

## CHAPTER V

### CONCLUSION AND RECOMMENDATION

#### 5.1 Conclusion

Due to the growing usage of smart contracts globally and in Indonesia, it is becoming increasingly relevant to address their position within the context of Indonesian contract law as well as the legal issues that arise with their implementation. Particularly pertinent to this paper are issues regarding the validity of smart contracts as well as the interpretation of smart legal contracts under Indonesian law. Based on the research that has been carried out, the following conclusions can be made:

1. Under Indonesian contract law, smart contracts can constitute legally valid and thus binding agreements so long as they fulfill the requirements of validity outlined in Article 1320 of the Civil Code. The concept of a smart contract falls in line with the definition of electronic contract, which was formally recognized in the ITE law as an agreement made through electronic system. Therefore, as a type of electronic contract, it is possible for smart contracts to be considered legally valid contracts given all the requirements for validity are fulfilled, that is: consent, capacity, specific subject matter, and admissible cause.
2. Indonesian contract law would likely not be comprehensive enough as it is to accommodate smart legal contracts. More regulations are likely necessary in order to resolve issues regarding interpretation of smart legal

contracts. Nevertheless, Indonesian courts and legislators could adapt several ideas brought forth by the Law Commission's conclusions in their report to interpret smart legal contracts, namely by examining the context in which the parties intended the code to do and not just what the code performs as well as allowing natural language aids to help interpret coded terms.

## **5.2 Recommendation**

From these conclusions the following recommendations can be made:

1. First, more legal certainty is needed regarding smart contracts and smart legal contracts despite the fact that they can be valid agreements under the law. This can be achieved with additional regulations that both define smart contracts and clarify their status under the law. Because smart contracts are not by themselves legal agreements, it is perhaps also necessary for legislators to distinguish standard smart contracts from smart legal contracts for legal clarity. In this, the government needs to recognize the validity of smart legal contracts under Indonesian law and differentiate the various types of smart legal contracts. More regulation is also needed to resolve uncertainties regarding the interpretation of smart legal contracts, particularly with the interpretation of coded terms, which will surely generate difficulties and issues with the current legal framework.
2. In resolving the difficulties of interpreting coded terms, it is advisable for contracting parties to provide natural language aids when drafting a smart

legal contract as they will be certainly be helpful should there be a dispute regarding interpretation. Natural language aids include business process documents (or term sheets), natural language explanations of the code, and natural language comments in the source code. These natural language aids can be classified as written evidence under Article 1866 of the Civil Code.

