Legal Analysis of the Relationship Between Leader and Follower in Social Trading Transactions: Re-reading Traditional Contracts in the Context of Data-Driven Electronic Agreements

1. Abutaleb Koosha: Assistant Professor, Department of Private Law, University of Judicial Sciences and Administrative Services, Tehran, Iran
2. Mohammad Hadi Daraei: Assistant Professor, Department of Private Law, University of Judicial Sciences and Administrative Services, Tehran, Iran
3. Hamideh Zaree*: Ph.D. student, Department of Private Law, University of Judicial Sciences and Administrative Services, Tehran, Iran

*Correspondence: Hamidehzaree@yahoo.com

Abstract

This study examines the legal nature of the relationship between the leader and the follower in social trading transactions—particularly copy trading and mirror trading—and demonstrates that this relationship is, in essence, a "consensual legal act," even though its performance is carried out through automated and algorithmic systems. A comparative analysis of this relationship within the frameworks of sale, lease of services, settlement (ṣulḥ), and reward contract (juʿālah) shows that each framework explains only part of the reality of this data-driven relationship. Ultimately, the study proposes the "electronic analytical services contract" as an emergent contractual form grounded in Article 10 of the Iranian Civil Code, which integrates elements of traditional contracts and is compatible with the principles of good morals, economic public order, and the Electronic Commerce Act. This framework provides an efficient model for regulating leader–follower relationships and for the lawful development of social trading within the Iranian legal system.

Keywords: Social trading; copy trading; trading data; emergent contracts; leader; follower.

Received: 05 August 2025
Revised: 21 December 2025
Accepted: 28 December 2025
Initial Publication 29 December 2025
Final Publication 01 September 2026

Citation: Koosha, A., Daraei, M. H., & Zaree, H. (2026). Legal Analysis of the Relationship Between Leader and Follower in Social Trading Transactions: Re-reading Traditional Contracts in the Context of Data-Driven Electronic Agreements. *Legal Studies in Digital Age,* 5(3), 1-13.

1. Introduction

The expansion of financial technologies and the emergence of online trading platforms have transformed the traditional structure of relationships in capital markets. "Social trading," particularly models such as copy trading and mirror trading, represents a prominent example of this transformation, whereby non-professional investors (followers), by linking their trading accounts to that of a professional trader (leader), effectively replicate the leader's strategies and decisions within their own portfolios. Beyond its economic and technological significance, this novel model raises serious and fundamental questions in

the fields of civil law, capital market law, and the jurisprudence of transactions. These include the legal nature of the leader–follower relationship, the basis of the rights and obligations of each party, and the constraints and requirements imposed on this relationship by the general rules of contracts, good morals, and economic public order.

In addressing these questions, merely resorting to broad labels such as "cooperation," "information sharing," or "advisory services" is insufficient, because each legal characterization entails its own specific legal effects, enforcement mechanisms, and supplementary rules. An inaccurate analysis may result in confusion of liabilities, ambiguity in remedies, or even the invalidity or ineffectiveness of contracts concluded between the parties. Accordingly, the present study seeks, by relying on the foundations of Iranian civil law, Imamiyyah jurisprudence, and the rules governing capital markets, to provide a systematic and analytical explanation of the legal nature of the relationship between leader and follower. It aims to determine the extent to which this relationship can be accommodated within traditional nominate contracts (sale, lease of services, juʿālah, and settlement) and to identify the point at which it becomes necessary to recognize an "emergent electronic analytical services contract."

On this basis, the study first examines the principle that this relationship constitutes a legal act and analyzes the role of digital will in the formation of obligations within an electronic environment. It then analyzes the leader–follower relationship successively through the lenses of sale (with trading data and information as the subject matter), lease of services (focusing on the leader's analytical activity as the object of the lease), preliminary settlement (as a flexible instrument for contractual engineering), and juʿālah (particularly in light of its tolerance-based and result-oriented nature). Subsequently, by invoking the principle of freedom of contract and Article 10 of the Iranian Civil Code, the "electronic analytical services contract" is introduced as a mixed and emergent contract, and its essential elements and conditions of validity are explained in light of Article 190 of the Civil Code and the Electronic Commerce Act. Finally, the relationship between this contractual framework and the concepts of good morals and economic public order, as well as the limits of their intervention in the validity of social trading transactions, is examined. The ultimate objective is to present a coherent framework for regulating and interpreting leader–follower relationships within the Iranian legal system in a manner that both addresses the practical needs of the digital capital market and remains consistent with jurisprudential foundations and governing legal principles.

Theoretical Foundations

The examination of any emergent legal institution—particularly one such as social trading, which creates complex interactions among technology, capital markets, and private legal relations—requires a careful legal analysis of the relationships among its constituent elements. In this tripartite structure, the leader as the provider of trading data and strategies, the follower as the recipient and user of such data, and the platform as the technological intermediary and communicative infrastructure are interconnected within a single legal framework. Analyzing the relationships among these three elements is a necessary condition for determining liabilities, the scope of obligations, economic effects, and even the legitimacy of such interactions. Accordingly, the first fundamental question is whether the relationship between leader and follower falls within the category of "legal acts," based on the intent to create legal effects and the will of the parties, or whether it should be classified as a "legal event" occurring independently of human intent.

In civil law, legal acts refer to conduct whose legal effects depend on the will of the actor; that is, the law recognizes legal consequences only when there is an intent to create them. By contrast, legal events give rise to effects without human will, such as tortious acts, fortuitous events, or the fulfillment of a contractual condition. Therefore, the first step in analyzing the relationship between leader and follower is to assess the role of will in its formation and continuation (Katouzian, 2010).

In social trading transactions, the element of will is not only present but plays a central role. None of the legal consequences of this relationship—whether the creation of obligations, the transfer of benefits, contractual liability, or even the right of withdrawal—can arise without intent and consent. The follower knowingly and for a specific purpose activates the "follow" option. Contrary to a superficial perception, this action is not merely technical; rather, it constitutes a declaration of intent by which the follower accepts entry into a reciprocal, ongoing, and dependency-based legal relationship. At this stage, the follower is aware that they will rely on the leader's data, analyses, and decisions and will bear their economic consequences.

