

What Are Flash Loans?

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Flash loans are a subset of smart contracts where uncollateralized loans are made to a buyer and re-paid in the same series of transactions. Flash loans represent essentially risk-free arbitrage opportunities; for example, if a cryptocurrency is being traded for \$1 on one exchange and for \$2 on another, a savvy trader can use smart contracts to take out a flash loan of \$100 worth of the cryptocurrency on the first exchange, sell it for \$200 on the second exchange, repay the loan, and pocket the extra \$100 as profit as part of a single instantaneous transaction. Flash loans are usually risk-free for lenders as well; if there is no contract executed to return the amount loaned, the initial loan will never be made.

Related Capabilities

Cryptocurrencies, Digital Assets & Blockchain Technology