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LEGAL FRAMEWORK FOR REGULATING ARTIFICIAL INTELLIGENCE (AI) AND SMART CONTRACTS IN NIGERIA

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Abstract
A contract is simply an agreement between parties, creating mutual obligations that are enforceable by law. The advent of artificial intelligence presents a new phase in the contractual world. Today, smart contracts have become very popular internationally. In terms of traditional contracts, AI and smart contracts operate as a historical compass, giving direction with respect to a wider spectrum of their evolution. Therefore, the aim of this paper is to present a framework that facilitates a comprehensive examination of the legal implications arising from the convergence of innovation and tradition through an analysis of the conceptual landscape.

INTRODUCTION

The integration of Artificial Intelligence (AI) and block-chain technology-based smart contracts has reshaped traditional contracts. As these innovations gain prominence in commercial transactions, understanding their legal implications within existing regulatory frameworks becomes crucial. Y-son Nguyên[4] holds the viewpoint that adopting regulatory measures for Artificial Intelligence (AI) is a wiser course of action than implementing a complete ban. The author posits that the formulation of legislation should be guided by a twofold purpose, namely the promotion of innovation and the protection of public welfare. It is crucial to implement legislative frameworks that regulate the use of these technologies to enhance adoption and address any legal issues that may arise from such adoption. These legal frameworks will therefore give judges and panels of alternative dispute resolution the necessary information to rule on cases involving AI and smart contracts.

Despite the critical need for a legal framework to regulate emerging technologies, there are still relatively few legislative frameworks in place because many developed and developing nations lack precise laws governing AI and smart contracts either due to lack of knowledge on them or reasons best known to the jurisdictions. Nigeria

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[4]Y. Nguyên, 'Artificial Intelligence Contract: How Algorithms and Machines have Disrupted the way Law is Practiced' *PM World Journal* [2019] (8) (9) 27.

is one of these countries with no law on both AI and smart contracts. Among the 195 countries in the globe, about 37 have proposed legal frameworks of AI to address public concerns about AI safety and governance[5].

This paper conducts a comparative analysis of the regulatory approaches to AI and smart contracts across various jurisdictions. By examining statutes, case laws, and regulatory guidelines, we identify commonalities, disparities, and emerging trends. Through this research, we hope to promote clarity in navigating the nexus between artificial intelligence, smart contracts, and traditional contract law and to inform policymakers, legal practitioners, and stakeholders about the changing legal landscape. The countries for this analysis include Nigeria, the United States of America (USA), the United Kingdom (United Kingdom), and the European Union (EU).

CONCEPTUAL BACKGROUND

Artificial Intelligence, as a field of study, traces its roots back to the mid-20th century. The term 'Artificial Intelligence' was first coined by John McCarthy in 1956 during the Dartmouth Conference, which is considered the founding event of AI research. Early AI developments focused on creating machines capable of performing tasks that required human intelligence, such as problem-solving, learning, and language understanding. Thus, according to Nils Nilsson Artificial Intelligence is 'that activity devoted to making machines intelligent'.

AI development has been characterized by several waves of hope followed by gloomy times known as 'AI winters. Significant progress has been made despite these swings, especially with the advent of neural networks and machine learning algorithms in the late 20th and early 21st centuries. Artificial Intelligence (AI) now includes various technologies, such as autonomous systems and natural language processing, which are being incorporated into more and more fields, including law.

In the legal domain, AI has primarily been used to automate routine tasks, such as document review, legal research, and contract analysis. AI systems can review contracts for errors, inconsistencies, and missing clauses. This is faster and often more accurate than manual review. AI can also analyze past contract performance and external factors to predict outcomes and inform decision-making. This helps parties anticipate risks and opportunities. Ultimately, AI transforms traditional contracting by automating repetitive tasks, enhancing accuracy, and providing valuable insights throughout the contract life-cycle.

