

# Blockchain

## Slide set 10 Distributed Systems Graduate Level

K. N. Toosi Institute of Technology

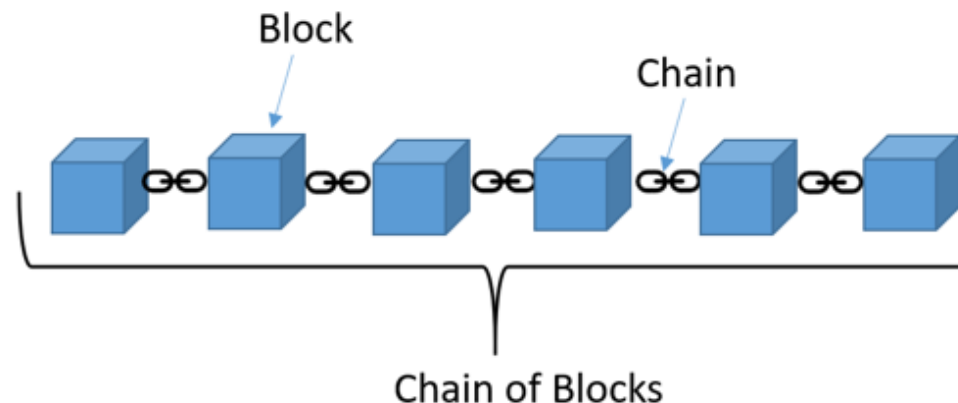
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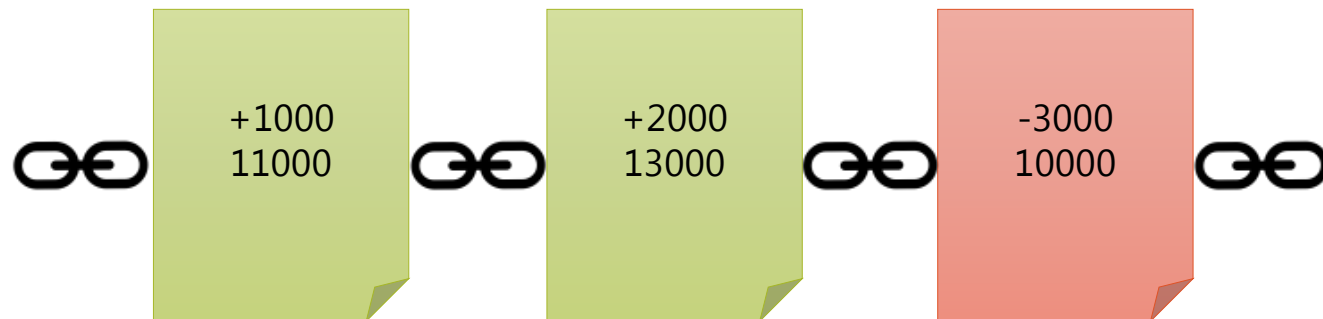
# Blockchain

- ▶ Essentially is a series of data blocks **chained** together
  - ▶ Each block is chained to its previous block by embedding information from the previous block
- ▶ Blockchain is **immutable** or **append only**
  - ▶ Once a data recorded in a block it cannot be changed
- ▶ Blockchain is a **peer-to-peer** system in its core
  - ▶ No central administration
  - ▶ No third party in exchanging info, cash, file, .....



# Blockchain

- ▶ We may use Chained Blocks concept to build a **ledger**
- ▶ Suppose we keep transactions of an account in series of blocks
- ▶ Each block consists of two pieces of information
  - ▶ Amount of transaction (debit or credit)
  - ▶ Remaining





## Distributed Ledger Technology (DLT)

- When one row in a ledger is debit then a row in another ledger is credit

The diagram illustrates a double-entry ledger system with two ledgers, each titled "دفتر کل" (General Ledger). The left ledger has columns for "باقیمانده" (Balance), "بستانکار" (Debit), "بدهکار" (Credit), and "شرح" (Description). The right ledger has columns for "تاریخ" (Date), "شرح" (Description), "بدهکار" (Credit), "بستانکار" (Debit), and "باقیمانده" (Balance). A green arrow points from a credit entry of +123456789 in the left ledger to a debit entry of -123456789 in the right ledger. A red arrow points from the debit entry in the right ledger to the credit entry in the left ledger.

باقیمانده	بستانکار	بدهکار	شرح
ریال	ریال	ریال	
	+123456789		منقول

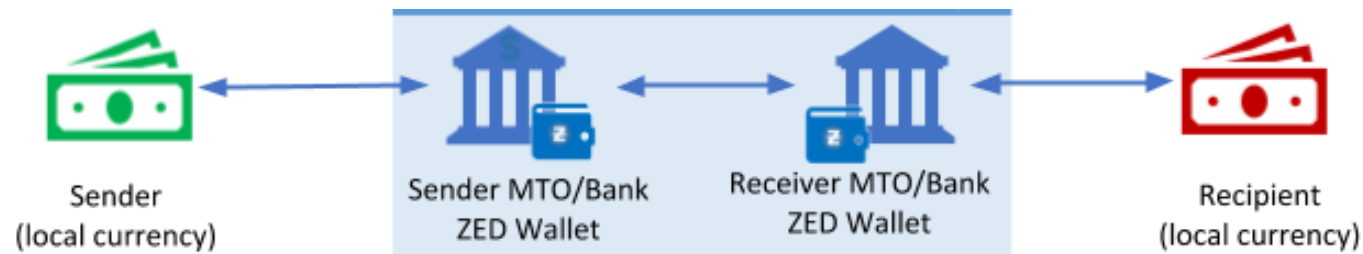
تاریخ	شرح	بدهکار	بستانکار	باقیمانده
روز ماه		ریال	ریال	ریال
	منقول از صفحه	-123456789		

## Distributed Ledger Technology (DLT)

- ▶ What if two ledgers had contradiction?
  - ▶ Here a third party comes in to the picture like Banks
  - ▶ For each business there may be a dispute resolution reference