The leader, on the other hand, does not randomly expose their trading profile to the public. By consciously accepting the platform's terms and allowing their trading data to be accessible to potential followers, the leader also manifests an intent to create legal relations. Through these acts, the leader expresses consent to enter into a binding and reciprocal relationship. In this process, the platform functions as an intermediary, while the constitutive intent originates from the two principal parties.

An important point that may be overlooked concerns the role of technology in sustaining this relationship. Because a significant portion of the interaction between leader and follower is carried out through algorithms, trading bots, and automated systems, it may appear that the relationship has acquired a non-volitional character and approximates a legal event. However, such an assumption is inconsistent with the legal foundations of will. Technology here plays a role analogous to the means used in oral or written offer and acceptance. Automated software, artificial intelligence, or copy-trading algorithms lack independent intent and merely constitute the infrastructure for executing the parties' prior will. The source of legal effects remains the human will previously expressed, while the system merely transmits and executes it (Aydinmehr, 2025; Kharkesh & Fathizadeh, 2020; Naser & Sadeghi, 2022).

This analysis is fully consistent with the provisions of the Electronic Commerce Act. Article 10 of this Act explicitly states that electronic contracts are subject, in terms of content and effect, to the general rules of contracts. Consequently, the use of data messages, click-wrap mechanisms, or automated processes does not remove such transactions from the domain of legal acts. Article 18 further provides that a data message is attributable to a person only if it has been sent by that person or with their authorization, indicating that the existence of human will behind each data message is the primary criterion for attributing legal effects (Zakarinia et al., 2023).

In the relationship between leader and follower, this principle is clearly observable. By creating a trading profile, the leader authorizes the dissemination of their trading data, while the follower expresses consent to enter into the relationship by activating the "join" option. Even when the system automatically replicates the leader's trades for the follower, the legal effect of such acts is grounded in the parties' prior will rather than in the algorithm itself. The algorithm merely serves as an intermediary for executing that will (Yusuf & Martinez, 2025).

Accordingly, it becomes clear that the relationship between leader and follower is essentially contractual in nature. The realization of legal effects depends on the concurrence of two wills, not on a unilateral act or an external event. The platform, by admitting membership and confirming technical functionalities, forms part of the mechanism through which these wills are realized. This relationship is neither an instance of a unilateral legal act nor a legal event, but rather an electronic contract whose effects must be assessed under the general rules of contract law (Savelyev, 2017).

The conclusion is that the theoretical foundations of contract law—including intent, consent, agreement, and the principle of freedom of contract—govern social trading transactions as well. Technology never replaces human will; it merely functions as an instrument and facilitator for its expression and execution.

2. Analyzing the Leader–Follower Relationship Under the Contract of Sale and the Concept of Data as a Transferable Asset

Sale (bayʿ), as one of the most fundamental transactional institutions in Iranian law and Imamiyyah jurisprudence, has historically functioned as an instrument for transferring economic value among persons. Although Article 338 of the Iranian Civil Code defines sale as the "transfer of ownership of a tangible object (ʿayn) in exchange for a specified consideration," thereby emphasizing the element of "ʿayn," a precise understanding of this term requires attention to the conventional (iʿtibārī) nature of ownership and the evolution of the concept of "property/asset" (māl) in contemporary commercial practice. In classical jurisprudence, "ʿayn" was contrasted with "benefit" (manfaʿah) and "debt" (dayn) and was treated as property possessing external physical existence; therefore, early jurists tended to confine sale to perceptible objects. (Ansari, 1988; Katouzian, 2012; Mousavi Bojnourdi, 1988) This traditional reading reflected conditions in which customary practice primarily recognized property in material forms. Some contemporary jurists, following this approach, also confined sale to corporeal objects and did not regard data, benefits, or rights as capable of constituting the subject matter of sale. (Jafari Langroudi, 2019; Shahidi, 2016)

However, the transformation of economic custom and the expansion of intangible assets have altered the foundations of the traditional analysis. Many later jurists and legal theorists, emphasizing the conventional nature of ownership and the role of agreement in creating recognized economic value, maintain that "ʿayn," in the legislator's intended sense, is not necessarily limited to material objects; rather, it can be read as a signifier of a "transferable subject matter" to which custom attaches economic value. (Emami, 2010; Katouzian, 2012) On this basis, phenomena such as business goodwill, patents, software

licenses, and even digital data—despite lacking physical existence—are treated as assets in market practice and are traded. The everyday use of expressions such as "selling information," "selling data," or "selling a right" indicates that party autonomy and economic custom have extended the scope of "property" beyond tangible objects. (Khomeini, 1997)

Within this framework, the leader's trading data and informational outputs in social trading may be analyzed as "conventional assets" (aʿyān-i iʿtibārī). Such data are the product of the leader's intellectual activity, specialized skill, and practical experience, and capital-market custom assigns them real economic value. By paying a fee or commission, the follower, in substance, acquires the economic value of these data, albeit in an intangible form and commonly through access rights or the display of information. Even without physical embodiment, data transfer performs the same economic function as the transfer of a physical commodity, because it reallocates value and creates reciprocal obligations between the parties. (Murray, 2020)

Accordingly, if the essence of sale is understood not as the transfer of a "material object," but as the "transfer of economic value through the concurrence of two wills," the relationship between leader and follower can be analyzed within the framework of sale. The leader's will is directed toward transferring data, and the follower's will is directed toward paying consideration; this alignment of wills realizes the core constitutive element of sale. Therefore, a modern reading of sale—grounded in contractual freedom and the will theory—can accommodate trading data as the subject matter (mabīʿ) and removes the traditional restriction that the subject matter must be physically material. (Emami, 2010)

3. Compatibility of Trading Data with the Attributes Required of the Subject Matter of Sale

Having regard to the Civil Code's general rules of contracts and the specific rules governing sale—particularly Article 348—five core attributes may be identified for the subject matter of sale: existence at the time of contract, having patrimonial value, being capable of being traded, being sufficiently known and determined, and being deliverable. A sixth condition—namely, that the subject matter belongs to the seller—though important, primarily concerns the doctrine of unauthorized disposition (fuḍūlī) and is not addressed here. Assessing whether the leader's trading data and information in social trading can satisfy these five attributes provides the basis for a precise evaluation of whether this relationship can be characterized as a contract of sale.