The COVID-19 pandemic significantly accelerated the adoption of digital technologies, including smart contracts. As governments worldwide imposed lockdown and social distancing measures to curb the spread of the virus, traditional ways of conducting business were disrupted. The pandemic highlighted the vulnerabilities of traditional contractual processes, such as the reliance on physical signatures and face-to-face negotiations, which became impractical under the new circumstances.

Smart contracts, which are self-executing contracts on a code, although not new, emerged as a viable solution to these challenges. Their digital nature allowed for the seamless execution of agreements without the need for physical interaction. For instance, with the widespread shift to remote work, organizations and individuals relied on digital solutions to manage contractual obligations. Smart contracts enabled parties to enter into agreements and perform contractual duties remotely, maintaining business continuity despite lock-downs and social distancing measures. The increased reliance on digital solutions during the pandemic also underscored the importance of legal frameworks that support the use of smart contracts. Jurisdictions began to recognize the validity of electronic signatures and digital contracts, paving the way for the broader acceptance and integration of smart contracts into the legal system.

[5]Mind Foundry, 'AI Regulations Around the World' <https://www.mindfoundry.ai/blog/ai-regulations-around-the-world> accessed 9 May, 2024.

A paradigm shift in the field of traditional contracts has been brought about by the convergence of Artificial Intelligence (AI) and smart contracts. As these technologies advance and gain traction, the legal framework that governs contractual agreements will also need to change to keep up with these revolutionary developments.

DEFINITIONOF THE TERMS: WHAT IS A CONTRACT?

The definition of a contract lacks uniformity among scholars, as each offers his or her own meaning to the term. However, a common underlying feature is present throughout the definitions that will be recognized below. A contract is an agreement that the law will enforce or recognize as affecting the legal rights and duties of the parties[6].

According to Black's Law Dictionary[7] 'a contract is a promise or set of promises for the breach of which the law gives a remedy, or the performance of which the law in some way recognizes as a duty'. According to Salmond 'a contract is an agreement creating and defining obligation between two or more persons by which rights are acquired by one or more to acts or tolerance on the part of others'[8].

Chitty defined a contract 'as a promise or set of promises which law enforce"[9].

Sir Williams Anson defined a contract 'as a legally binding agreement between two or more persons by which rights are acquired by one or more to acts or tolerance on the parts of others'[10]. It is noteworthy that the above definitions reveal a recurring feature in all attempts to clarify the concept of a 'contract', i.e. the requirement of mutual consent. The fundamental aspect of a contract is the convergence of the parties' intentions (consensus ad idem), resulting in a comprehensive and definitive agreement. This requirement must be fulfilled in practice.

WHAT IS A TRADITIONAL CONTRACT?

Traditional contracts are handwritten or printed documents that stipulate the terms of an agreement between two or more persons and require physical signatures and in-person communication from all parties involved.

2.2.3 WHAT IS A SMART CONTRACT?

According to Nick Szabo 'smart contracts can be described as a set of promises, specified in digital form, including protocols within which the parties perform on these promises'[11]. It is simply a digital-based self-executing contract with its term inputted in a code on a blockchain and executed when predefined conditions are met.

WHAT IS THE BLOCKCHAIN TECHNOLOGY?

Satoshi Nakamoto, the founder of Bitcoin, defines 'block chain technology as a chain of blocks where each block is a list of transactions'[12]. Blockchain technology is a distributed ledger system that employs a shared, replicated, decentralized, and distributed ledger that can be either publicly or privately accessible, with or without permission, and powered by tokenized or tokenless crypto-economics[13]. Because it runs on a network of peers, transactions can be validated without the use of a central authority or middleman. This feature is essential to the disruptive potential of blockchain technology[14]. Transactions recorded on the block-chain are transparent and tamper-