## Contradiction Resolution

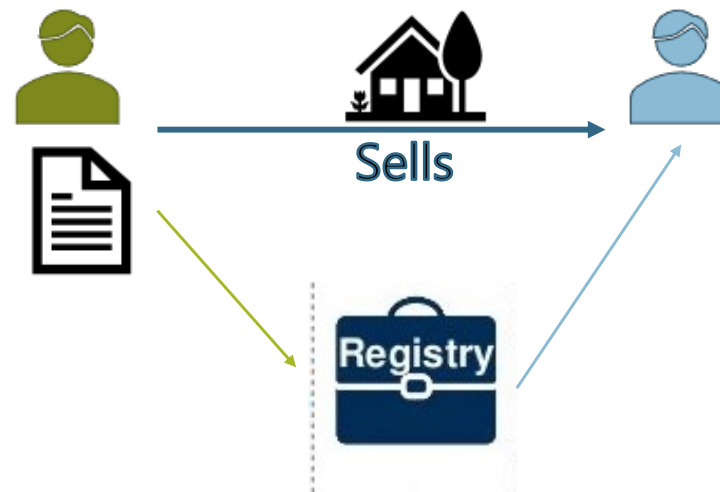
- Some businesses are only the third party **trusted** by mediators



## Contradiction Resolution

- ▶ Some businesses are only the third party trusted by mediators

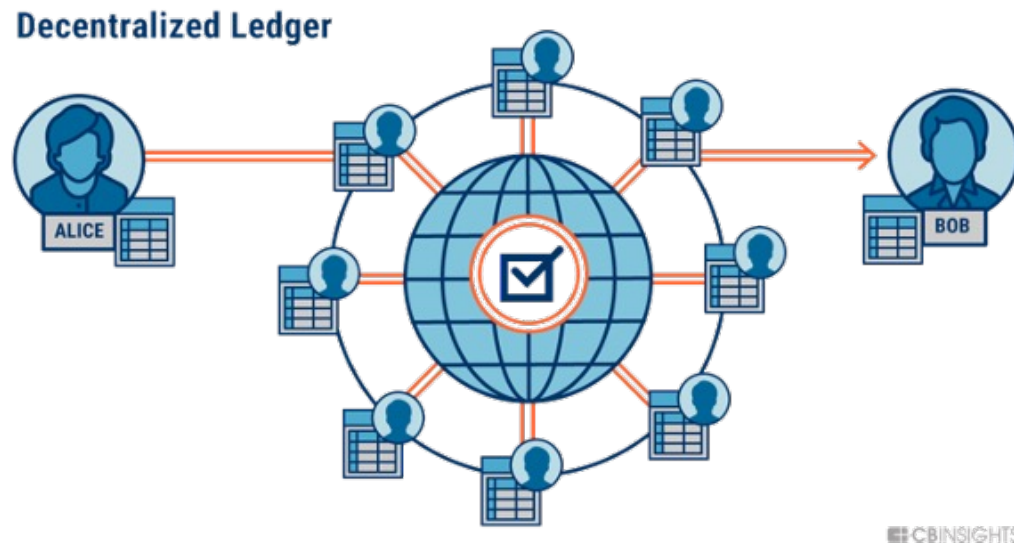
A is the owner of a house based on a document issued by a registry



The process of transferring ownership should be registered in the registry

## Contradiction Resolution

- ▶ How could we remove the role of third party **trust-intermediaries**?
- ▶ What if **large number of people** keep track of every transaction in the world?
- ▶ What if everyone have **copy** of others ledger



## Contradiction Resolution

- ▶ If **majority** of people verify a transaction, then we could ensure correctness of that transaction
- ▶ No one can cheat, otherwise he must convince **+50%** of ledger-keepers
- ▶ Few ledger-keepers may lie, but they must be more than 50% to change the **majority-driven consensus**

## Contradiction Resolution

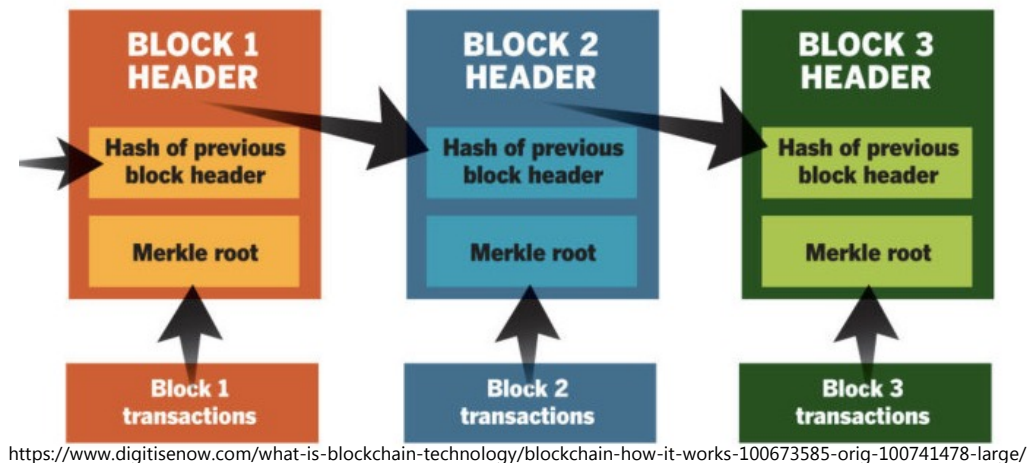
- ▶ How ledger-keepers could trust to some people claiming they had transactions with each other?
- ▶ Simple! all parties must **sign** the transaction and send a copy to **all** ledger-keepers

## Distributed Ledger Technology (DLT)

- ▶ DLT Technology Enablers (sum-up)
  - ▶ All contributors must have sign to be distinguishable
  - ▶ A copy of all transactions is kept by all contributors
    - ▶ Any transaction must be announced to contributors
  - ▶ Transactions are open to read by anyone but they are signed

