



The Shariah Framework for Smart Contracts, an Original Analytical Study

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An overview ❖

A smart contract is a contract that can be programmed electronically and implement its terms automatically. The researchers concluded that a smart contract can be used in Islamic business framework as long as it meets the basic legal elements as required under the Shariah principles. The paper used the **descriptive** and **analytical** method to conduct the research.

introduction . ❖

Blockchain is a distributed software framework that enables transactions to be processed without the involvement of a third party. The immutability of blockchains ensures distributed trust since all transactions stored in blockchains are virtually impossible to tamper with, and all past transactions are auditable and traceable.

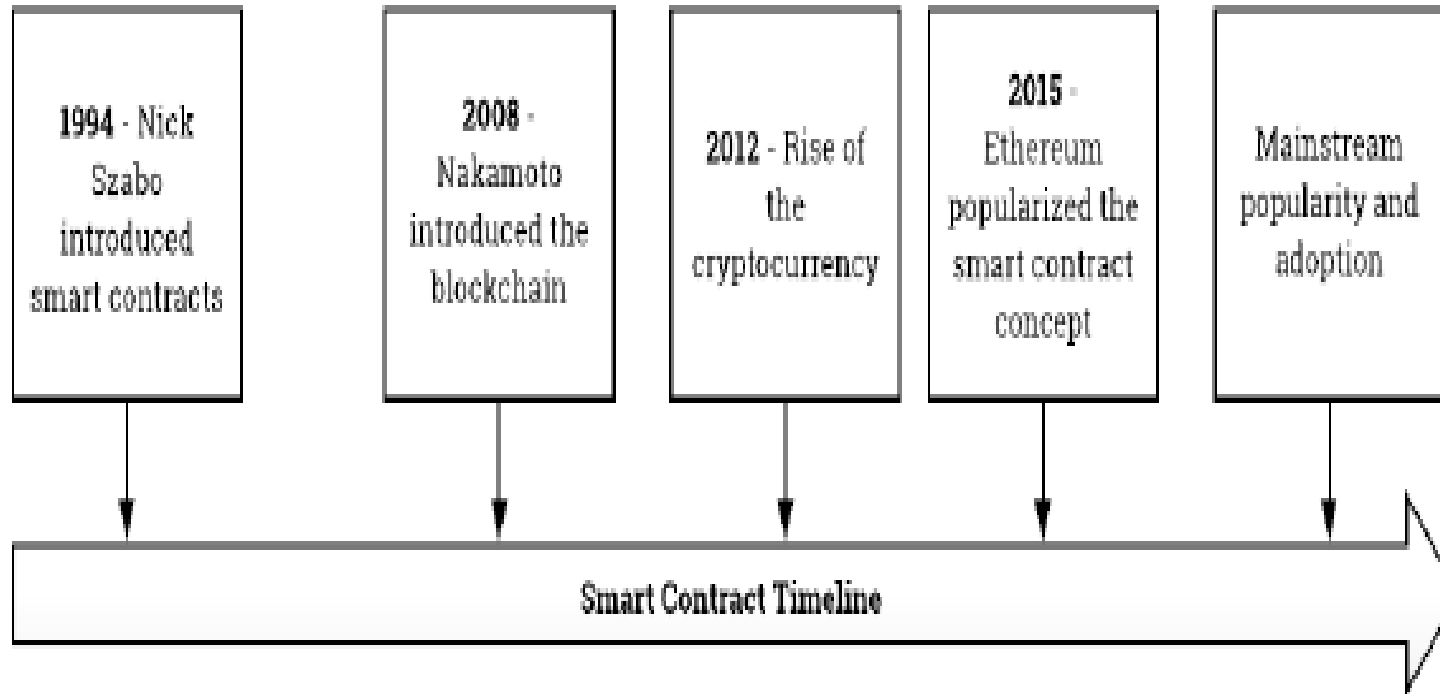




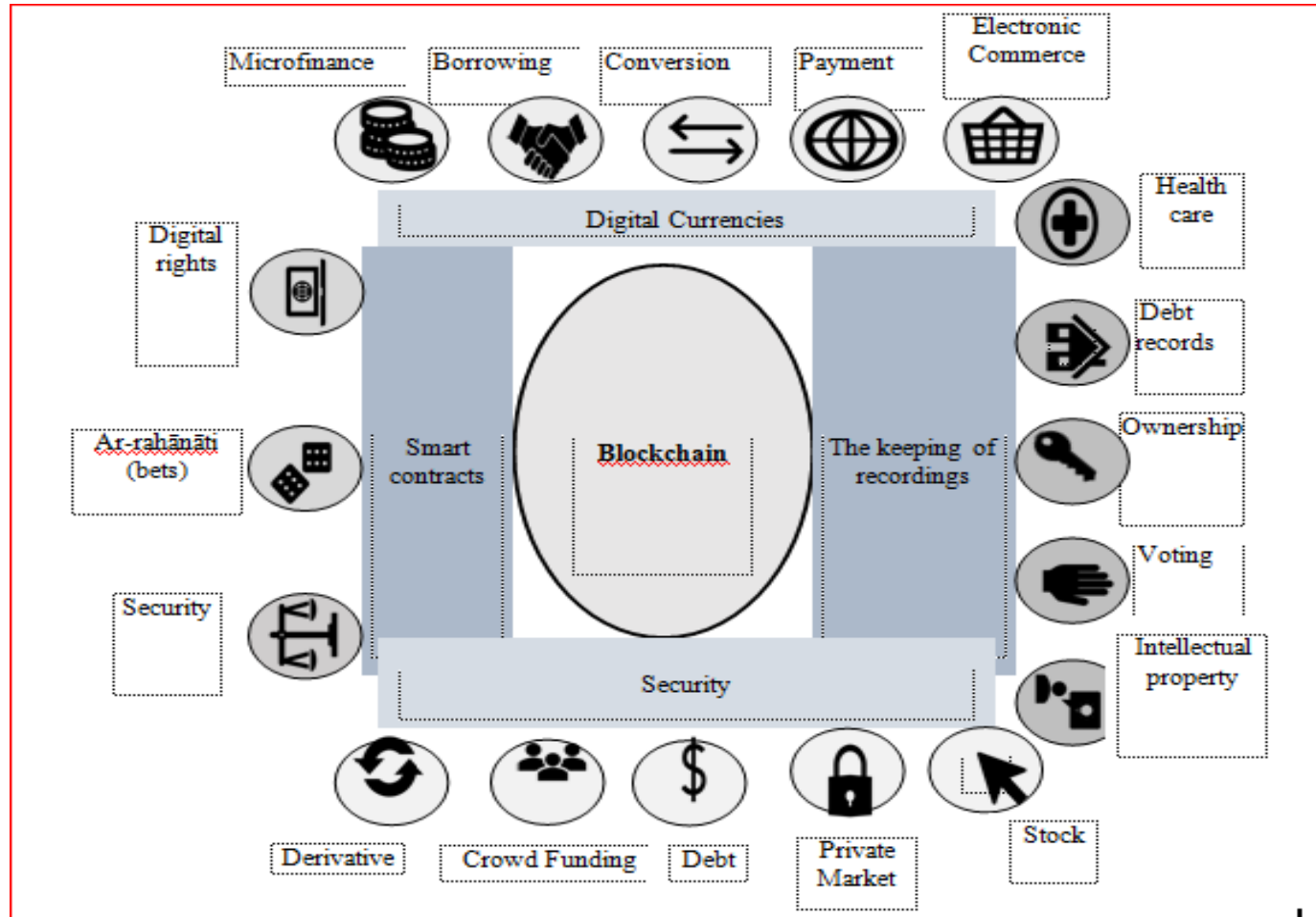
In recent times, Smart Contracts as well as the Blockchain Technology has been an unmissable trend for both academy and industry. This study hopes to explore new platform for smart contract application in line with the Islamic Shariah principles which will assist Muslims **eradicate** their **uncertainty** concerning the use of smart contracts.