[6]I. E. Sagay, *Nigerian Law of Contract* (Spectrum Law Publishing 1993).
[7]8th edition (Thomas Reuters 2004).
[8]J.W. Salmond, *Principles of the Law of Contracts* (London 1945).
[9]J. Chitty, *Chitty on Contracts* (Sweet & Maxwell U.K. 2004).
[10]J. Beatson, A. Burrows and J. Cartwright, *Anson's Law of Contract* (Oxford University Press 2010).
[11]N. Szabo, 'Smart Contracts: Building Blocks for Digital Market' *Extropy Journal of Transhuman Thought* [1996] (3) (1).
[12]S. Nakamoto, 'Bitcoin: A Peer-to-Peer Electronic Cash System' <www.https://bitcoin.org/bitcoin.pdf> accessed 11 December 2023.
[13]A. M Antonopoulos, *Mastering Bitcoin: Unlocking Digital Cryptocurrencies* (O'Reilly Media 2014).
[14]Ibid.

resistant. Once a block is added, it cannot be altered, thus providing a high level of security[15].

WHAT IS ARTIFICIAL INTELLIGENCE (AI)?

It is extremely challenging to make a definition that will satisfy everyone and remain relevant technology advances. This is because anything that surpasses the capabilities of computers is considered Artificial Intelligence (AI) until the initial hype surrounding it fades, a phenomenon known as the AI effect[16]. Nevertheless, John McCarthy, the father of Artificial Intelligence, describes AI 'as the science and engineering of making intelligent machines, especially intelligent computer programs'[17]. It concerns computer systems that simulate the human intellect. Artificial Intelligence refers to 'the advancement of computer programmes or machines that possess the ability to execute tasks that generally necessitate human intelligence, encompassing areas such as learning, reasoning, problem-solving, and decision-making'[18].

WHAT IS ARTIFICIAL INTELLIGENCE (AI) GENERATED CONTRACT?

The artificial intelligence generated contract simply refers to contracts created, evaluated, or analyzed with the use of artificial Intelligence algorithms.

DEFNITION OF OTHER AI-RELATED CONCEPTS:

AI ALGORITHMS

An algorithm refers to a prescribed sequence of steps or rules that are systematically executed to solve a problem or accomplish a designated task[19]. A set of instructions or commands used to perform a particular operation. Algorithms can exhibit varying degrees of complexity, ranging from rudimentary procedures like the addition of two numbers to intricate processes that encompass numerous steps and entail decision-making[20]. Thus, an AI algorithm is the programming that tells the computer how to learn to operate on its own.

MACHINE LEARNING

Machine learning was first described in 1959 by the American AI pioneer Arthur Samuel, who stated that the field of research that allows computers to learn without explicit programming is known as machine learning[21]. The two most important terms in the definition are 'learning' and 'without explicit programmed' where 'implicit programming' refers to giving a computer the guidelines and directives it has to follow in order to carry out a certain function. Since humans constantly learn instead of following instructions, Samuel argued that 'instructing computers' should be replaced with 'giving them the ability to learn'[22]. AI uses machine learning algorithms because it is the most prevalent approach for training AI algorithms. Virtually all the top consumer-facing applications rely on machine learning. For example; the Siri voice virtual assistant, Google Translate, Alexa voice virtual assistant and many more.

NATURE OF THE CONTRACTS

Contracts are fundamental to modern society, serving as the backbone of business transactions and facilitating agreements between parties in various realms, from business transactions to personal agreements. They are voluntary agreements between two or more parties binding them to specific rights and obligations, whether formal

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[15]W. Mougayar, *'The Business Blockchain: Promise, Practice, and Application of the Next Internet Technology'* (John Wiley Publication 2016).

[16]G. Mauro and N. Valigi, ZERO *TO AI* (Manning Publications 2020).

[17]J. McCarthy, 'What is Artificial Intelligence?' <https://www-formal.stanford.edu/jmc/whatisai.pdf > accessed 27 December 2023.

[18]S. Tripathi and C. Ghatak, 'Artificial Intelligence and Intellectual Property Law' *Christ University Law Journal* [2018] (7) (1) 83.

[19]A.S Gillis, 'What is an algorithm?' <https://www.techtarget.com/whatis/definition/algorithm> accessed 9 December 2023.