First, with respect to the "existence of the subject matter," the apparent implication of Article 361 is that a sale of a non-existent subject matter is void. (Katouzian, 2012; Mousavi Bojnourdi, 1988) This has led some to assume that any exchange whose subject matter lacks external existence at the moment of formation is invalid. Yet a structural analysis of sale and the distinction between a specified object and a generic obligation indicates that this reading is not universal. In the sale of a specified object, external existence at the time of contract is a condition of validity; however, in a generic sale, what the parties intend is a "generic subject matter capable of realization in the future," not an already-existing individual item. From this perspective, many modern contracts premised on the transfer of future goods or services can remain valid within the framework of sale. The leader's trading data, as the subject matter of the relationship, is often not fully available at the moment of contracting and is generated progressively through the leader's trading activity. Nonetheless, its nature is such that it is capable of future realization, and the parties are fully aware of—and consent to—this mechanism. Capital-market custom likewise recognizes the transfer of analysis-driven data as a progressive, forward-looking process.

Moreover, from the standpoint of conventional analysis of contractual effects, the parties may agree that there is a temporal separation between the cause (formation) and the effect (transfer of ownership), in the sense that the proprietary effect is deferred until the subject matter materializes. Such an arrangement is not contrary to the essential nature of sale and is widely accepted in modern transactional practice. (Shahidi, 2016) Even an "invitation to treat" analysis can support the structure: by publishing a profile and providing initial information, the leader does not necessarily make an offer but invites offers; the operative offer may be treated as arising when new data is generated, and the follower manifests acceptance by copying it. (Bradgate, 2019; Katouzian, 2010) This analysis is readily applicable to copy trading because the follower's will is effectively renewed with each act of copying. In mirror trading, although the follower's will may be expressed once at the outset, the relationship can still be analyzed as a continuing obligation for the progressive transfer of data—akin to a gradual sale or even a mixed contract combining data transfer and analytical services. (Savelyev, 2017)

The second attribute is "patrimonial value," which—under Articles 215 and 348—requires that the subject matter have a rational, lawful benefit and that economic custom assign it value. (Emami, 2010) The evolution of the concept of property in Imamiyyah jurisprudence likewise supports the proposition that property is not necessarily corporeal; rather, anything desired by rational persons may constitute property, even if it takes the form of data, a digital token, or a cognitive analytical output. Contemporary law recognizes assets such as goodwill, patents, software, publishing rights, and even digital data as property. (Katouzian, 2012) The leader's trading data has precisely these features: it is the product of knowledge, experience, analytical skill, and observed trading behavior, and followers pay for access to it. In capital-market custom, such data has independent economic value and commonly informs non-professional investors' decision-making. Accordingly, the leader's trading data clearly has patrimonial value and can, in principle, occupy the position of the subject matter of sale. (Healy & Palepu, 2001)

The third attribute is "capability of being traded." Under Article 348, the subject matter must not be legally prohibited from transaction. Certain assets—such as public property, dangerous materials, national heritage, or items whose trade violates public welfare and public order—are non-tradable. Trading data of the leader, however, does not fall within these prohibited categories. (Katouzian, 2012) Criminal regulations, including rules governing cyber offenses, generally do not prohibit data transfer as such; rather, they criminalize unauthorized access or disclosure without consent. Where the leader decides to publish, disclose, or transfer trading data in exchange for consideration, such data falls within the domain of contractual permissibility. A key distinction must be observed between "confidential trade secrets" and "trading data provided with consent." Data that its holder elects to sell or transfer is no longer treated as confidential in the relevant sense and becomes tradable. For this reason, the leader's trading data is, in principle, lawfully tradable.

The fourth attribute is that the subject matter must be "sufficiently known and determined," the objective being to prevent gharar and material uncertainty. The Civil Code addresses this requirement through, inter alia, Articles 216, 351, and 354. Knowledge of the subject matter must be sufficient to eliminate material doubt and ambiguity so that it is clear what is transferred in exchange for what. (Shahidi, 2016) The leader's trading data is among assets that accrue progressively, and not all of it exists at the time of contract. Yet this does not negate the knowledge requirement; just as generic sales accept a type-based level of knowledge, here too defining the scope of the data, the classes of covered assets, the analytical method, the production frequency, the delivery format, the risk boundaries, and qualitative indicators can establish sufficient certainty. (Savelyev, 2017) Technical annexes, service-level arrangements, metadata recording, and change-control mechanisms can further strengthen determinacy at the implementation stage. In copy trading, the data is determined at the moment it is created; in mirror trading, type-based knowledge at formation is complemented by detailed knowledge upon transmission. Accordingly, the requirement of being known and determined can be satisfied through contractual and technical mechanisms. (Werbach & Cornell, 2017)

The fifth attribute is the seller's "ability to deliver." Article 348 emphasizes that the seller must be capable of delivering the subject matter. (Katouzian, 2012) In a data-driven environment, delivery does not mean physical handover; it means "providing effective and stable access." If the platform can display the data within the follower's user account and the leader is legally entitled to transfer it, the delivery requirement is met. A sale is void only where delivery is impossible from the outset—for example, where disclosure is legally prohibited or where the platform permanently disables access. Temporary technical disruptions or transient limitations, however, do not necessarily render the sale void, because the primary criterion is the real and customary possibility of benefiting from the data. On this view, delivery of data in social trading constitutes a form of "electronic delivery" that is recognized as valid and sufficient in customary and legal terms. (Murray, 2020)

On this comprehensive analysis, it can be concluded that the leader's trading data—under a contemporary, custom-sensitive interpretation of the attributes of the subject matter of sale—can satisfy the five essential conditions of sale. Accordingly, analyzing the leader–follower relationship under the contract of sale is not only feasible but also legally defensible and consistent with the economic custom of the data-driven era.

