2) members elected among the members of COSOB and two (2) judges appointed by the Minister of Finance.

In disciplinary matters, the chamber has jurisdiction to investigate any breach of the professional and ethical obligations of brokers in stock market operations and any violation of laws and regulations applicable to them.

With regard to arbitration matters, the chamber has jurisdiction to hear any technical disputes arising from the interpretation of laws and regulations governing the operation in stock market:

- ✓ Between brokers in stock exchange market;

- ✓ Between brokers in stock exchange market and the Company of Stock Exchange Management (SGBV);

- ✓ Between brokers in stock exchange market and their clients;

- ✓ Between brokers in stock exchange market and the issuers.

1-1-1-2-The Company of Stock Exchange Management (SGBV):

The Society of Stock Exchange Management, abbreviated by SGBV, is a joint-stock corporation with a capital of 485.200.000 AD, established by Legislative Decree n°93-10 May 25th, 1993 and incorporated May 25th, 1997.(source: sgbv.dz/home/presentation, consulted on August 24th, 2021).

It is an organized and regulated body in the service of the brokers (IOB) as professionals with view to enabling them to perform their tasks in accordance with the laws and regulations in force.

Since its inception, it has started to implement the operational and technical mechanisms necessary for transactions in securities eligible for exchange.

The SGBV missions are: (article 18 of Decree n°93-10)

- The organization of the listing of securities in the stock market; by fixing the rules of admission for societies and under the control of COSOB.
- The organization of the quotation session; by fixing the calendar for the trading sessions each year as well as the trading hours.
- Registration of negotiations.
- The organization of the settlement operations on the transactions of securities; to ensure the payment of the vendor and the delivery of securities to the buyer.
- The publication of information mainly the results of the trading session after the closure of the session and any other information that may help the investor.
- The establishment of the BOC (*Bulletin Officiel de la Cote*).

1-1-1-3-Central Depository (Algérie Clearing)

Its role was established by Law n°03-04 of February 17, 2003 amending and supplementing the Decree n°93-10. In article 19 quater, it is stated that the functions of the Central Depository are exercised by an organism in the form of a joint-stock company.

It carries the following operations:

- Opening and administration of the Current securities Accounts for the account keeper-custodian of securities (*Teneurs de Comptes Conservateurs de titres* or TTC);
- Centralization of custody of securities, facilitating thereby their transmission between financial intermediaries;

- Implementation of securities transactions initiated by issuers (dividend, payment, capital increase....);
- Codification of securities admitted to its operations, according to the international standard I.S.I.N (International Securities Identification Number);
- Publication of information pertaining to the market.

The establishment of this body will help reducing costs and time for settlement/delivery of securities and other transactions (receipt of dividend, interest, and exercise of rights...).

The Central Depository is evaluated at sixty five (65) millions AD and is constituted by the participations of its founders (*loi n°03-04 de février 17, 2003; article 19 quinquès*)

-BEA (*la Banque Extérieure d'Algérie*) ;

-CPA (*le Crédit Populaire d'Algérie*) ;

-BNA (*la Banque Nationale d'Algérie*) ;

-BADR (*la Banque Agricole et de Développement Rural*) ;

-CNEP (*la Caisse Nationale d'Epargne et de Prévoyance/banque*) ;

-SAIDAL Group;

-El-AURASSI enterprise;

-ERIAS Sétif enterprise. (Now is not a listed company in the stock exchange, but there is *Alliance Assurance* an insurance company that is listed).

The Public Treasury and the Bank of Algeria are shareholders should they choose to exercise the right (*Le Trésor public et la Banque d'Algérie sont réputés détenteurs de participations dans la société en vertu de la loi et peuvent, à leur demande, exercer ce droit.*

1-1-2-Market Professionals:

1-1-2-1-Brokerage Firms (Les Intermédiaires en Opérations de Bourse or IOB) :

Legislative decree n°93-10 of May 23th, 1993, as amended and supplemented, has defined the status of the brokers in stock market operations, granting them the monopoly of securities trading on the stock market. (source: sgbv.dz/market operators/brokerage firms, consulted on August 24th, 2021)

The activity of the brokers in stock market is regulated, monitored and controlled by the Commission (COSOB).

The broker's activity can be exercised by individuals or by joint-stock companies accredited by the Commission.

The financial market of Algiers has actually nine (9) brokers representing:

- The following public banks: BADR, BDL, BEA, BNA, CNEP-Bank, and CPA;
- Two (2) private banks: BNP Paribas El Djazair, Société Générale Algérie;
- Private society Tell Markets.

A broker in stock exchange transactions is responsible for providing a financial investment service defined by the Legislative Decree n°93-10:

- Underwriting of securities or financial products on behalf of its clients;
- Trading on the market on behalf of its clients;
- Management, under a mandate, of a portfolio of securities;
- Exchange activity;
- Efforts connected to one of the activities listed above.

The activity of brokers is extended to new areas such as the successful completion of financial transactions, the guidance of investors...

1-1-2-2-The account keeper-custodian of securities (*Teneurs de Comptes Conservateurs de titres* or TTC):

(Règlement COSOB N°03-02 du 15 septembre 2003 ; article 2 : La tenue de compte-conservation consiste, au sens du présent règlement, d'une part à inscrire en compte les titres au nom de leur titulaire, c'est à dire à reconnaître au titulaire ses droits sur lesdits titres, et d'autre part à conserver les avoirs en titres correspondants selon des modalités propres à chaque émission de titre).

The main organisms authorized to exercise the activity of the account keeper-custodian of securities are:

- Banks and financial institutions,
- The brokerage firms (IOB),
- The issuing companies for their issued securities or those they manage directly,
- The institutions authorized to exercise operations of banks by rules and regulations that control them.

1-1-2-3-The organisms of collective investment in securities (*les Organismes de Placement Collectif en Valeurs Mobilières* or OPCVM):

Les organismes de placement collectif en valeurs mobilières sont des sociétés ou fonds, qui ont pour objet de constituer et gérer un portefeuille de valeurs mobilières et autres produits financiers pour le compte de tiers.

Ils sont habilités à collecter de l'épargne, aussi modeste soit elle, en vue d'être investie sur le marché financier selon une politique de placement bien définie. (Source: cosob.org /opcvm, consulted on August 24th, 2021).

Their mission is to invest in securities and other financial products and to ensure their management.

They represent an opportunity for the collective management of securities allowing for investment in stock exchange market according to an investment strategy predetermined.

We distinguish two (2) categories in OPCVM:

-FCP (*Fonds Communs de Placement*)

-SICAV (*Sociétés d'Investissement à Capital Variable*).

These categories are different not by their financing mode, but by the juridical aspect; SICAV is a joint-stock company while FCP is a (*fonds porteurs de capitaux*).

1-1-3-The other stakeholders:

They are the different issuers and investors.

1-1-3-1-The issuers:

➤ **The State:**

The securities emitted by the State constitute a big part in the overall number of securities issued.

➤ **The establishments of credit:**

These are the banks and financial enterprises that are in need of financing their financial needs.

➤ **The enterprises:**

The strategy of development and evolution of enterprises requires long term financing.

This allows them to finance their investments in a continuous and stable perspective.

1-1-3-2-The investors:

➤ **Banks:**

Their mission in the market is acting as an intermediary between the buyers and sellers of securities.

But also could constitute their own portfolio of securities to develop their financial and economic situation.

➤ **The institutional investors:**

They are comprised mainly of the insurance companies, retirement funds, deposit funds and OPCVM.

They play an important role in the development of the financial market and could issue securities.

➤ **The non financial institutions and the individuals.**

1-2-The types of securities issued in the Algerian financial market:

The types of securities issued in the Algerian financial market were all cited in the Legislative Decree n°93-08 of April 25th, 1993 amending and supplementing the Ordinance n°75-59 of September 26th, 1975 on the Code of Commerce.

In article 715 bis33, it was mentioned that the joint-stock companies can issue:

- Securities representing their capital;
- Securities representing their rights of equity;
- Securities that, by conversion, reimbursement or other procedure, give right to attribution of other securities representing a quota of the capital.

In article 715 bis40, the stocks were defined as a negotiable security issued by a joint-stock company and that represents a fraction of its capital.