[20]F. Morandín-Ahuermaa, 'What is Artificial Intelligence?' *International Journal of Research Publication and Reviews Journal* [2022] (3) (12) 1947-1951.

[21]G. Wiederhold, 'Arthur Samuel: Pioneer in Machine Learning' *IBM Journal of Research and Development* [1992] (36) (3) 329-331.

[22]Ibid.

or informal, written or oral coupled with various essential elements and functions. These elements form the basis of any contractual agreement.

NATURE OF SMART CONTRACTS

Smart contracts, despite their current surge in popularity driven by block-chain technology, have been under development since the 1990s as they are simply contracts without the need for human intervention. The term 'smart contract' was first introduced by computer scientist and cryptographer Nick Szabo about 20 years ago as a graduate student at the University of Washington. He is widely recognized as the progenitor of smart contracts. According to Szabo:

New institutions and new ways to formalize the relationships that make up these institutions are now made possible by the digital revolution. I call these new contracts 'smart,' because they are far more functional than their inanimate paper-based ancestors. No use of Artificial Intelligence is implied[23].

Given that smart contracts are new to persons and contentious, it is expected that there is no universally accepted definition of them. Nevertheless, 'smart contracts' is a term used to describe computer codes that automatically execute all or parts of an agreement and are stored on a block chain-based platform[24]. They are automated agreements that are set into motion once certain conditions are fulfilled[25]. For decades, smart contracts have been likened to a vending machine as it helps initiate an exchange between parties who do not trust themselves to perform the contract[26]. The vending machine is programmed to give out whatever it sells to the buyer as he/she fulfills his/her obligation of payment with cash or coin and is then given the goods which serves an executed agreement without a seller/ cashier, just like a smart contract function. The automated flight delay insurance system 'Fizzy', which is powered by the Ethereum blockchain and is utilized by the French airline AXA, serves as an illustration of how a smart contract functions similarly to a vending machine. Passengers purchase insurance via the AXA app, triggering a smart contract on the blockchain. If a flight is over 2 hours late, the smart contract automatically notifies the passenger and sends compensation directly to their chosen bank or credit card. This automation streamlines the process, providing seamless compensation for delays[27].

Smart contracts are characterized by several key attributes;

Digital and code-based

Smart contracts exist in the digital realm and are written in code. This code defines the rules and conditions of the contract, specifying how it should be executed and under what circumstances.

Decentralized

Decentralized blockchain networks enable smart contracts to function without the need for middlemen like banks or legal institutions. Transactions are verified and recorded by network participants (nodes) through a consensus mechanism, ensuring transparency and trust[28].

Automated Execution

[23]N. Szabo, 'Smart Contracts: Building Blocks for Digital Market' *Extropy Journal of Transhuman Thought* [1996] (16) (18) 2.

[24]S. D. Levi and A. B. Lipton, 'An Introduction to Smart Contracts and Their Potential and Inherent Limitations' <https://corpgov.law.harvard.edu/2018/05/26/an-intoduction-to-smart-contracts-and-their-potential-and-inherent-limitations/> accessed 17 December 2023.

[25]K. Werbach and N. Cornell, 'Contracts Ex Machina', *Duke Law Journal* [2017] (67) (2) 313-382.

[26]Ibid.

[27]Futures Center, 'AXA launches Fizzy: the first automated insurance payout scheme' <https://www.thefuturescentre.org/signal/axa-launches-fizzy-the-first-automated-insurance-payout-scheme/> accessed 16 December 2023.

[28]S. Nakamoto, 'Bitcoin: A Peer-to-Peer Electronic Cash System' <https://www.ussc.gov/sites/default/files/pdf/training/annual-national-training-seminar/2018/Emerging_Tech_Bitcoin_Crypto.pdf > accessed 16 December 2023.