4. Analyzing the Leader–Follower Relationship Under the Contract of Lease of Services (Ijārah of Persons)

Analyzing the leader–follower relationship in social trading transactions through the lens of the lease of services (ijārah of persons) requires a careful re-reading of Article 512 of the Iranian Civil Code, which characterizes ijārah of persons as a

contract whereby a person, in exchange for a specified wage, undertakes to perform a defined work. If the data, signals, and trading information that the leader provides on social-trading platforms are the product of intellectual processes, analytical reasoning, data processing, trading skill, and financial knowledge, the relationship can be interpreted in a manner whereby the data are not themselves the "thing sold," but rather the "result of the act" and the output of the leader's intellectual labor. This interpretation removes the relationship from the framework of a "sale of data" and places it within the domain of ijārah of persons, just as in ijārah the core subject of the contract is the transfer of the benefit generated by the worker's performance, not the transfer of an external asset.

In this framework, it must be clarified whether the leader–follower relationship resembles an employment contract or rather a professional service arrangement akin to contract work performed by an independent service provider. Jurisprudential and legal criteria distinguishing these two include the degree of the actor's independence, the basis for wage determination, the multiplicity of service recipients, the absence of a subordination relationship, and the absence of the hirer's right to granular supervision over how the work is performed. Applying these criteria indicates that the leader in social trading falls within the category of a specialized, independent service provider rather than a subordinate employee. First, the leader's remuneration is typically not calculated on a time basis; it is usually fixed or performance-based and tied to the value of the delivered services, such as a percentage of the follower's profits or a performance fee. Such wage structures are characteristic of independent contract work rather than employment. Second, the leader provides services to multiple persons; the recipient is not a single follower, which further distances the relationship from an employment model. Third, the leader is not subordinate to the follower: the follower cannot intervene in the method, timing, or framework of analysis, and the leader acts freely on the basis of their expertise and working methodology. In addition, the principle of professional independence of financial analysis—central to capital-market governance—reinforces the characterization of the leader as a non-subordinate professional. Overall, these criteria place the relationship within the framework of "professional lease of services" rather than employment.

Within this structure, the essential elements of ijārah of persons can be readily aligned: the leader is the specialized worker (ajīr) who undertakes to perform intellectual and analytical work grounded in financial information processing; the follower is the hirer (mustaʾjir) who, by paying the wage, acquires the right to benefit from the leader's output; and the wage may be fixed or variable, with its amount and structure being determined by platform terms or private agreement. The principal subject matter of the contract is the "leased act," namely the process of analyzing data, generating signals, formulating strategy, and conveying the results of that process, rather than the data as an independent object. This is the decisive point of distinction between characterizing the relationship as ijārah versus sale: in ijārah, even though the output of work may be deliverable, it is not treated as the subject matter of sale, but as the product of the worker's performance—much like an artist who delivers a work, while the contractual subject remains the artistic labor itself, not the transfer of a corporeal thing as such.

As to the conditions for validity of the subject matter of the obligation, Article 214 of the Civil Code provides that the subject must be possible, lawful, rationally beneficial, and sufficiently determined. First, the requirement that the act be "possible" entails that, at the time of contracting, the leader must have the real and technical capacity to perform the agreed analyses. (Katouzian, 2012) The distinction between initial impossibility and supervening impossibility is also significant: if the leader is incapable from the outset, the contract is void; but if the leader is initially capable and performance later becomes impossible due to an external impediment, the issue concerns contractual liability rather than nullity. This point is particularly important in social trading, because a substantial portion of the leader's services depends on market understanding, analytical competence, and trading skills. If the leader lacks the claimed capacity or provides inaccurate information about their skills, the contract may be void or voidable due to lack of capacity to perform or deceptive inducement.

With respect to the type of obligation, in the lease of services within financial services, one often encounters obligations that are closer to a "contractual-result obligation" than a mere "means obligation," in the sense that the expected output should be measurable against contractual standards—such as the number of signals, their characteristics, frequency of delivery, asset coverage, reporting format, and acceptable error rate. However, this "result" is a contractual output rather than an economic outcome, because the leader cannot undertake a certain profit or a guaranteed return, and an undertaking of fixed profit may be treated as an obligation to deliver an impossible or unlawful result. By contrast, an obligation to provide a defined number of signals, analyses, or informational outputs is lawful, possible, and supportive of contractual validity. (Shahidi, 2016)

As for the lawfulness of the leased act, the leader's analytical work is, without doubt, a lawful and rational activity. Analytical services have long been recognized as lawful in financial institutions—such as portfolio management, investment

advisory, analysis, and asset management—and the capital-market regulatory framework implicitly affirms the legitimacy of such activities. The only prohibitive circumstance arises where the service relies on insider information or unlawful methods such as market manipulation; such prohibitions relate to the manner of performance rather than the intrinsic legitimacy of financial analysis. From a rational-benefit perspective, these services exemplify recourse by a non-expert to an expert and possess clear rational utility, as they can enhance decision-making and reduce investors' risk. (Healy & Palepu, 2001; Womack, 1996)

The requirement that the subject matter be "known and determined" is also especially salient in financial services. The leader's act must be clearly specified in terms of nature, scope, method, quality, and duration; otherwise, the contract risks impermissible uncertainty and consequent invalidity. (Katouzian, 2012) Fortunately, social-trading platforms make it feasible to specify the act with high precision: the type of analysis (technical or fundamental), signal structure, risk parameters, asset universe, frequency, reporting format, accuracy metrics, and even liability boundaries can all be defined and measured. This capacity to define the act in a time-bound, limited, and quantifiable manner makes ijārah of persons a reliable framework for analyzing the leader–follower relationship.

Finally, the "economic value of the act" constitutes a core condition of validity, and it is plainly present in financial services. Financial information analysis has independent economic value and is priced by the market. Analysts in professional financial institutions receive remuneration precisely for providing such services, and economic custom treats them as having exchange value. (Healy & Palepu, 2001) In social trading as well, followers are willing to pay to benefit from the leader's analysis and trading strategy, because these services can reduce risk and improve decision efficiency. (Womack, 1996)

Overall, analyzing the leader–follower relationship on the basis of ijārah of persons is not only legally feasible, but also more consistent with the relationship's practical reality and economic custom than certain alternative characterizations, because the core of the relationship is intellectual labor, analysis, and data processing rather than the transfer of an independent asset. For this reason, ijārah of persons constitutes a credible and defensible framework for explaining the legal nature of social trading transactions.