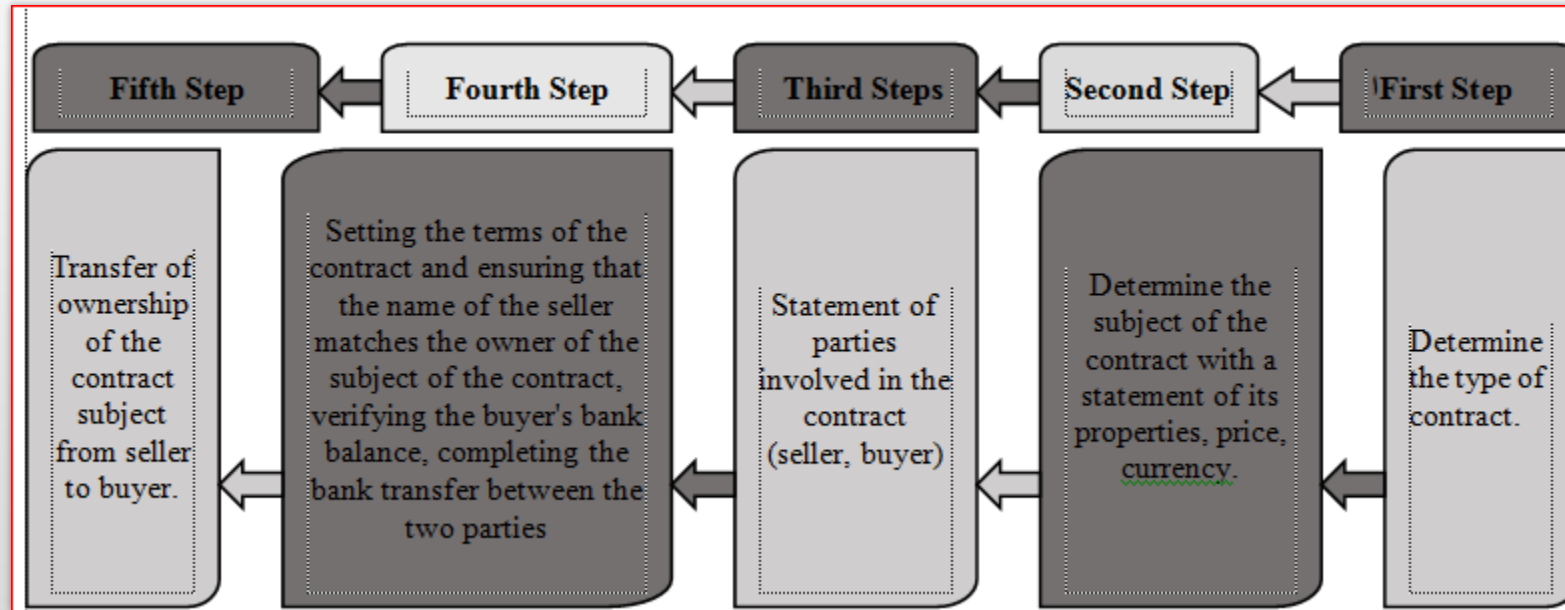
The Emergence of Smart Contracts. ❖



Areas of use of smart contracts ❖



The stages of implementing the smart contract



Similar Models for Smart Contracts in Islamic Jurisprudence

1. Contracts of Adhesion (Uqūdu al'ith'ā) عقود الإذعان

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- They are the types of contracts that are used in public facilities, There are formulas that contain terms and conditions, it only needed acceptance, And because these contracts are presented to the public, they are considered a public offer the legal ruling according to the fatwas of the Islamic Fiqh Academy, the ruling is permissible if the price is fair, It does not include any **prejudice** to the compliant party).

1. Similarities between Adhesion contracts and smart contracts

- **Compliance contracts are standard, prepared in advance, in which the contract details, stages and terms are made from one party. While smart contracts are typical and prepared in advance and contain accurate information of the contract and its procedures, all of this is based on agreement of the two parties.**
- **Contracts of Almueata **بيع المعاطاة****
- **It is for the contracting parties to agree on a price and goods and give them without an offer or acceptance. For example: if the buyer takes the sale and pays the seller the price, or the seller pays the sold price, and the other pays him without speaking or signaling, whether the sold is insignificant or valuable. (Zuhaili, 2006)**
- **Similarities between Almueatat sales and a smart contract**
- **Almueatati contracts and smart contracts agreed on the absence of verbal offer and acceptance. And adequacy of tangible exchange in Almueatati contract and electronic signature in smart contracts. Islamic jurisprudence accepts the principle of acting in the reciprocal process without verbal response and acceptance; it is based on the following:**

Similarities between bay' u Aliāstijrāri and smart contracts

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- **Bay' u Aliāstijrāri:** An idiomatically taking the goods from the seller little by little, and paying their price after that (Affairs, 1424) (Kuwaiti Fiqh Encyclopedia, 9:43).
- It is not in the contract offer and acceptance this helps us to authenticate electronic contracts that do not have a direct offer and acceptance. The electronic signature is like the process of receipt and delivery in the Ijarah contract

Special Shariah rules for building smart contracts

- 11.1 لا ينسب إلى ساكت قول ولكن السكوت في معرض الحجة بيان
- No statement shall be attributed to a person who remains silent this is a rule approved in the Shafi'i school; It is the basis for the permissibility of exchanges and sales in the virtual world. Because the rule states that judgments and rights are attached to a person, not necessarily through speech, the custom determines the mechanism of the statement, this rule is at the root of adopting smart contracts. The electronic signature is sufficient to prove them right and legality of the exchange

○ مجلس العقد هو الوحدة الزمنية للعقد بغض النظر عن المكان 2

- A contract board is the unit of time of a contract regardless of location. The Shariah standard (31) mentioned the principle of contracting by voice or video conversation - via the Internet - and the same is digital communication - and that it takes the provisions of the present contractors, so the provisions of the contract council union shall apply to it. The Shariah standard (31) regarding financial transactions on the Internet stated in paragraph 2 /2 ": It is permissible to conclude financial contracts via the Internet, and the contracts you enter into with are subject to its customers via the Internet for the general rules for financial transactions in Islamic law, such as opening accounts,

• Conclusion

- Smart contracts offer the Islamic economy, especially the financial services sector, an exciting and transformative opportunity. Latest advancement within the field of blockchains, cryptocurrencies, smart contracts and intelligent agents have pulled in the consideration of experts and advocate of Islamic finance as well as Shariah scholars.
- Contract considerations and succession will differ among different products and among different transaction. Core specifications for Shariah compliance, such as offer (Ijab) and acceptance (Qabul), are assumed to be fulfilled. In Shariah, all methods of execution including are permissible.
- It is critical for Islamic banks, financial service providers, and insurers to gain a thorough understanding of smart contracts in order to effectively collaborate with the blockchain-based smart contract start-up ecosystem. They may also concentrate on developing completely new goods and services based on smart contracts.