One of the distinctive features of smart contracts is that they have an automatic execution clause component that does not require human input for the contractual terms to be implemented where predetermined conditions are met[29]. Automation makes intermediaries unnecessary because the processes eliminate those middlemen and occur swiftly and exactly. For example: A group of farmers may agree to create a pool of resources as an insurance against drought, flood, or other natural disaster. Once such a disaster occurs, a machine (oracle) verifies it according to the specified procedure (e.g. by checking the weather or news in predesignated sources) and allocates resources.

Tamper proof/Immutability

Once deployed on a block chain, smart contracts become tamper-proof and unalterable. This immutability ensures that the terms of the contract remain secure and unchanged once agreed upon[30].

PARTIES TO A SMART CONTRACT

There is no contract without parties be it in person or over a code, thus the various parties to a smart contract include:

i. The core group of programmers or designers in charge of organizing the code design. This also applies to the developers of the smart contract apps.

ii. People who use the blockchain, such as banks and hospitals, and

iii. Those who do not rely on technology directly but are nonetheless affected by it, like bank customers, patients, or customers of brokers who store bitcoin on behalf of clients[31].

THE LEGALITY OF SMART CONTRACTS ARE SMART CONTRACTS 'CONTRACTS'?

Smart contracts, coded into the fabric of blockchain technology, redefine the execution of contractual obligations. Through self-execution, these contracts raise questions regarding enforceability, interpretation, and the adaptation of legal doctrines to accommodate decentralized and automated systems as well as their impact on the fundamental tenets of traditional contract law. Tega Edema, in analyzing the legal intricacies surrounding smart contracts, asks the question, 'But is it possible to claim that a smart contract is still a contract in the sense attributed by contract law?'[32]. The issue of whether smart contracts can be considered legally binding contracts has been a subject of debate among legal scholars and practitioners, as observed by Felten[33]. It seems that this is one of the most controversial issues in relation to smart contracts. Olaf Meyer[34] suggests that smart contracts notably diverge from traditional contracts due to their strict adherence to an explicit conditional if-then logic, unlike the mutual agreements and sequential offer and acceptance that form the basis of traditional contracts. Nevertheless, certain jurisdictions explicitly acknowledge the legal validity of smart contracts by integrating them into their current legislative framework[35]. Catchlove, however, notes a similarity between smart contracts and contract law in their

[29]J. Cieplak and S. Leefatt, 'Smart Contracts: A Smart Way to Automate Performance' *Georgetown Law Technology Review* [2017] (1) (2) *417*- 418.

[30]Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates 'An Introduction to Smart Contracts and Their Potential and Inherent Limitations' <https://www.skadden.com/media/files/publications/2018/05/cybersecurity_smartcontracts_050818.pdf> accessed 19 December, 2023.

[31]D. Zetzsche et al, 'Liabilities Associated with Distributed Ledgers: A Comparative Analysis' <https://www.elgaronline.com/view/edcoll/9781788979016/21_chapter9.xhtml> accessed 20 December, 2023.

[32]T. Edema, 'Contract Law In An Era Of Technology: Examining Liability In Smart Contract Transactions'. *ABUAD Law Journal (ALJ)* [2020] (8) (1) 74-93.

[33]E. Felten, 'Smart Contracts: Neither Smart nor Contracts?' <https://freedom-to-tinker.com/2017/02/20/smart-contracts-neither-smart-not-contracts> accessed 20 December 2023.

[34]O. Meyer, 'Stopping the Unstoppable: Termination and Unwinding of Smart Contracts'. Journal of European Consumer and Market Law (EuCML) [2020] (9) 17-24.