5. Analyzing the Follower–Leader Relationship Under the Contract of Settlement (Ṣulḥ)

Settlement (ṣulḥ) in Imamiyyah jurisprudence and Iranian law—pursuant to Article 752 of the Iranian Civil Code—is among the broadest and most flexible contractual institutions, and its function extends well beyond the resolution of disputes and termination of litigation. Jurists have long regarded ṣulḥ as a "general framework" and, in a figurative sense, a substitute for other transactions, meaning that the parties may structure any lawful relationship—whether the transfer of property, the creation of obligations, the waiver of rights, settlement over benefits, or even the design of future mechanisms—within the form of ṣulḥ, without being bound by the formalities or restrictive conditions associated with nominate contracts such as sale, lease, juʿālah, or partnership. (Katouzian, 2010) This elasticity has effectively turned ṣulḥ into an instrument of "contractual engineering," enabling the design of agreements that extend beyond the boundaries of traditional contracts.

A key feature distinguishing ṣulḥ from other contracts is its capacity to accommodate diverse economic purposes, because its subject matter may consist of a tangible object, a benefit, a right, a claim, a future obligation, or a composite bundle of rights and obligations. By not being confined to pre-defined contractual architectures, ṣulḥ allows parties to redesign complex legal packages without having to fit them precisely within the constitutive elements of nominate contracts. This capacity makes it particularly suitable for modern economic relationships—especially in digital services, data analytics, financial technologies, and social trading—where the boundary between property, benefit, right, and service is often blurred and where a legal form is needed that can capture all such dimensions.

From a structural standpoint, three foundational characteristics render ṣulḥ one of the most efficient legal frameworks for regulating leader–follower relationships in social trading. First is its conceptual flexibility: ṣulḥ may encompass not only the transfer of data or the provision of services, but also the creation of ongoing, reciprocal obligations. In social trading, where data is progressively generated and analytical services are inherently dynamic, such flexibility allows the agreement to remain valid and enforceable without requiring that all details be fixed from the outset. Second is ṣulḥ's tolerance for a reasonable degree of initial generality. Unlike commutative contracts such as sale and lease—where detailed knowledge of the

transactional object is often treated as a condition of validity—ṣulḥ can remain valid on the basis of general knowledge that is customarily capable of later specification and completion. In social trading, it is not always feasible at the moment of contracting to determine all data instances or the precise timing of analysis; however, specialized capital-market custom and platform technical mechanisms allow initial generality to become detailed over time without rendering the agreement void. Third is ṣulḥ's full coherence with the principle of freedom of contract. Ṣulḥ can cover data transfer or an obligation to provide analysis, and it can also serve as a vehicle for stipulating ancillary obligations, allocating liabilities, defining compensation mechanisms, drafting adjustment clauses, setting performance terms, and even regulating termination conditions for the relationship. (Scott, 2005)

In the leader–follower context, ṣulḥ would take the form of "initial ṣulḥ" (ṣulḥ ibtidāʾī), meaning a settlement concluded to create new obligations rather than to resolve a past dispute. By concluding ṣulḥ, the parties define their future cooperation framework: the leader undertakes to provide trading data or analyses according to a specified standard, and the follower undertakes to pay a defined fee or commission in exchange for receiving the service. From a jurisprudential perspective, this type of ṣulḥ is considered valid because its objective is to organize a forward-looking economic relationship rather than to settle an existing conflict.

Despite the broad flexibility of ṣulḥ, it remains subject—like all contracts—to validity conditions. The first condition is that the subject matter be lawful and rationally beneficial. Financial data analysis and the provision of decision-support services to investors are recognized as lawful and acceptable within the Iranian legal system and have long been performed by analysts, portfolio managers, and investment advisory firms. Accordingly, a ṣulḥ whose subject matter is the transfer of analysis, data, or trading strategy has intrinsic legitimacy, unless the content becomes unlawful—for example, through the use of insider information or market manipulation—in which case the defect lies in the manner of performance rather than the essence of the subject matter.

Another important condition is sufficient general knowledge (ʿilm ijmālī) of the subject matter of ṣulḥ. In jurisprudence, contracts are often classified as commutative (mughābanah-based) or tolerance-based (musāmaḥah-based). Ṣulḥ is treated as a tolerance-based contract in which detailed knowledge at the moment of formation is not strictly required, provided the ambiguity does not rise to the level of material ignorance and customary determination at the execution stage remains feasible. This rule is particularly significant for social trading. Trading data is not fully determined at the time of contracting because the subject matter consists of future data and analyses generated over a period. However, such generality does not defeat validity so long as the general framework is specified—such as asset coverage, type of analysis, delivery frequency, risk level, data/report format, or measurable performance criteria. Platform custom and existing technical standards likewise allow operational details to become clear through the course of performance. (Scott, 2005) Accordingly, unlike sale or lease—where uncertainty as to the subject matter may invalidate the contract—ṣulḥ can accommodate progressively generated subject matter or matters that are customarily determinable, which is precisely what the data-driven environment of social trading requires.

Although ṣulḥ, due to its general and flexible nature, is capable—both jurisprudentially and legally—of functioning as a substitute form for most nominate contracts, and although it appears suitable for regulating leader–follower relationships in social trading in terms of covering continuing obligations, tolerating manageable generality in the subject matter, transferring or authorizing the enjoyment of data-based rights, and incorporating a variety of liability and compensation clauses, it is not justified to select ṣulḥ as the principal contractual framework for this relationship. The reason is that the very breadth and flexibility of ṣulḥ—its primary strength—can impede precise characterization of the nature of obligations, the applicable standard of responsibility, and the legal consequences of breach in the leader–follower relationship. Thus, notwithstanding its jurisprudential and legal feasibility, ṣulḥ retains analytical value but should not be regarded as the optimal framework for the final contractual regulation of this relationship.

