What is L2?

Layer 2 (L2) refers to a secondary framework or protocol built on top of an existing blockchain network, such as Ethereum. These solutions aim to enhance the scalability, speed, and functionality of the underlying blockchain.

- **Off-chain solutions: these involve conducting transactions or smart contract operations outside the main blockchain network. They utilize separate channels or networks to process transactions faster and then settle the final outcome on the main chain.**
- **Sidechains: these are separate blockchains that run in parallel to the main blockchain, connected through various mechanisms, allowing assets or data to move between the main chain and the sidechain. These chains can handle transactions with different rules and speeds while relying on the main chain's security.**

Arbitrum and similar layer 2 solutions play a crucial role in addressing Ethereum's scalability challenges, making it more efficient and scalable for dApps and users.