[35]A. Makhovsky, 'Belarus Adopts Crypto-Currency Law to Woo Foreign Investors' <https://www.reuters.com/article/us-belarus-cryptocurrency-idUSKBN1EG0XO> accessed 20 December 2023.

use of a conditional framework, with both systems involving the reciprocal exchange of promises[36]. Although there has been debate among scholars on whether smart contracts qualify as contracts under the law, it has been agreed upon that they do subject to some alterations. For a contract to be legally binding, it must meet the requirements of the elements of a contract, as stated earlier; thus, where a smart contract meets these requirements, it is deemed a contract. In essence, to determine whether a smart contract can give rise to a legally enforceable contract, consideration must be given to whether each of the requirements necessary for a legally binding contract is met. It should be noted that the initial steps of reaching a contractual agreement are not significantly different between smart and traditional contracts because a smart contract requires the parties to agree to a set of terms before it can be implemented[37]. A smart contract that is uploaded to the blockchain by an offeror and clearly outlines the terms of the transaction in binary computer code will be seen as an offer as opposed to an invitation to treat[38]. For a contract to be accepted, the counter-party must both agree to its substantive terms and take the necessary steps to accept them within the stipulated time frame and according to the offer's protocol. A party is deemed to have accepted the terms of the offer by entering his terms the smart contract code[39]. The general common law principles of contract law with regard to consideration also apply to smart contracts. Consideration need not be adequate so long as it is something of value in the eyes of the law. In smart contracts, transaction fees paid by participants to the contract could well be considered for the smart contract[40]. Consequently, it might be challenging for one party to claim against the other party that relied on the smart contract that no legal relationship was intended to be formed with regard to it if the other conditions for a legally binding contract are met in the case of a smart contract[41]. As a result, it is argued that the issue of whether smart contracts are legitimate is resolved by established contract law principles. Once they satisfy the fundamental requirements mentioned above, smart contracts are equally legitimate as any other type of contract. The large body of literature suggests that the traditional principles of contract law may apply perfectly in the case of smart contracts[42]. Given the varied interpretations and legal gray areas around smart contracts, a sound proposition is crafting regulations specifically tailored to them, particularly focusing on their coding language[43].

LEGAL FRAMEWORK FOR THE REGULATION OF AI IN NIGERIA

Currently, the Nigerian legal system lacks a legal framework for AI system regulation. However, on the 11th of August 2022, stakeholder contributions were requested by the National Information Technology Development Agency (NITDA) to ease the development of the National Artificial Intelligence Policy (NAIP)[44].

By offering standards for the ethical development and implementation of AI systems, the framework seeks to direct the adoption of AI in Nigeria. In addition, the framework aims to address concerns about cybersecurity, data privacy, and bias and discrimination. Essentially, the goal of the NAIP's development is to optimize the

[36]P. Catchlove, 'Smart Contracts: A New Era of Contract Use' < https://ssrn.com/abstract=3090226 > accessed 20 December 2023.
[37]A. Savelyev, 'Contract law 2.0: 'Smart contracts as the beginning of the end of classic contract law' Information & *Communications Technology Law* [2017] (26) (2) 116-124.
[38]Ibid.
[39]Ibid.
[40]D. Zetzsche, R. Buckley and D. Arne, 'The Distributed Liability of Distributed Ledgers: Legal Risks of Blockchain' *University of Illinois Law Review* [2017] (18) (4) 1366.
[41]J. Maldvir, 'Smart Contracts-Self-Executing Contracts of the Future?' *International In-house Counsel Journal* [2020] (13) (51) 1.
[42]M. Raskin, 'The Law and Legality of Smart Contracts' *Georgetown Law Technology Review* [2017] (1) (2) 307-320.
[43]D. Filippi and S. Hassan, 'Blockchain Technology as a Regulatory Technology: From Code is Law to Law is Code' Open *Edition Journals* [2017] (17) (1) <http://journals.openedition.org/factsreports/4518> accessed 30 December, 2023.
[44]NITDA, 'National AI Policy: Call For Contributions' <https://oecd.ai/en/dashboards/policy-initiatives/http:%2F%2Faipo.oecd.org%2F2021-data-policyInitiatives-27396> accessed 5 March 2024.

advantages, reduce any potential risks, and handle some of the challenges associated with integrating AI into our daily lives[45].

