

Chainlink (LINK)

Investing in digital currencies

Chainlink connects blockchains with reliable real-world data. Blockchain networks are not able to directly access data from outside their systems, such as market prices, interest rates or other reference values. Chainlink solves this problem through a network of independent service providers (oracles), which collect, verify and securely transmit this kind of data to blockchains. The associated cryptocurrency LINK is used as a payment method for these service providers and serves as a key mechanism for securing the network.

History

Chainlink was founded in 2017 by Sergey Nazarov, Steve Ellis and Ari Juels to solve the so-called oracle problem, meaning that traditional blockchains are closed systems and cannot directly read or process external information. Chainlink handles this problem through a network of independent data providers (oracles), which supply verified external data to blockchains.

Chainlink has become a leading oracle provider since the network launched in 2019. Today, it is integrated into a number of decentralised finance (DeFi) protocols and other blockchain applications. Partnerships with established market players in the financial and technology sectors are evidence of Chainlink's role as a bridge between the traditional financial system and the blockchain ecosystem.

Technology

Chainlink uses a network of independent node operators (oracles). These retrieve data from external sources, aggregate it and transmit it cryptographically secured to different blockchains. The data – such as market prices, interest rates, weather information, sporting results or other verifiable information – can then be automatically processed by smart contracts. Economic rewards act as an incentive for oracles to provide accurate data. These include payment in LINK tokens, staking LINK as collateral as well as a reward-and-penalty mechanism known as slashing.



Name: Chainlink
Securities number: 116503.489
ISIN: XT3R3J70FDR7
Ticker: LINK

Special features

Decentralised oracle networks (DONs)

The Chainlink network is designed to provide reliable and largely manipulation-resistant data for smart contracts. Multiple independent data providers and oracles access different data sources and submit their results to the network. These results are aggregated and checked for plausibility, which reduces the dependence on any single source and increases resilience against failures.

Cross-chain functionality

Chainlink is designed as a protocol rather than being tied to a specific blockchain. Smart contracts on different blockchains can interact with one another and exchange data or assets via the Cross-Chain Interoperability Protocol (CCIP). This is particularly important for DeFi applications.

Cryptographic security

Chainlink uses technology such as digital signatures and hardware security modules to ensure that the data being delivered is authentic and has not been tampered with during transmission.

Use cases

Decentralised finance (DeFi)

Many DeFi lending protocols, derivatives platforms, decentralised exchanges (DEXs) and automated liquidation systems use Chainlink price feeds as a reference. These feeds provide continuously updated price data aggregated from multiple sources, allowing collateral to be valued accurately and liquidations to be executed transparently according to predefined rules.

Proof of reserves

For tokenised assets and stablecoins it is essential that the underlying reserves actually exist in real life. Chainlink enables smart contracts to connect to verified off-chain data sources and to verify reserve holdings on a regular basis. This increases transparency and reduces the risk of undercollateralised tokens.

Insurance applications

Insurance products based on smart contracts can use Chainlink to automatically retrieve external data, such as weather information or flight data. This allows insurance claims, e.g. crop failures or flight delays, to be processed automatically and transparently.

Economic aspects (tokenomics)

LINK is the native token of the Chainlink ecosystem. It serves as a payment method for oracle operators that provide data or other services. They receive LINK as compensation and can stake it as

collateral in order to demonstrate their reliability. Improper conduct can result in the loss of this collateral.

The total supply of LINK is capped.

Classification

Chainlink is considered a critical infrastructure component for decentralised applications and financial services. While Bitcoin serves primarily as a store of value and Ethereum provides the foundation for smart contracts and decentralised applications (dApps), Chainlink focuses on delivering reliable, difficult-to-manipulate off-chain data and related services to smart contracts across different blockchains.

Links

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