(Article 715 bis40 : l'action une un titre négociable émis par une société par actions en représentation d'une fraction de son capital social.

There are:

- Ordinary shares
- Maturity shares
- Shares with priority dividends
- Specific shares

In article 715 bis61, there was another type of securities defined; the investment certificates and the certificates with a voting right..

(Article 715 bis61: les certificats d'investissement et les certificats de droit de vote sont émis à l'occasion d'augmentation ou d'une fraction des actions existantes).

They are issued in the case of augmentation of capital or a fraction of the existing shares.

They are included in the types of shares.

The participation certificates –another type of securities- has been defined in article 715 bis74 as debt securities whose remuneration comports a fixed part established by the contract and a variable part calculated by reference to elements related to the activity or results of the company.

(Article 715 bis74: les titres participatifs sont des titres de créance dont la rémunération comporte une partie fixe établie par le contrat et une partie variable calculée par référence aux résultats de la société et assise sur la valeur nominale du titre)

As for the bonds, they have been defined in article 715 bis81 as negotiable securities that – in the same issuance- confers to the same debt for the same nominal value.

(Article 715 bis81: les obligations sont des titre négociables qui, dans une même émission, confèrent les mêmes droits de créances pour une même valeur nominale).

And lastly, there are the securities labeled “other securities” that are mentioned in article 715 bis110; the bonds convertibles to shares and bonds convertible with a share subscription warrant.

So, in conclusion, we have three (3) types of securities that may be issued in the Algerian financial system:

- The shares (the investment certificate included);
- The bonds(the participation certificate included);
- The mixed securities (other securities):

Section 3: functioning of the Algiers stock exchange

1-Conditions of admittance:

The conditions of admission of securities in the stock market have been defined in the regulations of the Commission (COSOB) n°97-03 of November 17, 1997 amended and supplemented by COSOB regulation n°12-01 of January 12, 2012.

1-1-Official listing (source: [sgbv.dz/getting listed/conditions of admission](http://sgbv.dz/getting-listed/conditions-of-admission), consulted on August 24th, 2021)

Any enterprises wishing to have its securities listed in the stock market must fulfill these conditions:

- The company must be organized as a joint-stock company (JSC);
- Have a minimum paid-up capital of 500.000.000 AD;
- Publish certified financial statements of the three (3) years preceding the one in which the admission demand is submitted;
- Submit an evaluation report of its assets elaborated by a member of the Association of Accounting Experts, other than the auditor of the company, or any other expert whose evaluation is recognized by the Commission;
- Have made profits during the year preceding its demand, unless waived by the Commission;

- The company must keep the Commission informed of transfers or withdrawals of assets occurred before its listing;
- Justify the existence of an internal audit structure to be assessed by the auditor in its reports on internal control of the company;
- Otherwise, the company must undertake measures to implement this structure during the year following the admission of its securities in the market;
- Ensure the fulfillment of the operations of transfer of securities;
- Resolve major conflicts between shareholders and the company;
- Undertake measures to fulfill requirements of disclosure of information;
- Issuing equity securities to the public, representing at least 20% of the share capital of the capital, no later than the day of listing;
- Equity securities available to the public should be distributed among a minimum of 150 shareholders, no later than the date of listing.

1-2-Conditions of admittance in the SME market (Small and Medium Enterprises):

(source: [sgbv.dz/ getting listed/conditions of admission](http://sgbv.dz/getting-listed/conditions-of-admission), consulted on August24th, 2021)

Regulatory changes have also focused on the conditions of admittance which were implemented by a relaxation of a fairly rigorous eligibility conditions that the SMEs fall short of meeting.

Therefore, SMEs are required to:

- Have a status of a JSC (Joint-Stock Company) and must designate, for a period of five (5) years, an attendant called “Stock Exchange Promoter”;
- Open its capital to a minimum of 10% no later than the day of introduction;
- Publicly distribute its shares to a minimum of 50 shareholders or three (3) corporations shareholders* no later than the day of introduction in the stock exchange market;
- Publish the certified statements of the last two (2) financial years, unless COSOB grants and exemption. Without prejudice to the provisions of the Commercial Code relating to corporations making public offering, conditions and minimum capital profits are not required for the company applying for admittance to the SME market;

However, these conditions do not apply to a company being formed by Public Offer.

*Corporation shareholders are:

- OPCVM;
- Banks;
- Financial institutions;
- Insurance companies;
- Investment funds;
- Insurance companies;
- Investment funds;
- Assets management companies.

2-Getting listed: The listing process:

There are three (3) major phases: pre-listing, listing and post-listing.(source: [sgbv.dz/getting listed](http://sgbv.dz/getting-listed), consulted on August 24th, 2021)

2-1-Pre-listing:

This is the phase preceding the listing on the stock market and the first step to be followed by the issuer in all case before any operation of listing.

It comprises the following stages:

➤ **The decision of the operation:**

Only an extraordinary General Meeting of the company may decide to conduct an operation of Public Offering; it cannot be delegated to the board of directors or any directory power that tends to make it effective.

➤ **Legal preparation of the company and shareholding:**

The listing of a company on the stock marker requires scrutiny on the legal level; because the company may have to make changes in status, legal form and structure of the capital in order to meet the requirements for the admission to listing.

➤ **Evaluation of the company:**

The company must conduct an evaluation of its assets by a member of the Order of Accounting Experts, other than its auditor, or other expert whose evaluation is recognized by the Commission, unless a member of the latter.

This evaluation will determine the price of sale or issue of the share.

➤ **Choice of an attendant broker or a market promoter for SMEs:**

The company is required to appoint broker-dealer whose mission is to assist, accompany and advise it throughout the listing process.

To maximize the chances of underwriting of securities, broker-leader collaborate with other brokers, banks and financial institutions to form the underwriting syndicate which allows wider dissemination of the security through the exploitation of the network of bank branches.

SMEs, in turn, shall appoint for a period of five (5) years an attendant counselor called “market promoter”, responsible for assisting it in the issuance of its securities, in the preparation of operation of admission and continuously ensuring that it meets its obligations to legal and regulatory information.

➤ **Drafting the information notice:**

The company is required to deliver to the COSOB a project of “information notice” that includes all the details related to activities, financial position, and strategy of the company as well as the characteristics of the issuance securities (number, price, legal form ...).

➤ **Submission of the admission file:**

The admission file, as defined in the COSOB instruction n°98-01 of April 30th, 1998 on the admission of securities to trading on stock exchange, shall contain:

- ✓ An application for admission;
- ✓ Minutes of the competent body that ordered or authorized the issue;
- ✓ A project of Information Notice;
- ✓ A project of prospectus;
- ✓ General information about the issuer;
- ✓ Information on funding;
- ✓ Economic and financial information;
- ✓ Legal documents;
- ✓ An evaluation report relating to the issue of shares.

➤ **Visa of COSOB:**

The Commission has a period of two (2) months to review the admission file, and therefore grant or refuse the visa.

➤ **Adherence to the Central Depository:**

Prior to the listing on stock market, the company is required to join the Central Depository in order to record all its capital in the case of an issue of shares or the amount of the loan in the case of a bond.

➤ **Marketing campaign:**

To ensure the success of underwriting of its securities, the issuer launches a marketing campaign via various media (radio, television, newspapers...) and by distributing

prospectuses and information notices through the entire network of agencies of underwriting syndicate.

➤ **Sale of securities:**

The sale is generally made through the banking network.

Investors submit their purchase orders directly to banks, members of the underwriting syndicate, through the filling of an amount representing the value against the number of shares requested.

➤ **Disclosure of results:**

If the conditions are met, the offer is declared positive and the operation results are made public.

Otherwise, the listing of the security will be refused.

➤ **Denouement of the operation:**

The denouement of the operation is ensured by the Central Depository of Securities, three (3) working days after the disclosure of results.

2-2-The listing phase:

This is the phase where the listing of security starts, as the company had obtained permission (admission decision) of the COSOB to perform its actual entry to the market.

SGBV shall publish a notice in the Official Bulletin of the Rating (*Officiel Bulletin de Cote* or BOC) indicating the date of the first trading as well as the issue price of the security.

