Smart contract

A smart contract — is a self-executing computer program in which the terms of the agreement between the buyer and the seller are directly written into lines of code. The program, along with the agreement it contains, is distributed across a decentralized blockchain network, such as Ethereum or Ontology. A smart contract is automatically executed when specific conditions are met. Once the code is executed, it is practically impossible to reverse or alter.

Smart contracts enable anonymous deals and agreements between two or more parties who do not trust each other, without the need for a third party, a judicial system, or any other external mechanism.

A smart contract is similar to a vending machine, as opposed to a store where you have to pay the clerk to make a purchase. With a vending machine, you do not need to deal directly with the seller (the machine's owner), because you can simply complete the transaction automatically by inserting coins, and your selected drink will dispense. This direct way of conducting transactions without needing to know or trust the party you are dealing with is what makes a smart contract advantageous. In fact, companies have already started implementing smart contracts into their systems, as they provide better protection against losses and also allow customers to feel secure.

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