Furthermore, the Nigerian government, working through the National Information Technology Development Agency (NITDA), announced in March 2023 that it would start implementing the National Policy on Artificial Intelligence after finishing the first draft[46]. The NITDA additionally disclosed in June 2023 that it had started creating Nigeria's code of practice for AI technologies, including ChatGPT[47]. The Code is intended to tackle many challenges with generative AI technologies, including bias, accountability concerns, lack of data privacy, transparency challenges, and fake news[48].

Given that a framework is currently under development and the unpredictability of the length of time it will take for the draft to be released, it is essential to look at other AI frameworks that have already been established globally as models for developing a regulatory framework for the application and use of AI in Nigeria.

INTERNATIONAL TREATY ON AI

The Framework Convention on Artificial Intelligence, Human Rights, Democracy and the Rule of Law was finalized by the Council of Europe Committee on Artificial Intelligence on 14th March 2024 and adopted on the 17th of May, 2024. It will accordingly be opened for signature on the 5th day of September, 2024.

This draft Convention is a major step forward in the global governance of AI, complementing the recently passed EU AI Act. It is the first legally binding treaty on the topic and adds a more thorough focus on human rights protection. The AI Convention protects human rights against AI's harmful consequences[49].

The Council of Europe Secretary General Marija Pejčinović stated that;

The Framework Convention on Artificial Intelligence is a ground-breaking, global treaty that will guarantee that Artificial Intelligence respects people's rights. It is a response to the need for an international legal standard supported by states in different continents that share the same values to harness the benefits of AI while mitigating the risks[50].

The Council of Europe, working with like-minded international allies including Argentina, Australia, Japan, and others, developed this treaty, which is available to all nations. Third-party nations can ratify the treaty, in contrast to the EU AI Act, which is exclusively accessible to EU members[51].

The convention creates standards for transparency and oversight that are particulars to risks and situations, such as recognizing information produced by artificial intelligence (AI) systems. In cases where the risks associated with using AI systems could conflict with human rights standards, the parties must take the necessary action to

[45]Ibid.

[46]F. Gyem, 'Developing the National Artificial Intelligence Policy in Nigeria' *Premium Times* (Lagos, 12 August 2022)<https://www.premiumtimesng.com/opinion/548380-developing-the-national-artificial intelligence-policy-in-nigeria-by-fom-gyem.html?tztc=1> accessed 5 March 2024.

[47]B. Afolabi, 'FG to release practice code for ChatGPT, others'*Punch* (Lagos, 13 June 2023) <https://punchng.com/fg-to-release-practice-code-for-chatgpt-others/> accessed 5 March 2024.

[48]Alliance Firm, 'Artifcial Intelligence (AI) Systems Use in Nigeria: Charting the Course for AI Policy Development'<https://www.lexology.com/library/detail.aspx?g=600a8ee0-5b28-44da-8415-0e07c7f333fe> accessed 5 March 2024.

[49]Council of Europe, 'Artificial Intelligence, Human Rights, Democracy and the Rule of Law Framework Convention' <https://www.coe.int/en/web/portal/-/artificial-intelligence-human-rights-democracy-and-the-rule-of-law-framework-convention> accessed 12 March 2024.

[50]Council of Europe, Council of Europe Adopts First International Treaty on Artificial Intelligence <https://www.coe.int/en/web/portal/-/council-of-europe-adopts-first-international-treaty-on-artificial-intelligence> accessed 18 May, 2024.

[51]Ibid.

detect, evaluate, prevent, and minimize any potential dangers. They must also determine whether a moratorium, ban, or other suitable measures are needed[52].