2-3-Post-introduction phase:

This is the step that comes just after the first trading of the security on the stock exchange market and its evolution on the market.

➤ **The liquidity contract:**

In order to regulate the price of shares, companies are allowed to purchase their own shares under the liquidity contract.

The contract is signed between the company and the broker; its purpose is to define the conditions under which the broker acts on behalf of the issuer in the market to promote the liquidity of securities and regularity of their listing.

➤ **Publication of information:**

Once the security is listed on the market, the issuer must inform the public of any change or material fact likely, if known, to have significant influence on the price of the securities.

Similarly, it is required to make available to public and to submit to the COSOB, SGBV and the Central Depository of securities all management reports as well as annual and semi-annual financial statements.

3-The methods of listing:

The method of listing depends on the motivation of the company and the nature of the operation it wishes to do.

In the COSOB regulation n°97-03 of November 18th, 1997 on the general regulation of the SGBV, amended and supplemented by the COSOB regulation n°12-01 of January 12th, 2012; in the 50th article, it is stated that the listing of securities is done according to one of the three (3) procedures:

- ✓ Ordinary procedure;
- ✓ Public offer with a minimal price;
- ✓ Public offer with a fixed price.

3-1-the ordinary procedure:

In the previously mentioned COSOB regulation (97-03), in the 56th article, the ordinary procedure is defined as the procedure that allows the SGBV, when the company's capital is sufficiently diffused, to proceed to the direct inscription of the trading value to be negotiated in quotation conditions practiced in the market, starting from an introduction rating validated by the SGBV, on the basis of the market's conditions.

3-2-The public offer with a minimum price:

In the 59th article of the same regulation, the public offer with a minimum price is defined as the procedure that consists of offering, on the day of introduction, a determined number of securities for a minimal price.

3-3-The public offer with a fixed price:

This procedure is defined, in the 64th article of the previously mentioned regulation, as the procedure that consists of offering a determined number of securities, on the day of introduction, with a pre-determined price.

4-The trading of securities in the Algiers Stock Exchange market:

According to the COSOB regulation n°97-03 of November 18th, 1997, amended and supplemented by the COSOB regulation n°12-01 of January 12th, 2012:

The official listing of the transferable securities is comprised of a market for equity securities as well as a debt security market.

4-1-The market for equity securities: consists of:

4-1-1-A main market: for large enterprises.

Currently, five (5) companies are listed on the main market, namely:

- SAIDAL Group (pharmaceutical sector);
- EGH EL AURASSI (tourism sector);
- ALLIANCE ASSURANCE (insurance sector);
- NCA ROUIBA (agri-food sector);
- BIOPHARM (pharmaceutical sector).

4-1-2-SME market: reserved for small and medium enterprises.

It was created in 2012, by the COSOB regulation n°12-02 of January 12th, 2012 amending and supplementing the regulation n°97-03 of November 18th, 1997.

This market can offer an alternative to a star-up SME to access capital.

It is indeed an excellent growth opportunity for SMEs, while providing investors with a well regulated market for their investments.

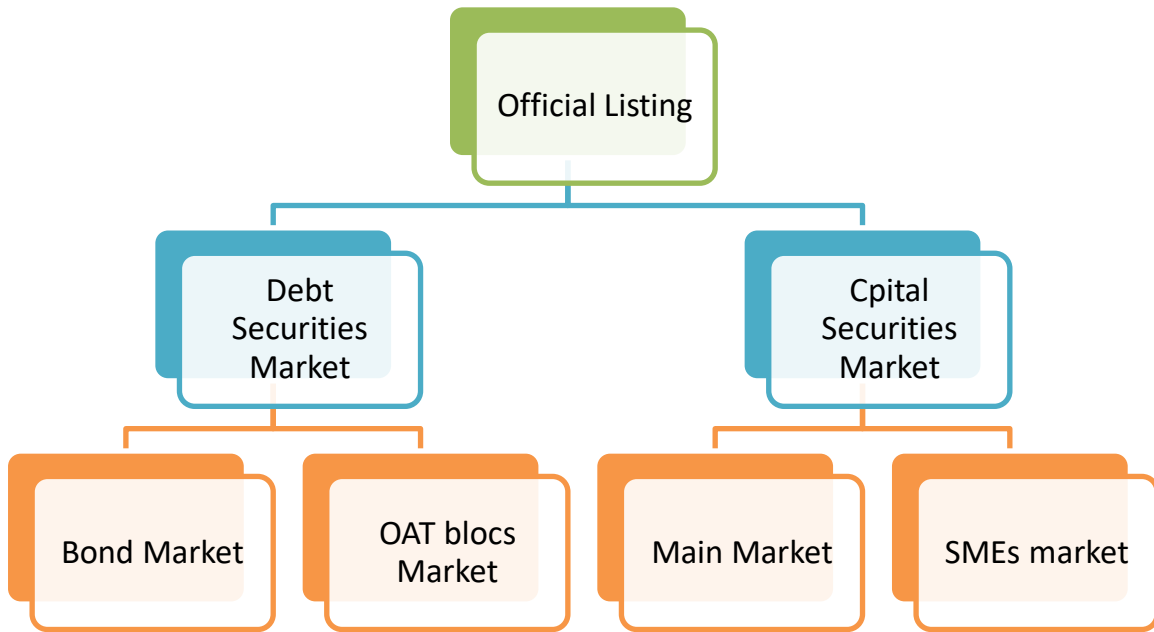
4-2-The market of debt securities: consists of:

- A market of securities issued by corporations, government agencies.
- A market for bloc OAT (*Obligations Assimilables au Trésor*) (Treasury Bonds): reserved for fungible treasury bonds issued by the Algerian Treasury.

The second market was created in 2008 and currently has more than 25 listed lines covering about 400 billion AD.

The official listing of stock exchange market can be represented as follows:

Figure n°2: the official listing of stock exchange



4-3-The trading process:

The Society of Stock Exchange Management or SGBV sets the calendar for the trading hours for the civil year as well the trading hours (opening and closure).

The trading takes place in the “parquet” (trading floor) three (3) times a week from 9:30 to 11:00 for shares and corporate bonds, and from Sunday to Thursday for OAT.

Rules of trading sessions in securities on the Algerian stock market are governed by SGBV decisions.

Rules for trading on the Main Market are defined in SGBV decision n°02/1999.

The trading process occurs according to these steps:

1) Accumulation of the orders (45 minutes):

The entry of orders is authorized for the Brokers (IOB), they can enter new orders as well as change or omit orders that are already present.

During this period, the orders are registered without there being any transactions.

2) Validation (15 minutes):

The Brokers confirm the orders from the imprinted registers and correct any mistakes.

3) Registration of blocs (10 minutes):

Consists of registering the blocs of transactions after receiving them.

4) Validation of transactions (15 minutes):

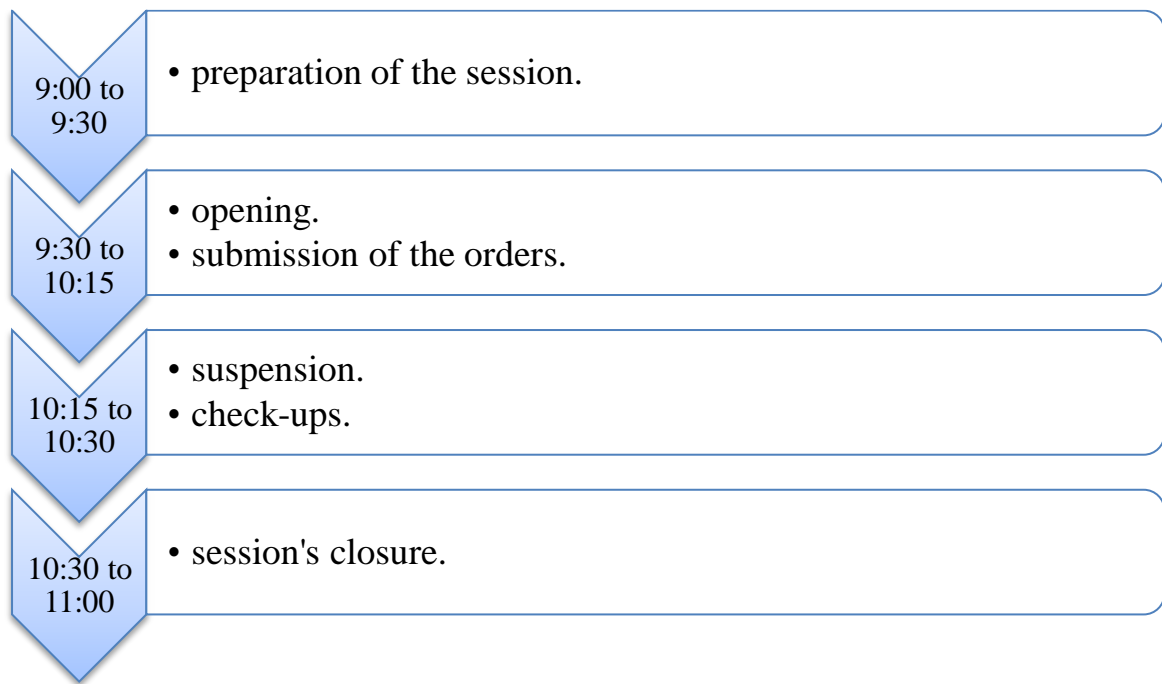
The Brokers receive the realized transactions' records for validation.