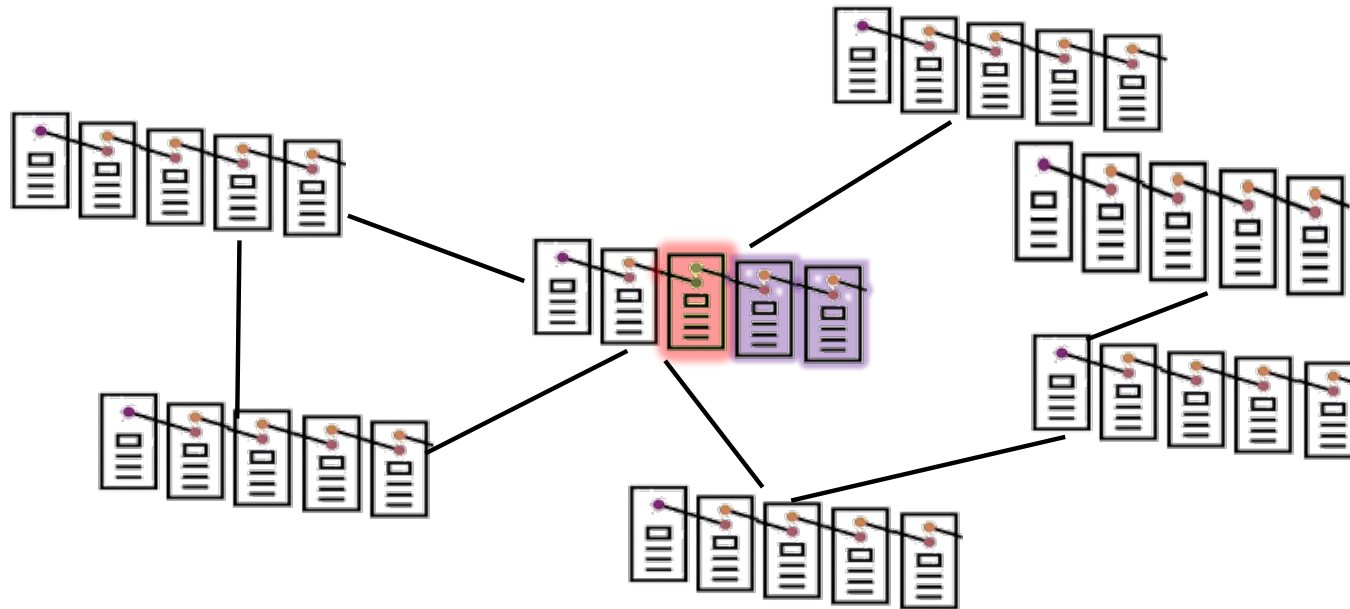
## Distributed Ledger Technology (DLT)

- **Triple entry** ledger introduced by Nakamoto (BitCoin creator)
- Third column is an **immutable** link to all **past** debits and credits



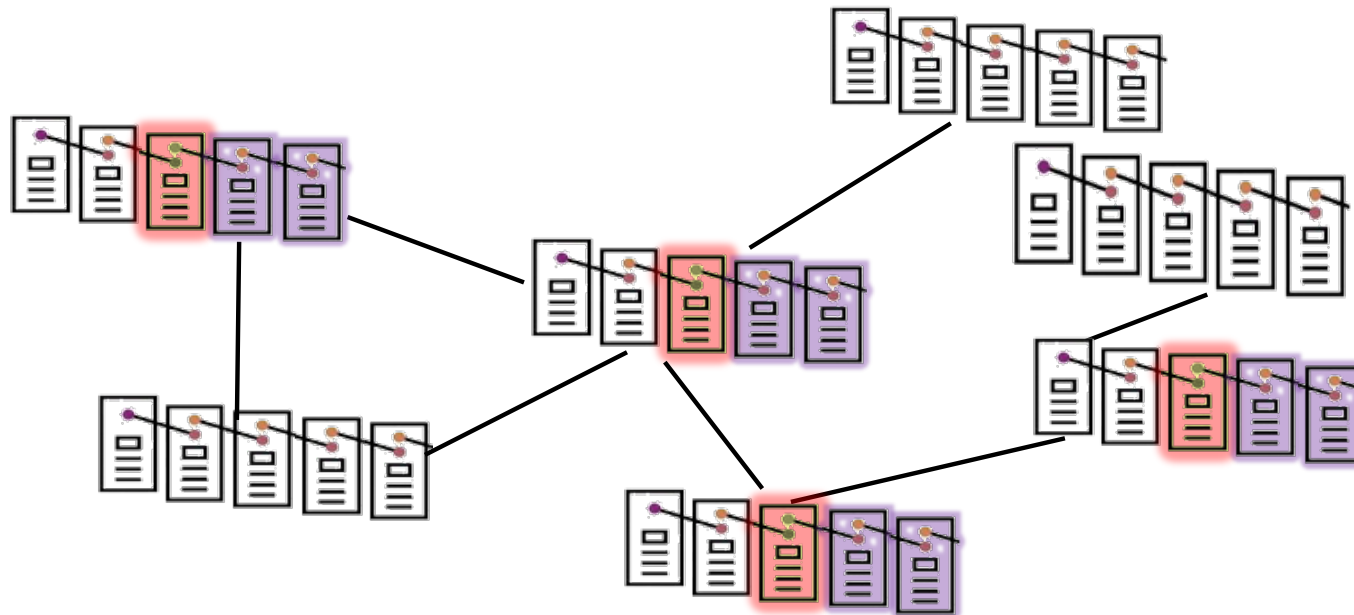
## Distributed Ledger Technology (DLT)

- For **altering** a transaction someone must change several blocks of transactions
- This makes cheating much more difficult



