

ABSTRACT

A smart contract is known as an automated contract based on the programmed conditions, which is created on a cryptographically encrypted blockchains. With the introduction of this concept in 1990s, due to the numerous benefits of its applications, the concept of smart contracts has become a popular method of contracting among the international community. Unlike the traditional contracts, smart contracts do not require the involvement of a trusted third party and these contracts also eliminate the requirement of human review or involvement as they are formed on a fully digital platform with a coded programming language. Even though, the concept of smart contracts is not a well-established concept in Sri Lanka, due to the recent developments in the blockchain technology-based applications, there is a tendency of developing the concept of smart contracts in the country. With the rapid growth of this technology around the world, there is a necessity for Sri Lanka to identify the concept of smart contracts and its legal aspects to deal with the challenges of its applications. In the Sri Lankan legal context, even though there are laws to govern electronic contracts i.e., Electronic Transactions Act No. 19 of 2006 as amended, there is a dearth in the knowledge and insufficiency in the statutory laws, judicial decisions and legal scholarly writings in respect to the concept of smart contracts in Sri Lanka. This lacuna of the law could lead to uncertainties and complications on the legality of the applications of smart contracts. Hence, there is a necessity to examine whether the existing laws that are applicable to the contracts in the Sri Lanka, are adequate to address the legal validity of smart contracts in Sri Lanka. The purpose of this study is to identify the concept of smart contracts and its applications in Sri Lanka and to examine and analyze the adequacy of the existing legal framework to deal with the applications of smart contracts. From the legal perspective, this study highlights the legal aspect of smart contracts in Sri Lanka in the light of the existing legal background related to the law of contracts in the country. The findings of this research disclose that even though there is a necessity for the legal recognition of the concept of smart contracts in Sri Lanka, considering the other factors of the country and the approaches taken by other jurisdictions, it is more appropriate to identify and recognize the concept within the context of existing laws in Sri Lanka until a separate legislation is enacted when the necessity arises. For the purpose of analyzing the legal aspect of the smart contracts in Sri Lanka and to suggest recommendations to the Sri Lankan legal frame, this research focuses on a comparative legal study with selected