5) Closure of the session.

The person responsible for managing the negotiations in the stock exchange is called "Officiel de Parquet"; it is a person from the SGBV nominated by their General Director or someone delegated by the latter.

The course of a trading session is summarized as follows:

Figure n°3: the trading session



4-4-Types of orders:

An order is an instruction given by the client to the broker or initiated by the latter.

Each order transmitted by a client should have:

- ✓ Object of the order; buying or selling;
- ✓ Name of the security about to be negotiated (share, bond, bond convertible into share...);
- ✓ Number of securities to be negotiated;
- ✓ Validity: an order has a validity period in which it has to be executed.

There are different kinds of validity:

- There is an order “*de jour*” meaning that the order is valid only until the next session following its transmission.
- There is order “*de révocation*”; which means that it is valid until execution or until the last session of trading in the current civil month.

- In addition, there is order “à durée limitée”; it comports a maximum period of 30 days.
- The last one is order “à execution”; which means that it has no set validity period. Its period of presence in the market is three (3) calendar weeks.

4-5-Quotation method: (source: sgbv.dz/market functioning/quotation methods and trading hours, consulted on August 24th, 2021)

In Algiers stock exchange, trading is carried out automatically through an electronic trading system with the method of “Fixing”.

Quotation at “Fixing” is the application of a single price quoted on all transactions for each security during a trading session.

This price will:

- Maximize the volumes of the traded shares.
- Reduce the imbalance of buyer or seller side.
- Minimize volatility relative to the closing price of the last trading session.

At the end of the session, it is time to carry out transactions on the blocks representing the purchase and sell orders on a large number of shares and/or bonds. These transactions must comply with the price quoted in the market.

4-6-Clearing and settlement:

The Algerian stock market is a spot market where the buyer must immediately disburse the corresponding purchase order sums and the seller must have securities that match the sales order that was transferred.

After the session's closure, the SGBV publishes the results of the trading session at its floor, on television and on its website to inform the public.

After the execution of the order, the transfer of the sold securities and the settlement of the purchased securities are carried out.

Both operations are performed simultaneously by the system of the Central depository (Algérie Clearing) to at D+3 days for transferable securities and D+1 for OAT's securities.

It is worth pointing out that the Broker must ensure that the trading party has the securities or funds to cover the operation they –the trading party- want to perform.

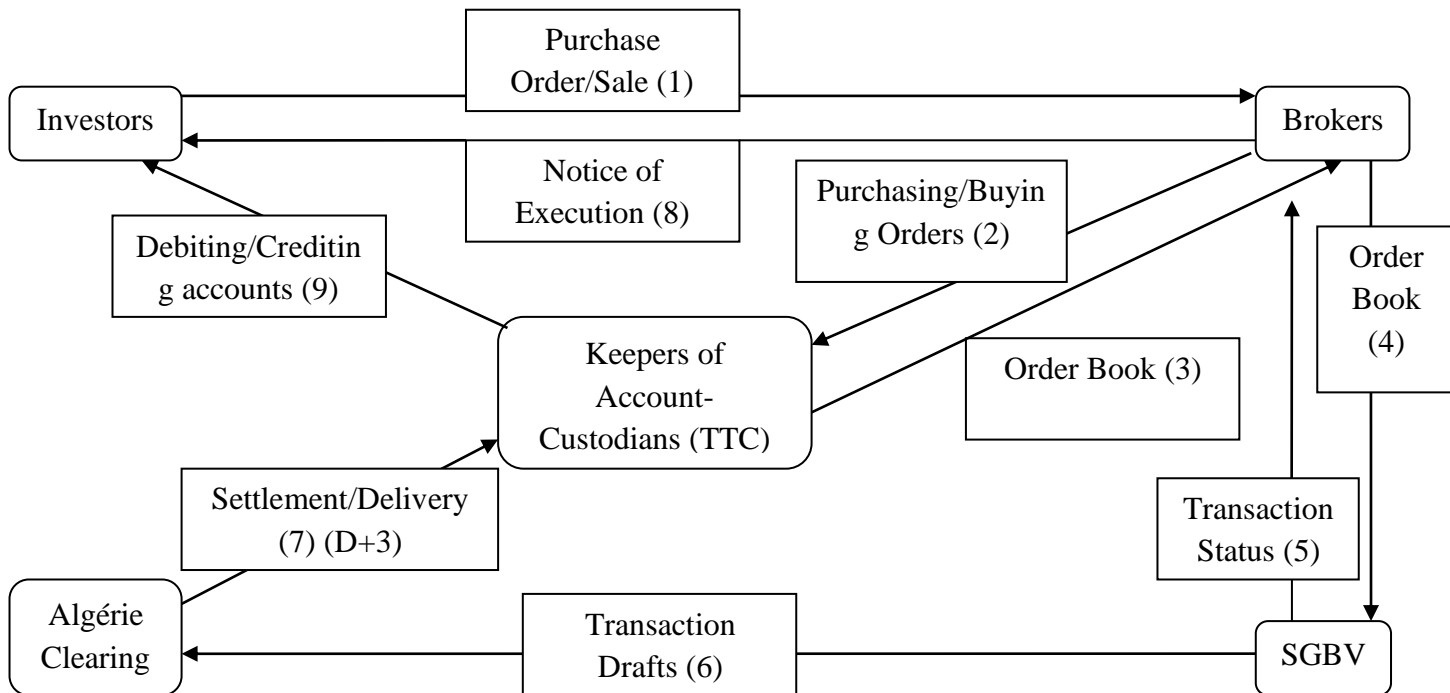
In case of non-delivery of securities within the time frame, the Broker is declared in default.

SGBV may, in this case, repurchase securities in default of delivery on the market.

The acquisition and /or sale of securities on the stock market can be represented as follows:

Figure n°4: acquisition and/or sale of securities on the stock market

(Source: sgbv.dz/clearing and settlement, consulted on August 24th, 2021)



4-7-Fees and taxation: (source: sgbv.dz/fees and taxation, consulted on August 24th, 2021)

An operation of listing on stock market generates costs which are variable depending on:

- The size of the operation;
- The technique used to perform the operation of listing on stock market and the selected market;
- The extent given to financial reporting.

These costs include:

- Royalties paid to shareholders namely COSOB, SGBV, the Central Depository and broker-dealers, which are summarized in the table below;
- Commissions and fees for support, underwriting and financial and legal advice;
- Costs of advertising and communication.