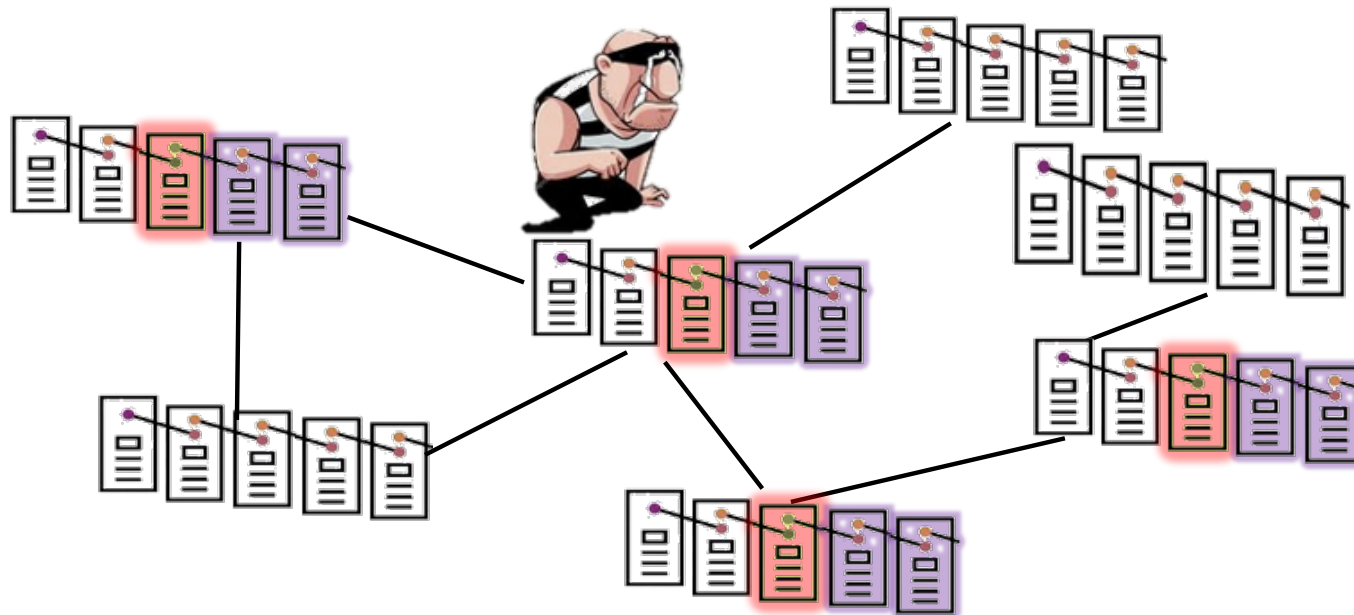
## Distributed Ledger Technology (DLT)

- For altering a transaction someone must change all the previous transactions **in more than 50%** of ledgers scattered throughout the world



# Distributed Ledger Technology (DLT)

- Looks impossible



# Blockchain

“Blockchain is a peer-to-peer, distributed ledger that is cryptographically-secure, append-only, immutable and updateable only via consensus among peers”

# Blockchain

- ▶ How blocks are chained together?

## Cryptography Basics

- **Secret**: The data we are trying to protect
  - **Key**: A piece of data used for encrypting and decrypting the secret
  - **Function**: The process or function used to encrypt the secret
  - **Cipher**: The encrypted secret data, the output of the function
- Blockchain makes use of several different types of cryptography

## Cryptography Key Terms



## Public Key Cryptography

- ▶ Pair of public and private keys used for encryption and digital signatures
- ▶ It is extremely difficult to reach from one key to another
- ▶ Public key is distributed publicly
- ▶ Private must be kept secret

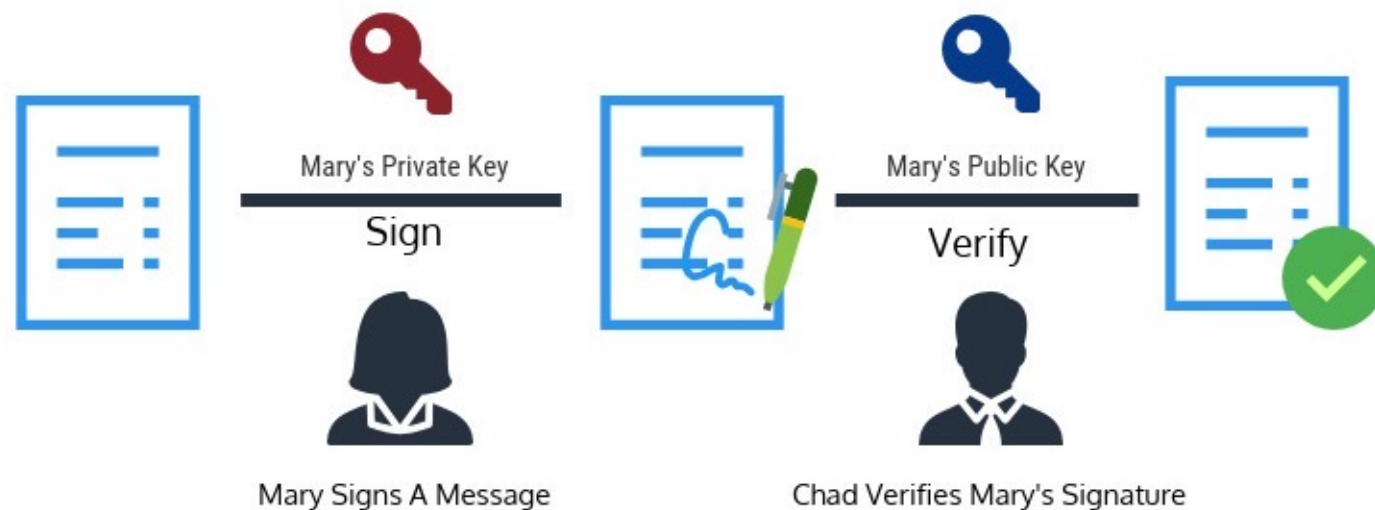
## Public Key Cryptography

- Confidentiality use case
  - When one encrypts a content with someone's public key then it can only be opened with the corresponding private key
  - This is used to send a **secret message** to someone

