The FTP Layer allows file operations (such as installing Extensions or updating the main configuration file) without having to make all the folders and files writable. This has been an issue on Linux and other Unix based platforms in respect of file permissions. This makes the site admin's life a lot easier and increases security of the site.

You can check the write status of relevent folders by going to "Help->System Info" and then in the sub-menu to "Directory Permissions". With the FTP Layer enabled even if all directories are red, ed Joomla! will operate smoothly.

NOTE: the FTP layer is not required on a Windows host/server.