Table n°1: the fees generated from an operation of listing in the Algiers Stock Exchange

Entity	Fees and Royalties
COSOB	<u>Visa of information notice:</u> The fee paid to the COSOB is set at 0.075% of the amount of the issue or public offer, not exceeding five (5) million dinars.
SGBV	<u>Admission to stock exchange market:</u> The rate of commission charged by the SGBV is set at 0.05% of the nominal amount admitted. The amount of this fee may not exceed 2.500.000 DA. <u>Fee of a security listing:</u> -Initial listing.....400.000 DA -Additional listing.....100.000 DA -Substitution and modification...100.000 DA Costs of retention in listing:.....200.000 DA for shares300.000 DA for bonds <u>Costs of initial public offering:</u> -Fixed part.....1.000.000 DA -Variable part..... 100.000 DA per 1000 orders treated
Central Depository of Securities	<u>Fees of adherence to the Central Depository of Securities:</u> The rate is fixed at 0.01% of the share capital, minimum payment is 20.000 DA and the maximum is 200.000 DA.
Brokers (IOB)	Expenses related to services provided by broker-leader and other banks forming the underwriting syndicate (placement fee).

Taxation:

Pursuant to Law N°09 of 09 December 30th, 2009 promulgating the Finance Law 2010:

- Are exempt from the tax on total income and tax on corporate income, revenue and gains on sale of shares, similar securities through an operation of Initial Public Offering on stock exchange market;
- Are exempt from registration fee transactions involving operations of Initial Public Offering.

Pursuant to Law n°13 of December 30th, 2013 promulgating the Finance Law 2014:

- Companies whose ordinary shares are traded in stock market benefit from a reduction in tax on corporate income equal to the opening rate of its share capital in stock exchange market for a period of five (5) years, starting from January 1st, 2014.

Pursuant to Law n°14-10 of December 30th, 2014 promulgating the Finance Law 2015:

- Are exempt from the tax on total income and tax on corporate income, for a period of five (5) years starting from January 1st, 2013, revenue and capital gains from sale of shares, similar listed securities on the stock exchange as well as shares or parts owned to bodies of collective underwriting of transferable securities.
- Are exempt from tax on the total income, or the corporate profits, product and capital gains from the sale of bonds or similar securities and bonds of similar publicly traded Treasury or traded on an organized market, a minimum term of five (5) years issued over a period of five (5) years from January 1st, 2013.

This exemption covers the entire issued under the validity during this period.

- Are exempt from registration fees for a period of five (5) years, starting from January 1st, 2013, transactions involving securities listed on the stock exchange or traded on a regulated market.

Conclusion of chapter II:

We have seen that getting listed in the stock market is a rigorous operation that requires organization as it is an important step in the life of enterprise.

In order to get listed, a company must follow several steps and undertake some changes and respect the obligations set by the regulatory bodies.

So, in order to stay in the stock market, any company has to respect the obligations it is required to respect, and it also depend on how well its securities are doing in the market; the degree of attractiveness of the securities and whether the holders want to hold onto them or sell them that.

Conclusion of the first part:

No matter what the company's ambitions are, it needs liquidity that the shareholders are not always willing to provide.

That is why the stock market is considered an alternative source of financing.

The financial market in general and the stock markets in particular, have great importance given their multiple functions in serving the economy.

They both provide ways for fund raising that are more advantageous than the traditional financing through the banks.

However, the process of getting listed is rigorous, heavy and complex.

The creation of a SMEs market is a step towards the development of the stock market and an incentive for companies to get listed.

Introduction of part 2:

The second part of this work is about the practical aspects of the functioning of the Algiers stock exchange market.

We are going to get to know the advantages that come with being listed on the stock market.

We are also going to analyze the activity in the stock market and its different compartments.

Chapter III:

Analysis of the Algiers stock exchange market

Introduction of chapter III:

The necessity for creating a financial market in Algeria was due to the reforms imposed on the country due to its bad situation in the 1980s.

The Algiers stock market has known some problems that delayed its creation and its actual start.

Despite it being active, the Algiers stock exchange operates in a somewhat oppressive environment.

In this chapter, we are going to analyze the stock exchange market by basing on the volume and value of transactions as well as the evolution of the market capitalization in this decade.

Section 1: Advantages and disadvantages of getting listed in the stock market

First of all, we are going to talk about the reasons of why companies want to be listed in the stock market.

It is a big step in the company's life, as it would bring her a good reputation and expands its financing potential; and as a result its growth.

Now, the reasons for each company may be different.

They could be (source: REMIDI Djoummana, le marché boursier Algérien, contraintes et perspectives, 2011; p114)

- ✓ Making the assets of the company more liquid; this makes selling its shares easier;
- ✓ Increase its capital to finance new investments; this is the motivation for every operation of listing. It renders the stock market an alternative source of financing.
- ✓ Reduce the company's debts.
- ✓ Finalization of a strategic activity.

1-advantages of getting listed on the stock market: (source: [sgbv.dz/getting listed/](http://sgbv.dz/getting-listed/) advantages of getting listed, consulted on August 24th, 2021)

➤ **Raising capital and strengthening equity:**

Whatever the nature of the ambitions of a company, as launching major development projects (creation of a subsidiary, purchase of a business...), increasing or improving the capacity of its production and the reduction of its debts... the stock market is for that an inexhaustible source or alternative financing.

➤ **Diversification of funding sources:**

The company needs to diversify its sources of funding through stock market which offers this opportunity by the wide range of products it offers to investors while protecting the original shareholders of the company.

Thus, once listed in the market, the company can acquire on the market equity and debt capital it needs.

➤ **Enlargement of the shareholding:**

The listing on the stock market facilitates the entry of new shareholders that the company could need during its development.

Also, it allows releasing the company's capital even if other shareholders cannot or do not wish to redeem their shares.

➤ **Improving the reputation:**

The listing of a company on the stock market helps to increase its reputation and strengthening its credibility with its partners on the national and international levels.

➤ **Benefiting from fiscal exemptions:**

Getting listed in the stock market helps the company to benefit from an advantageous and particular fiscal situation.

Apart from these direct benefits, other opportunities can arise, including:

➤ **Human Resource Development:**

A company ahead to be listed in the stock market reserves, in general, a part of the operation to its employees and gives them the opportunity to become shareholders.

This incentive system allows the mobilization and motivation of human resources.

➤ **Sustainability and back up control of companies:**

The listing on the stock market also facilitates the sustainability of the company, in particular in the case of family business, because it avoids any splitting or dissolution following the departure or death of one of the major shareholders.

It also provides backup control of the company through the distribution of a part of of the capital or the use of appropriate financial products.

➤ **Change in the system of “corporate governance”:**

The operation of listing involves a minimum of reliability, transparency of accounts of the company and a broader financial reporting effort directed toward actual or potential external investors.

This led to the establishment of a modern “corporate governance” system of internal control and the personalization of administration and management bodies.

2-Disadvantahes of getting listed in the stock market:

➤ **Loss of control:**

The operation of listing on the stock markets means a dilution of capital which in turn means that it is in the hands of several shareholders. Thus, leading to loss of control.

➤ **Constraint of transparency:**

The quality of information divulged to the public must adhere to the obligations required by the regulations and laws.

They have to be credible and transparent. This means that the company's competitors, clients, suppliers and employees would have access to regarding the internal functioning of that company; this could lead to several problems.

➤ **Constraint of performance:**

The listed company must always give the image of a performing company financially and commercially.

All listed companies are condemned to achieve a satisfying level of performance and yield in the short term.

Section 2: Analysis of the Algiers Stock Exchange

1-Presentation of listed companies: (currently listed) (source: sgbv.dz/présentation des valeurs cotées, consulted on August 24th, 2021)

1-1-EGH EL-AURASSI:

The establishment of El-Aurassi, classed 5 stars, was inaugurated May 2nd, 1975. It is placed under the Ministry of Tourism and Culture which ensures its management through the National Society of Tourism (la Société Nationale de Tourisme et de l'Hotellerie) until 1977, then by (la Société Générale de Tourisme et de l'Hotellerie) until 1979, and then through the ONCC (l'Office Nationale des Congrès et des Conférences) until 1983.

In that same year, and in favor of restructuring, it became a socialist company with the name EGH (L'Entreprise de Gestion Hoteliere) (Decree n 83-226 of April 2nd, 1983).

On February 12th, 1991, the hotel changed its juridical status and became a public economic enterprise (EPE), a joint-stock company with a capital of forty (40) million AD. Its name has become SPA EGH El Aurassi.

In 1995, HOLDING PUBLIC Service (HPS) became the sole shareholder of EGH EL AURASSI.