LEGAL FRAMEWORK FOR THE REGULATION OF SMART CONTRACTS IN NIGERIA

It is sufficient to say that smart contract usage in transactions is relatively new in Nigeria. The topics of block chain technology and smart contract transactions are not officially covered by any legislation. The Nigerian government, through its agencies, has issued a few rules and regulations to control the era of cryptocurrency trading and virtual assets service operations in Nigeria rather than passing laws pertaining to smart contract transactions[53]. For example, the '*New Rules on Issuance, Offering Platforms and Custody of Digital Assets'* by the Securities and Exchange Commission (SEC) and the Central Bank of Nigeria *'Guidelines on Operations of Bank Accounts for Virtual Assets Service Providers'*. It must be acknowledged that although these regulations have advantages and disadvantages, their primary purpose is to control how the government interacts with participants in the blockchain and cryptocurrency space[54]. The important issues like legality, enforceability, liability and dispute resolution in smart contract transactions are not adequately covered by them.

Lastly, according to the data that is currently accessible, no smart contract transaction or case is being tried in a Nigerian court[55].

RECOMMENDATIONS

Given the diverse regulatory approaches to AI and smart contracts in other countries, Nigeria can consider the following recommendations for developing its regulatory framework:

1. Comprehensive Legislation: Nigeria can enact comprehensive legislation specifically addressing the legal aspects of AI and smart contracts. This legislation should define key terms, establish legal standards for AI systems and smart contracts, and outline the rights and responsibilities of stakeholders.
2. Adaptation of Existing Laws and Agencies: Nigeria can adapt existing laws and regulations to accommodate AI and smart contracts where applicable. This includes laws related to contract, consumer protection, data privacy, and liability.
3. Interdisciplinary Approach: When drafting laws, Nigeria can employ an interdisciplinary approach that involves legal practitioners, technologists, policymakers, and industry stakeholders. This will guarantee that the regulations are well-informed, achievable, and adaptable enough to keep up with technological changes.
4. Establishing a regulatory sandbox[56]: This enables the controlled testing of applications involving AI and smart contracts in a real-world setting under regulatory supervision. As a result, while authorities evaluate possible hazards and create the necessary legislation, innovators can test new technologies, similar to the Central Bank of Nigeria's Fintech Regulatory Sandbox, which was released in 2021.
5. Nigeria can collaborate with international organizations, regulatory bodies, and other countries to harmonize standards, share best practices, and address cross-border regulatory challenges related to AI and smart contracts.

CONCLUSION

[52]Ibid.

[53]The Cable, 'SEC Issues New Regulations on Issuance, Exchange of Cryptocurrencies in Nigeria' *The Cable* (Lagos, 15 May 2022) <https://www.thecable.ng/sec-issues-new-regulations-on-issuance-exchange-of-cryptocurrencies-in-nigeria/> accessed 12 March, 2024.

[54]T. Edema, 'Contract Law In An Era Of Technology: Examining Liability In Smart Contract Transactions' *ABUAD Law Journal (ALJ)* [2020] (8) (1) 74-93.

[55]Ibid.

[56]A regulatory sandbox is a controlled environment provided by regulatory authorities where businesses can test innovative products, services, or business models in a real-world setting under regulatory supervision. It allows companies to experiment with new ideas without immediately facing the full regulatory requirements that would typically apply. Participants benefit from reduced regulatory barriers, while regulators gain insights into emerging technologies and potential risks, and this fosters innovation.

In conclusion, the regulatory frameworks for AI and smart contracts in the United Kingdom, US, EU, and Nigeria present a diverse landscape of approaches and priorities. The United Kingdom's flexible and adaptive approach allows for targeted interventions and collaboration with industry stakeholders, promoting innovation while addressing risks. The EU's AI Act offers a comprehensive framework for regulating AI systems posing significant risks, aiming for harmonization across member states. In contrast, the US exhibits a fragmented regulatory environment with varying state and federal laws, leading to inconsistencies and challenges in enforcement. Nigeria, as an emerging market, is still in the process of developing its regulatory framework for AI and smart contracts and can instead of adopting another country's existing law hook line and sinker, liaise with stakeholders to understand the intricacies of the technologies and accordingly, create a legal framework to ensure the prosperity of the innovations. Despite these differences, international collaboration and alignment on key principles such as transparency, accountability, and human rights remain crucial for ensuring the responsible and ethical deployment of AI technologies globally.

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