6. Analyzing the Leader–Follower Relationship Under the Contract of Reward (Juʿālah)

Juʿālah, under Articles 561 and 562 of the Iranian Civil Code, is an undertaking to pay a reward in exchange for the performance of a specified act, and it may take the character of either a contract or a unilateral undertaking. In jurisprudence and law, three approaches are commonly identified: a general juʿālah addressed to the public, which is more often treated as unilateral; a specific juʿālah addressed to a particular person, which has a contractual character; and a differentiated theory

distinguishing between the two. The leader–follower relationship in social trading aligns closely with specific juʿālah, because the follower selects the leader based on the leader's personal abilities, record, and skills, and undertakes to pay remuneration in exchange for the performance of a defined act (namely, analyzing financial information and providing the results). Under this analysis, the follower is the "jāʿil" who proposes the payment of the reward, and the leader is the "ʿāmil" who, by accepting and performing the act, becomes entitled to the reward. (Emami, 2010; Jafari Langroudi, 2019; Katouzian, 2010)

At first glance, the leader–follower relationship might be explained through ijārah of persons, since both involve agreement on performing an act in exchange for remuneration. However, the substantive difference between these two institutions concerns the degree of determinacy and certainty required for the subject matter of the obligation. Ijārah is commonly treated as commutative, and under Article 216 the subject matter must be "known and determined"; therefore, ambiguity in the nature or limits of the act may trigger impermissible uncertainty and potential invalidity. By contrast, juʿālah—under Articles 563 and 564—is tolerance-based, meaning that general knowledge regarding the act, the performer, and the reward can suffice, and relative uncertainty in details does not necessarily undermine validity. This flexibility stems from the function of juʿālah, which focuses less on precise equilibrium between counter-performances and more on incentivizing the performance of a useful and rational act. (Katouzian, 2010; Shahidi, 2016)

The tolerance-based nature of juʿālah is particularly compatible with the nature of leaders' services in social trading. In this context, the leader undertakes a general act (analyzing financial data and providing trading signals), yet the details—such as which instruments will be analyzed or the precise timing of delivery—cannot be fully predicted at the time of contracting. Market analysis is dynamic and dependent on changing conditions, and requiring detailed ex ante specification would often be practically impossible. Under ijārah, this lack of determinacy could create uncertainty and the risk of invalidity; juʿālah, by accepting general knowledge, resolves this problem and allows the agreement to remain valid despite the natural indeterminacy inherent in analytical services. (Savelyev, 2017; Werbach & Cornell, 2017)

Imamiyyah jurisprudence likewise emphasizes that juʿālah is a tolerance-based contract and that uncertainty in details does not invalidate it so long as the type of act and its rational benefit are clear. In social trading, the follower contracts on the basis of general knowledge of the service type and some understanding of the leader's track record, without expecting definitive specification of all instances at the moment of formation. Accordingly, the "tolerance for generality" inherent in juʿālah makes it an efficient framework for the leader–follower relationship—one that aligns with the dynamism of analytical services, their dependence on real-time market conditions, and the need for legal flexibility on digital platforms.

7. Principle of Freedom of Contract and Analyzing the Follower–Leader Relationship as an Emergent Contract

The analytical foundation for construing the leader–follower relationship within an "electronic analytical services contract" is the principle of freedom of contract embodied in Article 10 of the Iranian Civil Code. This principle allows any agreement—even an emergent contract lacking a specific nominate title—to be treated as valid, provided that it does not conflict with mandatory rules of law, public order, or good morals. This freedom, together with Article 190 (the essentials of transactional validity) and Articles 220 to 229 (contractual effects and liabilities), provides a flexible framework for structuring data-driven relationships. The Electronic Commerce Act further supplies the necessary legal infrastructure by recognizing "data messages," "electronic consent," and "digital signatures," such that system-based acceptances, click-wrap mechanisms, and time stamps may serve as legally reliable evidence of intent and attribution.

Emergent contracts in the digital environment typically have a mixed character, combining elements of the lease of intellectual services, settlement of deliverable outcomes, confidentiality undertakings, and intellectual property rules. Article 10 of the Civil Code permits such contracts to be analyzed either as an "independent type" or as "mixed contracts," whose governing rules are derived by identifying the predominant element and applying professional custom. On this basis, the parties may structure consideration through diverse models (fixed, percentage-based, performance-based), define outputs and service-quality indicators with precision, and incorporate supplementary clauses such as confidentiality, non-competition, or technical audit rights. However, contractual freedom is not absolute: any term or structure that conflicts with mandatory rules—such as prohibitions on misuse of insider information, privacy regulations, or consumer-protection standards—will be void. (Murray, 2020)

To prevent injustice or manifest imbalance, "soft-normative" controls may also apply to emergent contracts, including construing ambiguous terms in favor of the weaker party, invalidating clauses that violate mandatory rules, and implying customary incidents of the transaction under Articles 220 and 225. Where the agreement is silent or ambiguous, functional borrowing from nominate contracts can assist: rules of lease can guide the wage structure and performance modality; juʿālah can support tolerance for generality and result-oriented remuneration; and ṣulḥ can supply flexible structuring in a functional sense. Overall, Article 10 of the Civil Code, together with the Electronic Commerce Act, establishes a legal ecosystem in which data-driven contracts—including leader–follower arrangements—are not only lawful and binding, but also adaptable to the evolving needs of the digital capital market. (Murray, 2020)

8. Functional Analysis of the Electronic Analytical Services Contract

The "electronic analytical services contract" is an exemplar of emergent contracting formed under Article 10 and grounded in contractual freedom. Its subject matter is the provision of intellectual and analytical services by the leader in exchange for consideration paid by the follower. The service is intangible and is transmitted in the form of data, reports, or trading signals; accordingly, the traditional rules of sale or lease, which were developed primarily for the transfer of tangible objects or corporeal benefits, are not fully congruent. At the same time, this contract is concluded and performed in a digital environment through mechanisms such as electronic offer and acceptance, data messages, and digital signatures; under the Electronic Commerce Act, such electronic evidence enjoys full legal validity. (Murray, 2020)