In June 1999, EGH EL AURASSI proceeded to open its capital with a public offer (*Offre Public de Vente* or OPV)

The amount of OPV was 480 million AD, a 20% of the capital.

On February 14th, 2000:

Having fulfilled all the required conditions, the shares of EGH EL AURASSI have been listed in the stock exchange (introduction rating was 400 AD).

1-2-SAIDAL:

The Algerian Central Pharmacy was created in 1969 by a presidential ordinance that gave it the mission of ensuring the State's monopoly over the importation, the production and commercialization of the pharmaceutical products for human use.

In 1971, it has created the production unit El Harrach and bought the units of BIOTIC and PHARMAL.

Following the restructuration of the Algerian Central Pharmacy, its production unit was built into a National Enterprise of Pharmaceutical production by the decree 82/161 promulgated on April 1982.

It changed its name in 1985 to SAIDAL.

In 1989 and following the instauration of economic reforms, SAIDAL became a Public Economic Enterprise granted the autonomy of management and chose to acquire the status of a joint-stock company (among the first national enterprises).

On February 1999, SAIDAL Group has proceeded to the opening of its capital by public offer.

The amount of 20% of the capital was 500 million AD and was distributed in 2 million shares.

On September 1999, SAIDAL's shares were listed in the stock exchange. (800 AD).

1-3-Biopharm:

It is a group present in the different jobs of the pharmaceutical industry and was created in 1991.

In 2014, it has realized a turnover of 49 billion AD which accounts for 13% of the medicine market.

The group continues to grow and is now pursuing its evolution by opening its capital to the stock market

1-4-Alliance assurance:

A joint-stock company with a capital of 500 million AD created in July 2005 by a group of national investors.

Its capital was 800 million AD in 2009, and 2.2 billion AD in 2010.

This increase in the capital has been made by the public offer.

In November 2010, Alliance has proceeded to increase its capital by offer for subscription.

The amount was of 31% of the capital, 1.44 billion AD distributed on 1.804.511 shares.

March 20011: getting listed March 7th, 2011 after fulfilling all the conditions (introduction rating was 830 AD).

Table n°2: the listed companies in the Algiers stock market (source: sgbv.dz)

CODE ISIN	CODE	CMPANY NAME	SECTOR	NOMINAL VALUE	NUMBER OF SHARES
DZ0000010037	ALL	ALLIANCE ASSURANCE	Assurance	200	9.287.217
DZ0000010029	AUR	EGH EL AURASSI	Hotellerie	250	6.000.000
DZ0000010003	SAI	SAIDAL	pharmaceutique	250	10.000.000
DZ0000010052	BIO	BIOPHARM	pharmaceutique	200	25.521.875

2-Analysis of the situation in the Algiers stock market:

2-1-Trading in the Algiers stock exchange:

Trading in the Algiers stock exchange is done with the aid of an electronic quotation with a frequency of three (3) times a week in the SGBV (Sunday, Tuesday and Thursday) and from Sunday to Thursday for Treasury Bonds (OAT). (source: sgbv.dz/quotation methods and trading hours, consulted on August 24th, 2021).

The quotation method applied in the Algiers stock exchange is the quotation at “Fixing”.

Quotation at Fixing is the application of a single price quoted on all transactions for each security during a trading session.

This price will maximize the volumes of the traded shares, reduce the imbalance of buyer or seller side and minimize volatility relative to the closing price of the last trading session.

Representing below, the activity on the stock market in 2010:

Table n°3: the activity in the stock market in 2010

Securities	Volume of orders	Number of orders	Traded volume	Traded value	Number of transactions
Air Algérie	69.354	224	5.761	58.915.910	33
Algérie TELECOM	106.320	296	18.374	183.940.170	61
EGH El-Aurassi	320.030	392	9.382	4.222.500	41
Spa DAHLI	44.071	719	1130	11.216.900	13
SAIDAL	324.374	459	18.038	7.763.465	84
SONELGAZ/11	72.598	248	15.561	156.491.630	62
SONELGAZ /14	145.230	294	49.483	247.519.000	67
TOTAL	1.0819.977	2632	117.729	670.069.575	361

In 2010, the activity in the Algiers stock exchange market has known a reduction that was due to several factors but mainly the absence of financing of the national stock exchange with new securities and that the bonds issued by *Air Algérie* have reached their maturity on December 1st, 2010.

The compartment of the issued securities has known for the second year in a row a reduction in the traded value especially; as it went from 896.650.625 AD in 2009 to 670.069.575 AD in 2010.

The traded volume went from 143.563 securities in 2009 to 117.729 in 2010.

This diminution can be explained by a few factors:

- The absence of new securities being listed in the stock exchange market, (this situation has not happened since 2006).
- The securities of Air Algérie have reached their maturity; which has repercussion on the listing of bonds; the volume went from 84 billion AD in 2009 to 70 billion AD in 2010.
- The approaching maturities for SONELGAZ 11 and Algérie telecom.
- The attractiveness of the dividend for EGH EL AURASSI and SAIDAL that has the shareholders willing to keep them in their portfolios and not trade in the secondary market. Thus, the diminution in the traded volume.

Table n°4: the activity in the stock market in 2011

	Volume of orders	Number of orders	Traded volume	Traded value	Number of transactions
Alliance assurance	765.538	8035	194.475	161.414.250	222
Algérie TELECOM	17.653	95	4.111	41.228.120	21
EGH El-Aurassi	170.657	249	7.718	3.659.945	36
Spa DAHLI	23.816	475	1.700	16.430.000	32
SAIDAL	254.162	474	29.804	20.044.240	155
SONELGAZ 11	4.975	33	539	5.401.120	5
SONELGAZ 14	133.084	347	14.607	73.045.310	49
TOTAL	1.369.885	9.708	252.954	321.222.985	520

The introduction of Alliance Assurance's shares has given a boost to the Algerian stock market; the transactions' volume went from 117.729 in 2010 to 252.954 in 2011 which is a 114% augmentation.

Table n°5: the activity in the stock market in 2012

	Number of orders	Traded volume	Traded value
January	358	31.321	32.264.900
February	439	7.823	6.479.600
March	423	1.252	11.655.200
April	619	1.593	14.785.545
May	530	3.529	14.226.10
June	612	6.88	54.251.400
July	530	9.242	10.351.560
August	371	102.620	511.541.965
September	315	200	80.000
October	337	870	5.743.600
November	275	2.142	1.1.239.080
December	444	349	567.500
TOTAL	5.253	167.827	667.444.230

There has not been activity by company, only the overall value and the volume of transactions.

We notice an increase in both the volume and value of transactions in 2012 compared to 2011.

Table n°6: the activity in the stock market in 2013

	Traded volume	Traded value	Number of transactions
Alliance assurance	40	27.400	4
EGH El-Aurassi	11.702	4.246.440	38
NCA Rouiba	102.238	40.943.600	43
SAIDAL	6.701	3.899.550	48
SONELGAZ 14	3.048	15.241.000	16
Spa DAHLI	3.860	36.670.000	29

The traded value in 2013 was of 101 million AD and 1.175, 8 million AD in 2012 which is diminution of 91, 41%.

As for the traded volume, it has also gone from 168.327 in 2012 to 127.589 in 2013 which is a 24, 20% diminution.

The trading in securities issued by Alliance assurance has not known any activity in the first nine months of the year.

EGH EL-AURASSI's securities have recorded an increase in both the traded volume and value.

The trading in securities issued by SAIDAL has known a decrease.

NCA Rouiba (which has been introduced by a cession of 2.122.988 of the shares of the investment fund AFRICA-INVEST) has contributed to the augmentation of activity in the main market (price of a share is 400 AD with a total of 849.195.200 AD).

It has a 84.7% contribution in the global traded volume and 83.34% in the overall traded value.

SME market is a newly created market for the Small and Medium Enterprises but so far has not known any activity.

Table n°7: the activity in the stock market in 2014

	Traded value
Alliance assurance	5.660.690
EGH El-Aurassi	3.339.595
NCA Rouiba	20.303.575

SAIDAL	12.106.480
SONELGAZ 14	8.145.000
Spa DAHLI	99.391.000

(The activity report of 2014 has only the traded value of each company)

The year 2014 has known a decline in both the traded value and volume; of 15.69% and 25.33% respectively.

