

PETERKA PARTNERS

THE CEE LAW FIRM

SMART CONTRACTS. WHEN THE CODE BECOMES THE LAW

In a world of ever-expanding technological progress at the forefront of blockchain technology, Smart Contracts are claiming a well-deserved place in the legal spotlight.

Though not yet considered mature enough to be subject to specific regulation, their legal implications are closely being assessed and where they can be successfully implemented in real-world scenarios is being explored.

Essentially, a Smart Contract is an automatized agreement (computer protocol) concluded between the creator of the contract and the intended recipient, using codes to articulate, verify and enforce the negotiation or performance of the contract.

Written in code, this agreement is then incorporated into the blockchain, making it immutable and irreversible, allowing the performance of transactions without third parties. Not only can Smart Contracts define the rules and penalties around an agreement in their code, they also create the potential for automatically enforcing those obligations.

Once the contract is concluded, the transaction is recorded on the blockchain just like any other and all nodes update their copy of the blockchain with this transaction.

Therefore, all the transactions are trackable on the blockchain and irreversible, enabling parties to exchange money, property, shares, or anything of value in a transparent way while avoiding the services of a third-party intermediary.

Smart Contracts offer various benefits such as speed, efficiency, accuracy, transparency and security, saving time on various business processes, and decreasing the possibility of third-party manipulation by eliminating the requirement for brokers or other intermediaries to ratify legal contracts that have already been signed.

From the perspective of the legislation in force, any Smart Contract drawn up in a programming language which meets the essential conditions of form and substance of the specific jurisdiction will have to be recognized as such and will therefore produce those specific legal effects.

As a result, Smart Contracts are already out there and being tested in various scenarios. They are being used by banks and insurance companies in their daily operations and have the potential in the long term to lead to considerable changes in the legal, social, and business ecosystems.

PETERKA & PARTNERS Romania remains at your disposal to provide more information and related legal assistance connected to this topic.

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