The contract's nature is typically "mixed," incorporating elements from several traditional contracts: lease-like features in the undertaking to perform analysis, juʿālah-like features in result orientation and conditional remuneration, ṣulḥ-like flexibility in contractual architecture, and even agency-like features in circumstances where automated execution is delegated to systems. This structure—together with the ability to set either fixed or performance-based consideration—derives legitimacy from Article 10 and provides the flexibility required by the digital capital market. Within this environment, trading systems may at times perform a form of "technological representation," executing the leader's signals automatically in the follower's account; although such a phenomenon is not explicitly anticipated in traditional nominate contracts, it can be treated as valid by analyzing the parties' will and applying the general rules of contract law. (Savelyev, 2017; Werbach & Cornell, 2017)

This contract is a relationship founded on professional trust: the follower relies on the leader's competence and track record, while the leader is bound to observe diligence, skill, and good faith in providing services; in the event of fault, contractual liability attaches. Collectively, these characteristics indicate that the electronic analytical services contract is a rational emergent contract compatible with the requirements of digital law and, through Article 10 and the Electronic Commerce Act, enjoys legitimacy, binding force, and enforceability as an appropriate response to the data-driven needs of contemporary capital markets.

9. Elements and Validity Conditions of the Digital Analytical Services Contract

In the analytical services contract between leader and follower, all four elements of Article 190 of the Civil Code must be satisfied; however, their realization in an electronic environment requires specific analysis. "Intent and consent" are formed through digital offer and acceptance: the leader makes an offer by setting service terms on the platform, and the follower manifests acceptance through online assent or payment. The Electronic Commerce Act treats data messages and digital signatures as valid instruments for expressing will. "Capacity" is realized through digital identity verification and attribution of data messages to specific persons; nonetheless, the leader's technical competence and, where applicable, the possession of required financial authorizations also bear on the contract's legitimacy.

The element of a "definite subject matter" in this contract is met by specifying the general nature of the analytical service. Even if the details of analyses, financial instruments, and the timing of signals are not fully determined at the moment of formation, the type of service and the expected output are known to the follower, and this level of customary knowledge can be sufficient for validity. In intellectual and data-driven services, precise determination of instances typically occurs at the performance stage. Regarding the "lawful cause," the follower's objective is investment optimization and the leader's objective

is receiving lawful remuneration, provided that analyses rely on lawful information and do not involve insider misuse or market manipulation; otherwise, the agreement would be ineffective under Article 217. (Zakarinia et al., 2023)

In addition to these essentials, two supplementary conditions are particularly important for digital contracts. First is the security and integrity of data messages, which functions analogously to the correctness of exchange of price and subject matter in traditional transactions; defects or errors in data can constitute non-performance. Second is the requirement of good faith and professional trust, because the follower typically lacks the capacity for fully independent evaluation of the analyses, and the relationship is built upon the leader's expertise, honesty, and diligence. In sum, the contract is valid and binding where the parties' digital will is established, their identities are verified, the service subject matter is determinable, and the contractual objective complies with capital-market rules. (Healy & Palepu, 2001)

9.1. Good Morals

In Iranian law, good morals is not merely a recommendatory ethical notion but an enforceable standard for evaluating the validity and effectiveness of contracts. On this basis, a private contract is valid only if, alongside compliance with mandatory rules, it is consistent with fundamental ethical norms and socially accepted values. Social trading is not inherently incompatible with good morals—particularly "economic good morals." In many instances it can reduce information asymmetry, increase transparency, assist non-professional investors, and strengthen market trust. (Healy & Palepu, 2001; Singer, 2013) The mechanism is based on enabling less experienced individuals to benefit from professional analysts' knowledge, which is ethically rational and generally defensible. Nonetheless, practices such as misleading advertising or failure to disclose risks may be inconsistent with good morals; these concerns relate to implementation and disclosure rather than to the intrinsic nature of social trading and can be addressed through regulation and transparency.

9.2. Public Order

Public order is among the most significant constraints on freedom of contract in Iranian law, and under Article 975 of the Civil Code, any contract that conflicts with public order is void and unenforceable. Public order consists of mandatory rules established to protect security, justice, transparency, and socio-economic stability, and private autonomy cannot override them. One important branch is economic public order, which supervises economic actors and market-impacting mechanisms; any institution or transaction with broad economic effects must be evaluated against it. Social trading, as an emergent mechanism in capital markets, does not conflict with economic public order when it contributes to transparency, reduces information asymmetry, supports retail investors, and enhances market efficiency. However, if improperly implemented—through misleading promotions, absence of quality oversight, or the creation of gambling-like incentives—it may threaten public confidence and market stability and thereby conflict with economic public order.

10. Conclusion

The present study has demonstrated that the legal relationship between the leader and the follower in social trading is, in its essence, a "legal act based on informed mutual consent," even though, at a surface level, its execution is carried out through algorithms, bots, and automated trading systems. Data messages, clicks, acceptance of terms of use, and the activation of user accounts function—within the framework of electronic contracting rules—as valid instruments for the expression of intent and the formation of agreement, and the platform merely operates as a technological intermediary facilitating a legal relationship that, in substance, is formed between the leader, the follower, and in some cases the platform itself. Accordingly, the analysis of the nature and effects of this institution must be conducted within the framework of the general rules of contract law, rather than being reduced to technical events or automated system behaviors.

A comparison of traditional contractual frameworks shows that none of them, taken alone, is capable of fully explaining the leader–follower relationship; however, each sheds light on certain aspects of this relationship. Within the framework of sale, particularly in copy trading—where the follower acquires specific knowledge of each trading datum at the moment of its creation—it is possible to defend the notion of selling data as "conventional assets," provided that, through a dynamic interpretation, the conditions of the subject matter of sale—such as existence, patrimonial value, tradability, determinacy, and

deliverability—are adapted to the nature of data and the digital environment. By contrast, in mirror trading, where data transfer is gradual and automated, the relationship assumes the character of a "continuous obligation with progressive transfer of data," resembling a mixed arrangement combining elements of sale and ongoing obligations rather than a series of discrete sales.