Alliance assurance has known a boost in the trading of its securities; in 2013 it was 27.400 AD to 5.660.690 AD in 2014.

NCA Rouiba has known a decline of 50% of its traded value compared to 2013.

There has been no new listing in 2014.

Table n°8: the activity in the stock market in 2015

	Number of orders	Volume of orders	Traded volume	Traded value	Number of transactions
Alliance assurance	1013	1.098.766	17.313	10.048.415	51
EGH El-Aurassi	276	376.419	9.864	4427100	37
NCA Rouiba	1103	1.624761	97.079	36.077.915	100
SAIDAL	323	273252	15739	9.343.295	70

The activity of the equity market has intensified in 2015.

The traded volume was raised with 55.36%.

Alliance assurance has registered a big operation of blocs of 1.192.092.060.100 AD. This is the biggest amount ever seen in the “parquet”.

EGH EL AURASSI has an increase in the traded value of 32.56%

NCA Rouiba has also multiplied its traded volume by 92.77%

Unlike SAIDAL who has encountered a decrease in its traded volume and value -29.24% and 22.82% respectively.

Table n°9: the activity in the stock market in 2016

	Number of orders	Volume of orders	Traded volume	Traded value	Number of transactions
Alliance assurance	436	999647	231097	112691920	121
EGH EL AURASSI	248	151406	3491	1670980	22
NCA Rouiba	688	581095	63405	21004785	77
Biopharm	366	1185919	473148	659186960	63
SAIDAL	299	151887	17719	10945785	56

We have the introduction of new society BOPHARM.

Alliance assurance has known a decrease in the traded volume and value; 88.95% and 90.63% respectively

EGH EL AURASSI also had a decrease of 64.61% and 62.26% in the traded volume and value respectively.

The same could be said for NCA Rouiba; with a decrease of 34.69% and 41.78% in its volume and value.

In its first year of being listed, BIOPHARM has contributed with more than 81% of the total traded value in the main market.

SAIDAL has also known an increase of 12.58 % and 17.15 % in the traded volume and value respectively.

Table n°10: the activity in the stock market in 2017

	Number of orders	Volume of orders	Traded volume	Traded value	Number of transactions
Alliance assurance	1250777	367	271052	115750520	102
EGH EL AURASSI	280	154400	5585	2932505	26
NCA Rouiba	704	612154	37014	11890390	77
Biopharm	1494	1581662	149684	168529980	185
SAIDAL	305	101979	4810	3157865	48

In 2017, just Alliance assurance and EGH EL AURASSI have registered an increase in their traded volume and value;

With 17.29% and 2.71% for Alliance respectively, and 59.98% and 75.5% respectively.

As for NCA Rouiba, it had a decrease of 41.62% and 43.39% respectively.

Biopharm also suffered from a larger decrease; of 68.36% and 74.43% respectively.

But SAIDAL had the most losses -compared to the previous year which had an increase- with a decrease of 72.85% and 71.15% respectively.

Table n°11: the activity in the stock market in 2018

	Number of orders	Volume of orders	Traded volume	Traded value	Number of transactions
Alliance assurance	451	518313	28305	11978451	82
EGH El-	334	161840	8451	4289135	47

Aurassi					
NCA Rouiba	947	8249554	11110	3299660	29
Biopharm	1431	1791016	15006	172958405	193
SAIDAL	585	261334	21533	13271620	89

In 2018, Alliance assurance has faced even worse numbers than 2017 with a decrease of 89.56% in the traded volume and 89.65% in the traded value.

As well for EGH EL AURASSI, who had a decrease of 51.32% and 46.26% in the traded volume and value respectively.

As for NCA Rouiba, its volume and value decreased with 69.98% and 72.25% respectively.

However, BIOPHARM has a slight boost than last year, as it had an increase of 4.22% in the traded volume and 2.63% in value.

SAIDAL has achieved even greater numbers with an increase of 347.67% in traded volume and 320.27% in value.

Table n°12: the activity in the stock market in 2019

	Number of orders	Volume of orders	Traded volume	Traded value	Number of transactions
Alliance assurance	511	714551	23289	10.044.002	61
EGH El-Aurassi	307	139.782	18.034	9.792.246	58
NCA Rouiba	780	9.367.879	19.834	4.479.215	21
Biopharm	926	2.404.303	173.596	215.779.964	207
SAIDAL	730	225.936	14.663	8.777.396	87

Alliance assurance continued to have a decrease ; this time by 17.72% in traded volume and 16.15% in value.

EGH EL AURASSI had a great boost this year with an increase of 113.39% and 128.30% in the traded volume and value respectively.

NCA Rouiba continued to have an increase relatively close to the previous year; with an increase of 78.52% in traded volume and 35.75% in value.

BIOPHARM is steadily making an increase in the traded volume and value with 11.28% and 24.76% respectively.

SAIDAL however, has a decrease of 31.9% and 33.86% respectively.

Table n°13: the activity in the stock market in 2020

	Number of orders	Volume of orders	Traded volume	Traded value	Number of transactions
Alliance assurance	292	275254	15.071	6.160.895	31
EGH EL-Aurassi	241	110.706	4.441	2.452.690	26
NCA Rouiba	78	64.050	6.150	1.324.500	6
Biopharm	504	3.726.869	53.037	63.589.050	96
SAIDAL	274	84.206	9.097	4.931.329	20

The year 2020 had known a world-wide pandemic; so it comes to no one's surprise that there will be a decrease in the overall activity of the stock market.

Respectively, as always traded volume then value:

Alliance had a decrease of 35.29% and 38.66%.

EGH EL AURASSI had a decrease of 75.37% and 74.95%

NCA Rouiba had a decrease –naturally- of 68.99% and 70.43%

BIOPHARM, as all of them, had a decrease, with 69.45% and 70.53%

And lastly SAIDAL, who had a decrease of 37.96% and 43.82%.

From these numbers, we can summarize the evolution of the traded value:

-2010 AND 2011: decrease

-2012 AND 2013: increase

-2014: decrease again

-2015: increase

-2016: decrease

-2017 TO 2019: increase

-2020: decrease

We can clearly see that the traded value is very fluctuating this past decade; but this could be attributed to the changes that occurred like, for an example, the introduction of BIOPHARM or the maturity of *Air Algérie* bonds.

2-2-The market capitalization

It is the valorization of one enterprise on the basis of its stock rating

(la capitalisation boursière est la valorisation d'une entreprise à partir de son cours boursier)

In these past five years, the market capitalization has known fewer fluctuations than the traded value (according to the SGBV annual reports from 2010 to 2020).

- In 2015: there has been a variation of +4.3%
- In 2016: there has been a variation of +196.7%
- In 2017: there has been a variation of -11.34%
- In 2018: there has been a variation of +8.24%
- In 2019: there has been a variation of +1.92%
- In 2020: there has been a variation of -4.23%

We could say that the market capitalization is somewhat stable despite the changes happening in the stock market.

2-3-The Treasury Bonds:

2-3-1-The General Direction of Treasury (*Direction Générale de Trésor*) (source: sgbv.dz/the general direction of treasury, consulted on August 24th, 2021)

The General Direction of Treasury is responsible for:

- Initiating any legislative or regulatory instruments within its jurisdiction;
- Contributing to the definition of policies for managing Treasury intervention in the economy and ensuring its monitoring and follow-up of State participation in the non-financial public economic sector;
- Proposing the elements contributing to the definition of the State's external policy, to ensure the management, monitoring and evaluation;
- Participating with the competent authorities in the definition of measures of a financial nature related to the restructuring of the public economic sector and ensuring the management and monitoring;

- Preparing the defining elements of the public debt policy as well as the State's internal and external financial obligations;
- Taking any action related to the Treasury obligations and the management of the State's treasury resources and jobs;
- Developing actions for collecting financial resources and means of payment, necessary to cover the financial needs related to the implementation of the budget and financial commitments of the State;
- Determining the terms of remuneration of securities issued by the Treasury and funds deposited therein;
- Contributing to the development of institutions and instruments in financial markets;
- Contributing to the development and implementation of plans to modernize the banking and financial system;
- Ensuring the monitoring and evaluation of public insurance companies;
- Implementing basic funding for public industrial and commercial R&D (Research and Development);
- Establishing the summarized status of Treasury Operations; it is composed of five (5) departments:

- The department of public debt;
- The department of the State Treasury;
- The department of Investments;
- The department of public banks and financial markets;
- The department of insurance.