# Public Key Cryptography

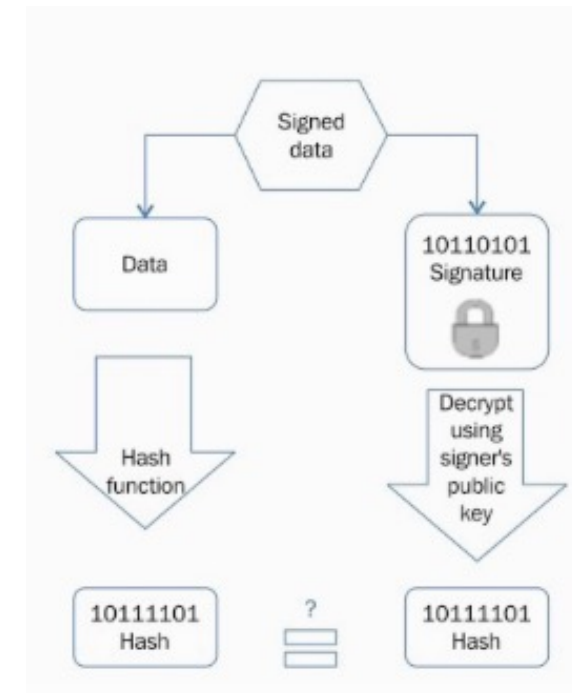
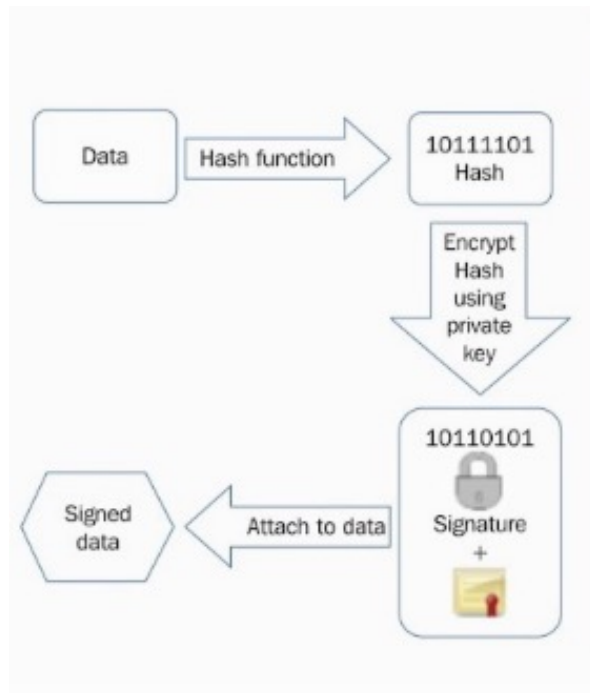
## ► Integrity & Digital signing use case

- When one encrypts a content with his private key then it can only be opened with his corresponding public key
- Receivers of the message can reliably determine the **identity** of the sender



# Public Key Cryptography

## ► Secure digital signing use case



## Hash Functions

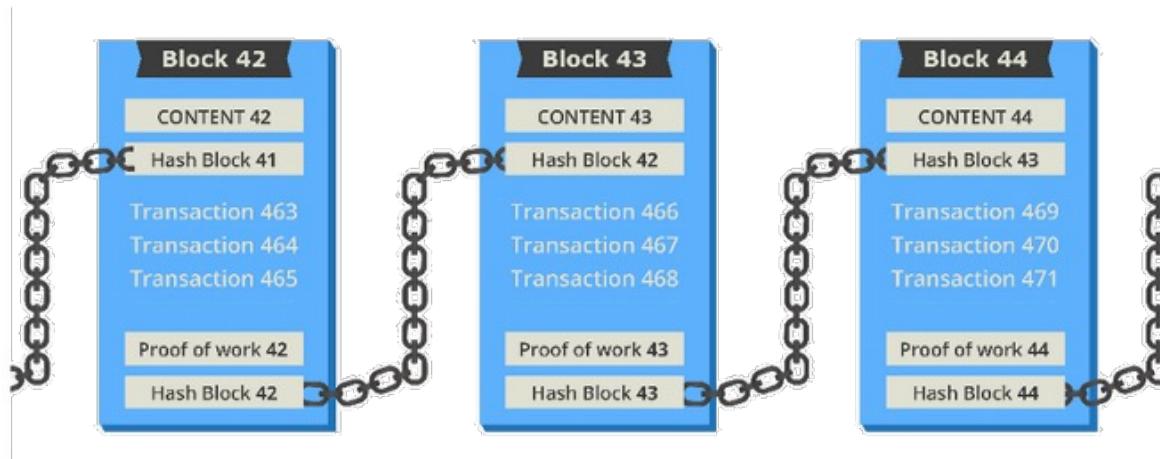
- One-way pseudo-random mathematical functions
- Takes an input and produce a fixed size sequence of bits
- Hashes produce a fixed size output for even very long inputs, then hash of data can be considered as a compressed signature of data

# Hash Functions

- ▶ Calculating hash is simple but it is **practically impossible** to determine the input
- ▶ Changing a **single bit** in input, produces an output that differs by half of bits on average
- ▶ Finding two inputs that have **equal** hashes are very hard
- ▶ Using hashes we are able to compare two pieces of data without knowing their actual value