Analysis under the lease of services becomes persuasive when the focus of the relationship is placed on the leader's intellectual and analytical work rather than on the data itself. Under this approach, the leader–follower relationship approximates a form of independent professional service provision, as the leader enjoys professional independence, provides services to multiple recipients, and is remunerated primarily on the basis of results or the value of the services rendered. Conditions such as the feasibility of performance, the lawfulness and rational benefit of the subject matter, the economic value of analytical work, and the determinability of the service are all compatible with the nature of analytical services in social trading, although the strict requirements of lease with respect to the detailed specification of the service may, in certain cases, give rise to practical challenges.

The study further introduced initial settlement as a tolerant and flexible framework—one that, without being bound by the formal constraints of nominate contracts, can encompass a range of rights and obligations between leader and follower, including data transfer, analytical services, waiver of certain claims, and the design of compensation mechanisms. The principal strength of settlement lies in its acceptance of general knowledge that may evolve into detailed knowledge over time, a feature that renders it particularly suitable for data-driven and variable subjects such as social trading. Reward-based contracting, due to its tolerance-oriented nature and its focus on outcomes, likewise provides an efficient framework for situations in which the details of analytical work cannot be fully anticipated at the outset, while the type of activity and its rational benefit are nonetheless clear. In this respect, reward-based contracting compensates for the limitations of lease when confronted with the inherent uncertainty of analytical activities.

Nonetheless, a comprehensive examination of traditional institutions indicates that none of them, standing alone, can fully capture the leader–follower relationship, given its emergent, data-driven, platform-based, and technology-intensive character. Consequently, the most appropriate framework is the "electronic analytical services contract"—an emergent, service-oriented agreement formed under the principle of freedom of contract—which integrates elements of intellectual service provision, reward-based arrangements, settlement, and even forms of technological agency. The essential elements of this contract—intent and consent, capacity, a determinable subject matter, and a lawful purpose—have been examined in light of the characteristics of the digital environment. So long as electronic consent is validly expressed, digital identities are reliably established, the nature and outputs of the service are identifiable, and the contractual purpose does not conflict with capital-market regulations, good morals, or economic public order, such a contract is lawful, binding, and enforceable.

Finally, the analysis of good morals and economic public order shows that social trading is not inherently incompatible with these concepts. On the contrary, when properly designed, it can contribute to reducing information asymmetry, enhancing transparency, supporting retail investors, and improving the efficiency of capital markets. Potential conflicts typically arise not from the intrinsic nature of social trading, but from defective implementation—such as misleading advertising, misuse of insider information, or the encouragement of gambling-like behaviors. Accordingly, it is recommended that legislators and regulatory authorities establish clear rules concerning the legal status of leaders, platform responsibilities, risk-disclosure obligations, professional standards for analysts, and the structure of analytical services contracts, in order to create a safe, transparent, and law-abiding ecosystem for the development of this institution. Under such conditions, the leader–follower relationship in social trading can serve as a successful example of the adaptation of Iranian civil law to the realities of the digital economy and can attain a legitimate and sustainable position within the national legal system.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

Acknowledgments

Authors thank all who helped us through this study.

Conflict of Interest

The authors report no conflict of interest.

Funding/Financial Support

According to the authors, this article has no financial support.

References

Ansari, S. M. (1988). *Al-Makasib* (Vol. 3). Islamic Media Library.

Aydinmehr, M. (2025). Legal Analysis of Smart Contracts in Iranian Law with Emphasis on Evidentiary Value, Validity, and Judicial Enforcement. *Journal of Modern Fiqh and Law*, *6*(23), 1-19.

Bradgate, R. (2019). *Commercial Law* (Vol. 4). Oxford University Press.

Emami, S. H. (2010). *Civil Law* (Vol. 1). Islamieh Publications.

Healy, P. M., & Palepu, K. G. (2001). Information Asymmetry, Corporate Disclosure, and the Capital Markets. *Journal of Accounting and Economics*, *31*(1-3), 405-440.

Jafari Langroudi, M. J. (2019). *Legal Terminology*. Ganj-e Danesh.

Katouzian, N. (2010). *Legal Acts*. Enteshar Joint Stock Company.

Katouzian, N. (2012). *Property and Ownership*. Enteshar Joint Stock Company.

Kharkesh, F., & Fathizadeh, A. (2020). Smart Contracts: Feasibility of Self-Executing Contracts in Iranian Law. *Private Law Research Journal*, *6*(1), 42-44.

Khomeini, R. (1997). *Sale (Bay')* (Vol. 1). Institute for Compilation and Publication of Imam Khomeini's Works.

Mousavi Bojnourdi, S. M. (1988). *Al-Qawa'id al-Fiqhiyyah* (Vol. 1). Dar al-Kutub al-Islamiyyah.

Murray, A. (2020). *Information Technology Law: The Law and Society* (Vol. 3). Oxford University Press.

Naser, M., & Sadeghi, H. (2022). Legal Validation and Challenges of Implementing Smart Contracts: A Comparative Study of Iranian and U.S. Legal Systems. *Comparative Law Studies Quarterly*, *8*(29), 91-94.

Savelyev, A. (2017). Contract Law 2.0: Smart Contracts as the Beginning of the End of Classic Contract Law. *Information & Communications Technology Law*, *26*(2), 119-125.

Scott, R. E. (2005). Incomplete Contracts and the Theory of Contract Design. *Columbia Law Review*, *56*(2), 187-214.

Shahidi, M. (2016). *Formation of Contracts and Obligations*. Majd Publications.

Singer, P. (2013). *The Ethics of Markets*. Oxford University Press.

Werbach, K., & Cornell, N. (2017). Contracts Ex Machina. *Duke Law Journal*, *67*(2), 425-430.

Womack, K. L. (1996). Do Brokerage Analysts' Recommendations Have Investment Value? *Journal of Finance*, *51*(1), 137-167.

Yusuf, A., & Martinez, R. (2025). Smart Contracts and Legal Enforceability: Decoding the Political Philosophy of Code as Law. *Interdisciplinary Studies in Society, Law, and Politics*, *4*(2), 292-302.

Zakarinia, H., Gholampour, Z., & Bagheri, M. (2023). An Introduction to the Legal Dimensions of Algorithmic Trading in Securities Markets. *Capital Market Law Quarterly*, *2*(2), 70-72.