The General Direction of Treasury issues fungible Treasury Bonds (*Obligations Assimilables au Trésor* or OAT) on three (3) main maturities, namely seven (7), ten (10) and fifteen (15) years.

The Treasury Bond is a security of sovereign debt issued by a bidding technique called the Dutch auction and are issued on the primary compartment by Treasury Securities Specialists (*Spécialiste en Valeurs du Trésor* or SVT) approved by the General Directorate of Treasury.

2-3-2-The introduction of Treasury Bonds in the stock exchange market:

In the framework of re-launching and energization of the Algerian stock exchange, the Minister of Finance has decided to introduce Treasury Bonds in the stock exchange.

Currently these are the listed Treasury Bonds: (Source: sgbv.dz/les OAT cotées, consulted on august 24th, 2021)

Table n°14: The listed treasury bonds in the Algiers Stock Exchange

category	Stock code	Code ISIN	Introduction rating	Issuing date	Maturity date	Outstanding amount (million AD)	Coupon
T.B 15 years	0150122	DZ0000700090	103.05	17/01/2007	17/01/2022	16.000	5.00 %
T.B 15 years	0150123	DZ0000700132	110.66	16/01/2008	16/01/2023	6.000	5.00 %
T.B 10 years	0100422	DZ0000700264	108.85	18/04/2012	18/04/2022	15.000	3.50 %
T.B 10 years	0100623	DZ0000700298	108.93	05/06/2013	05/06/2023	5.000	3.50 %
T.B 15 years	0150323	DZ0000700157	120.22	10/12/2008	10/12/2023	1.000	3.75 %
T.B 15 years	0150324	DZ0000700181	108.58	18/03/2009	18/03/2024	15.000	3.75 %
T.B 15 years	0150425	DZ0000700215	109.6	07/04/2010	07/04/2025	19.900	3.75 %
T.B 15 years	0150626	DZ0000700249	115.62	10/06/2011	10/06/2026	5.000	3.75 %
T.B 15 years	0150527	DZ0000700272	106.3	02/05/2012	02/05/2027	15.000	3.75 %

T.B 15 years	0150728	DZ0000700306	100.00	03/07/2013	03/07/2028	5.000	3.75 %
T.B 10 years	0100224	DZ0000700322	100.05	23/02/2014	23/04/2024	41.232	3.50 %
T.B 15 years	0150329	DZ0000700330	100.10	23/03/2014	23/03/2029	48.177	3.75 %
T.B 7 years	0070722	DZ0000700348	98.43	05/07/2015	05/07/2022	21882	3.25 %
T.B 15 years	0150730	DZ0000700363	90.50	15/07/2015	15/07/2030	31.590	4.00 %
T.B 10 years	0100725	DZ0000700355	92.20	08/07/2015	08/07/2025	23.653	3.75 %
T.B 7 years	0070124	DZ0000700371	95.50	18/01/2017	18/01/2024	953	4.00 %
T.B 10 years	0101027	DZ0000700397	77.00	29/10/2017	29/10/2027	7.520	4.00 %
T.B 7 years	0070125	DZ0000700405	89.29	14/01/2018	14/01/2025	23.152	5.00 %
T.B 15 years	0150233	DZ0000700421	87.24	25/02/2018	25/02/2033	22.100	6.50 %
T.B 10 years	0100128	DZ0000700413	88.69	21/01/2018	21/01/2028	21.300	5.75 %
T.B 10 years	0199229	DZ0000700439	87.98	03/02/2019	03/02/2029	11.853	5.75 %
T.B 15 years	0150434	DZ0000700454	87.538	17/04/2019	17/04/2034	17.593	6.50 %
T.B 7 years	0070326	DZ0000700447	89.725	06/03/2019	06/03/2026	19.486	5.00 %
T.B 7 years	0071026	DZ0000700462	89.725	02/10/2019	02/12/2026	22.880	5.00 %
T.B 10 years	0100230	DZ0000700470	88.074	19/02/2020	19/02/2030	8.173	5.75
T.B 15 years	0150435	DZ0000700488	87.550	22/04/2020	22/04/2035	10.735	6.50
T.B 7 years	0070727	DZ0000700496	89.721	01/07/2020	01/07/2027	54.014	5.00
T.B 10 years	0100331	DZ0000700504	87.970	10/03/2021	10/03/2031	3.680	5.75
T.B 15 years	0150436	DZ0000700512	87.54	31/03/2021	31/03/2036	6.790	6.50
T.B 7 years	0070628	DZ0000700520	89.725	20/06/2021	20/06/2028	4.284,00	5.00

Conclusion of chapter III:

We can say that, from the brief analysis we did, that the Algiers stock exchange has somewhat developed; not like the developed countries, but that there is a little number of listed companies.

Although with creation of the SMEs market and them having less rigorous conditions of admission, hopefully there would be more companies getting listed.

We can say that in Algeria, there's a still lack of stock culture- we would not say a total absence of stock culture- that could help the evolution of the Algerian stock market.

Conclusion of the second part:

The Algiers stock exchange has come a long way from when it was created, with the reforms and adjustments it underwent..

But there is still a problem in the financing system, there still a big dependence on the traditional financing –which is the banking system- that is hindering the development of the stock market in Algeria.

The stock market was created as part of the reforms that Algeria underwent to transition to a market-economy, and to find an alternative financing source other than the banking system which is incapable of financing the whole economy.

The stock market had also undergone reforms and adjustments since its creation, but it has to be in the heart of the financial reforms for the financial system as a whole could prosper.

General conclusion:

Reforms of the financial sector have been pursued over the past decades in many developing countries as part of broader structural adjustment program.

These reforms were expected to bring about significant economic benefits, in particular through a more effective mobilization of households' savings.

Reforms in Algeria started later than some countries in East Asia and Latin America during the 1970s, policy makers were preoccupied with implementation of a development strategy led by the public sector, which absorbed a high level of households' savings.

During the period of centrally-planned system, the financial sector mainly accommodated the financial need of the government, public enterprises and priority sector.

The financial sector's role in financing the private sector investment remained modest, and efforts to mobilize savings were lacking the dynamism of competition.

In such an oppressive environment, which was typical of many pre-reform countries, economic efficiency remained low, and economic growth suffered.

The creation of a financial market was made due to reforms that Algeria was forced to undergo, but its important role in saving the economy should be the main reason for its establishment.

The stock market, as part of the financial market took a long time to actually start, despite the reforms and laws being promulgated before.

However, now we can say that the Algiers stock market has developed from its first years.

The absence of a large number of listed companies could be related to the lack of "stock culture" in Algeria.

In addition, the conditions of admission may be little complex, rigorous and it takes a lot of time and costs to get listed.

The reforms underwent by the stock market and its actors resulted in a somewhat developed stock market in Algeria.

But more companies need to get listed too, to benefit from the advantages brought to them.

“The stock culture” should really be a simple notion in the minds of people; seeing the stock market as an opportunity of alternative financing instead of being dependant on the banking system which is incapable of meeting the financial needs of the country that are in constant growth.

The stock market in Algeria should be in the heart of reforms concerning the financial sector, especially given its role in particular and the financial market in general as economic boosters.

The financial market ensures a more efficient and easy way for fund transfer.

There is also the debate about the process of privatization in Algeria and whether it was a failure.

Privatization is part of the reforms that Algeria underwent to transition to a more market-oriented system, yet it faced an internal resistance and was not fully exercised.

And the fact that it is performed outside the financial market is considered one of the factors of constraint of the Algerian financial market.

In conclusion, the country is still in need of implementing measures to develop its financial sector in general to be more performing; as it is evident that despite the changes noticed in the stock market in particular and the financial system as a whole, we are still in the last countries in the world in terms of our financial market.

Algeria needs to implement new strategies other than the hydrocarbon industry that would allow it to orient itself towards a new economic model destined to boost growth.

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