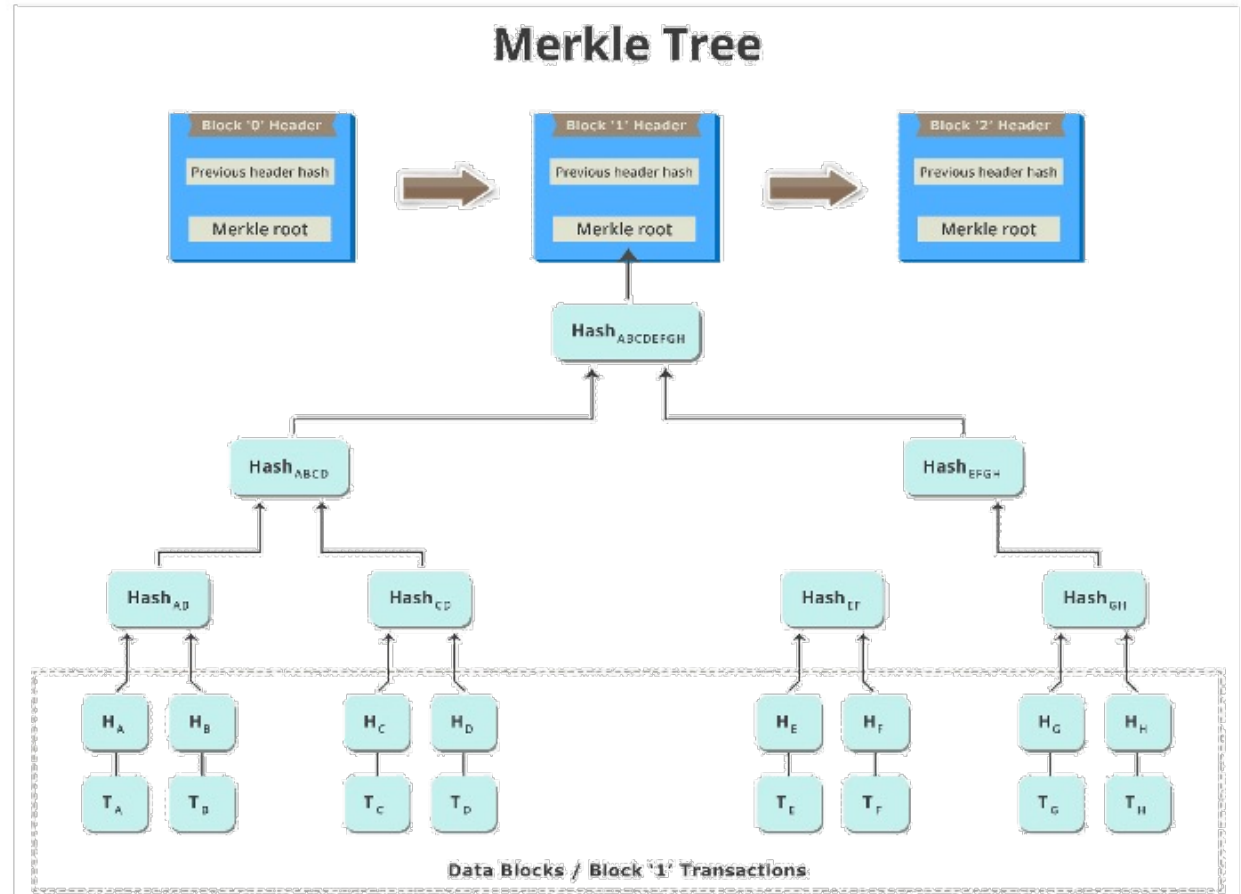
## Chaining Blocks

- How blocks are chained together
  - Hash of a block is calculated
  - It is used in the next block
  - First block is called **Genesis** block



# Chaining Blocks

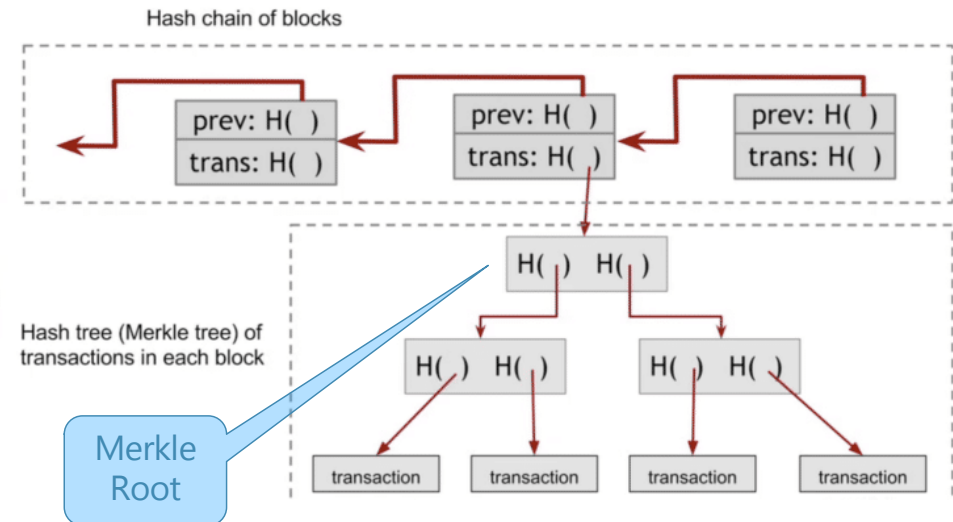
- Merkle Tree
  - Also hash-tree
- Leaf nodes are hash of data
- Non-leaf nodes are hash of hash of its children



## Chaining Blocks

- Merkle Tree (cont.)
  - A block may contain data of several transactions in a block
  - For each block a Merkle tree is computed and saved in block header
  - This makes comparing of blocks between two nodes very simple, just compare **Merkle Roots**
  - No need to have the entire block data

### Bitcoin block structure



# Elements of Generic Blockchain

# Elements of Blockchain

- ▶ Address
  - ▶ Unique identifier for each user
  - ▶ Users may have several identifiers
  - ▶ Often identifier is users' public key
- ▶ Transaction
  - ▶ A transfer of an asset between two addresses

# Elements of Blockchain

- ▶ Nonce
  - ▶ A number generated and used only once.
  - ▶ Used extensively in many cryptographic operations to provide replay protection, authentication, and encryption
- ▶ Block
  - ▶ Composed of several transactions beside timestamp, nonce and previous block hash

# Elements of Blockchain

## ▶ Node

- ▶ In a blockchain network performs various functions depending on the role that it takes on
- ▶ Can propose and validate transactions and perform mining to facilitate consensus and secure the blockchain
  - ▶ This goal is achieved by following a consensus protocol
- ▶ Can perform other functions such as simple payment verification (lightweight nodes) and validation
- ▶ Do transactions

# Mining

- Miners **validate** new transactions and **record** them on the global ledger
- It is a mechanism that allows the blockchain to perform decentralized security



<https://dev.to/damcosset/blockchain-what-is-mining-2eod>

## Mining

- Miners compete to solve a difficult **mathematical** problem based on a cryptographic hash algorithm
- This proof proves that a miner did spend a lot of time and resources to solve the problem and is rewarded



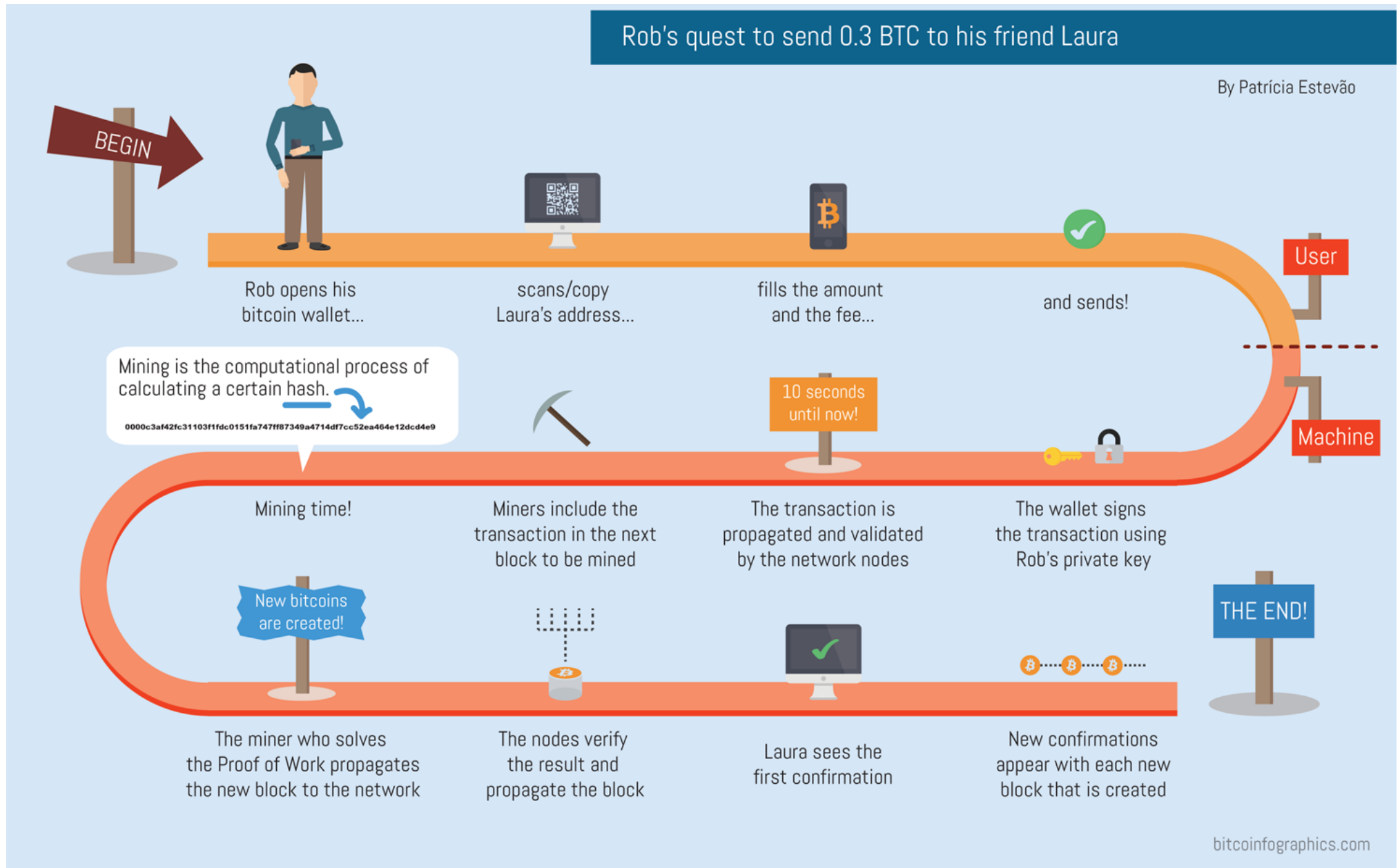
<https://dev.to/damcosset/blockchain-what-is-mining-2eod>

## Transaction Flow

- A **node** starts a transaction with **creating** and **signing** it with its **private** key
- Transaction is **flooded** into the Blockchain network with a Gossiping protocol
- Several miners **validate** the transaction
- Transaction is **appended** into a block and is propagated throughout the network
- In this step, transaction is confirmed
- A transaction is **finalized** if several blocks created after this block

## Rob's quest to send 0.3 BTC to his friend Laura

By Patrícia Estevão



# HOW THE BLOCKCHAIN WORKS

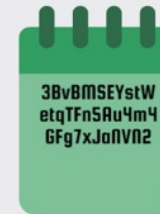
The bitcoin illustration



**Anna buys a book online.**



Her online book retailer accepts **bitcoin** and Anna already holds a bitcoin wallet.



The retailer sends Anna its bitcoin **address** (a chain of 26 to 35 characters).



Anyone can **verify the transaction**, with the public key.



Anna sends her payment to the address of her retailer. She signs the transaction with the private key of her own address, created for this given transaction, and adds her own public key to the transaction.



To ensure **privacy**, addresses are usually different for each transaction. An address is linked to a private key and a public key.

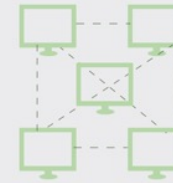


This is where the miners come into play.

Miners are techy blockchain enthusiasts, located all around the world.



Transactions are recorded in **blocks**. The ledger is a chain of blocks. **Blockchain is the realisation of a public ledger.**



The blockchain, shared in real-time on the miners' computers, stores the record of all confirmed bitcoin transactions.



As a new block is created every 10 minutes, modifying a recorded block would require modifying all the following blocks, which is nearly impossible.

A block contains the **hashes of the previous and current blocks, and a 'nonce'** (a random number). All blocks are linked to one another. It can be viewed as a wax seal.

To store a transaction in the blockchain, miners' computers create cryptographic **hashes** (strings of letters and numbers).

81cd02ab7e569...  
e320b6c2f1fc8...  
5572eca4d4ab7a0  
00000000000000000000000000000000



A hash must look a certain way (starting with a number of zeros). **Miners must generate many hashes before finding a successful one.**

The successful miner is **rewarded** in bitcoins.



Anna's transaction is now complete and verified!

## Blockchain vs. Bitcoin

- ▶ Bitcoin and cryptocurrencies are great use cases for blockchain
- ▶ There are many more use cases that utilize blockchain technology

# Blockchain Types

# Blockchain Types

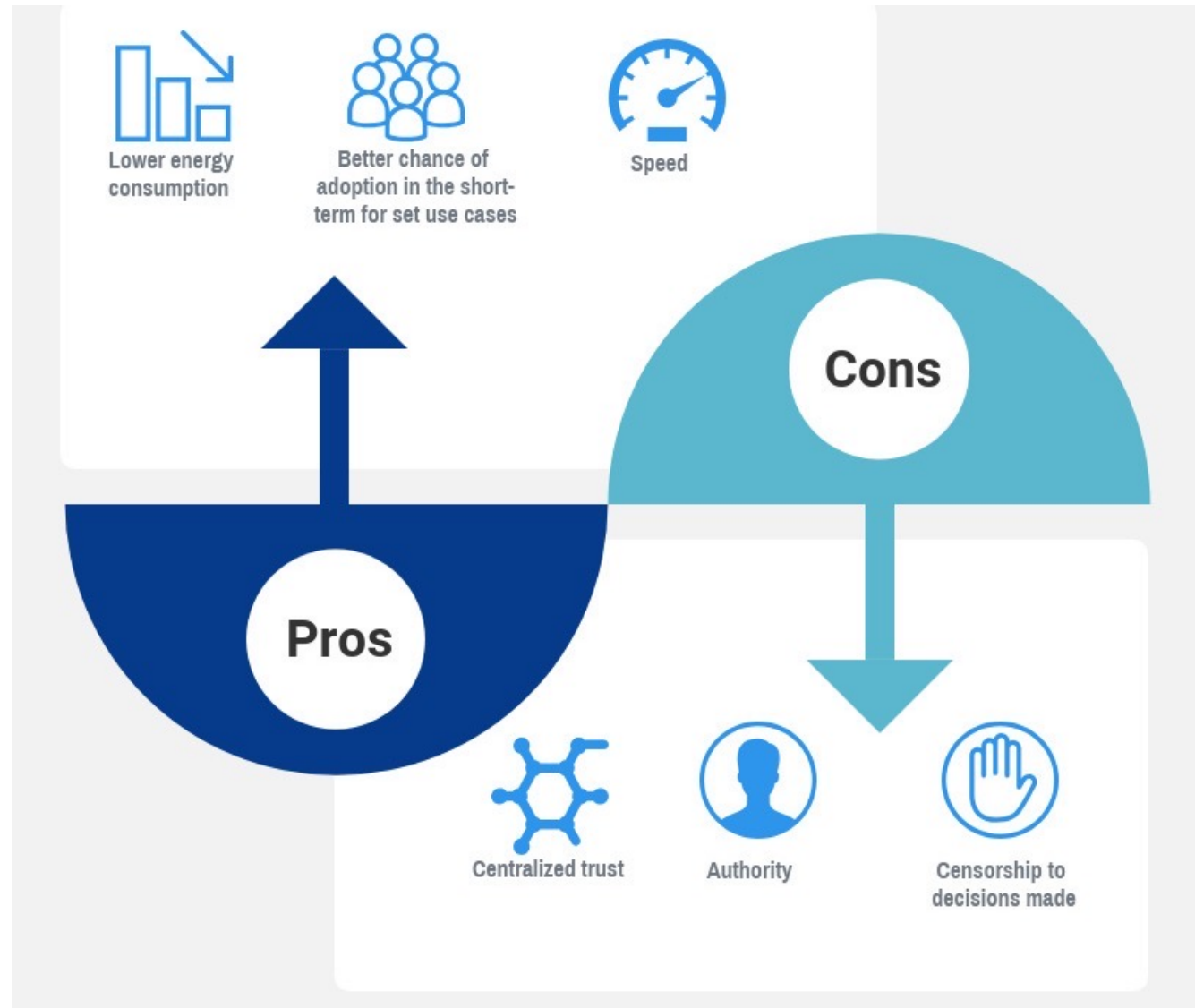
- ▶ Public
  - ▶ **Everyone** can join the network without limitation
  - ▶ Just download the related software and start
  - ▶ Like Bitcoin, Ethereum, ...

# Blockchain Types

- ▶ Consortium
  - ▶ Grouping of **institutions** (possibly individuals) getting together to achieve a mutual goal
    - ▶ Each participant shares resources and promise to stick to the rules
  - ▶ Only **certified** identities can participate
    - ▶ Called shared permissioned blockchains
    - ▶ Consortium of Banks
  - ▶ Consensus protocols are much simpler as there is no traitor
  - ▶ Like: Stellar, Ripple, Hyperledger, Corda

# Blockchain Types

## ► Consortium



# Blockchain Types

- ▶ Private
  - ▶ **Permissioned**
  - ▶ Inside an organization among **fully trusted** entities
- ▶ Why one may use private blockchain instead of a central database?

# Blockchain Types

- ▶ Private blockchain vs. Central DB

## Immutability

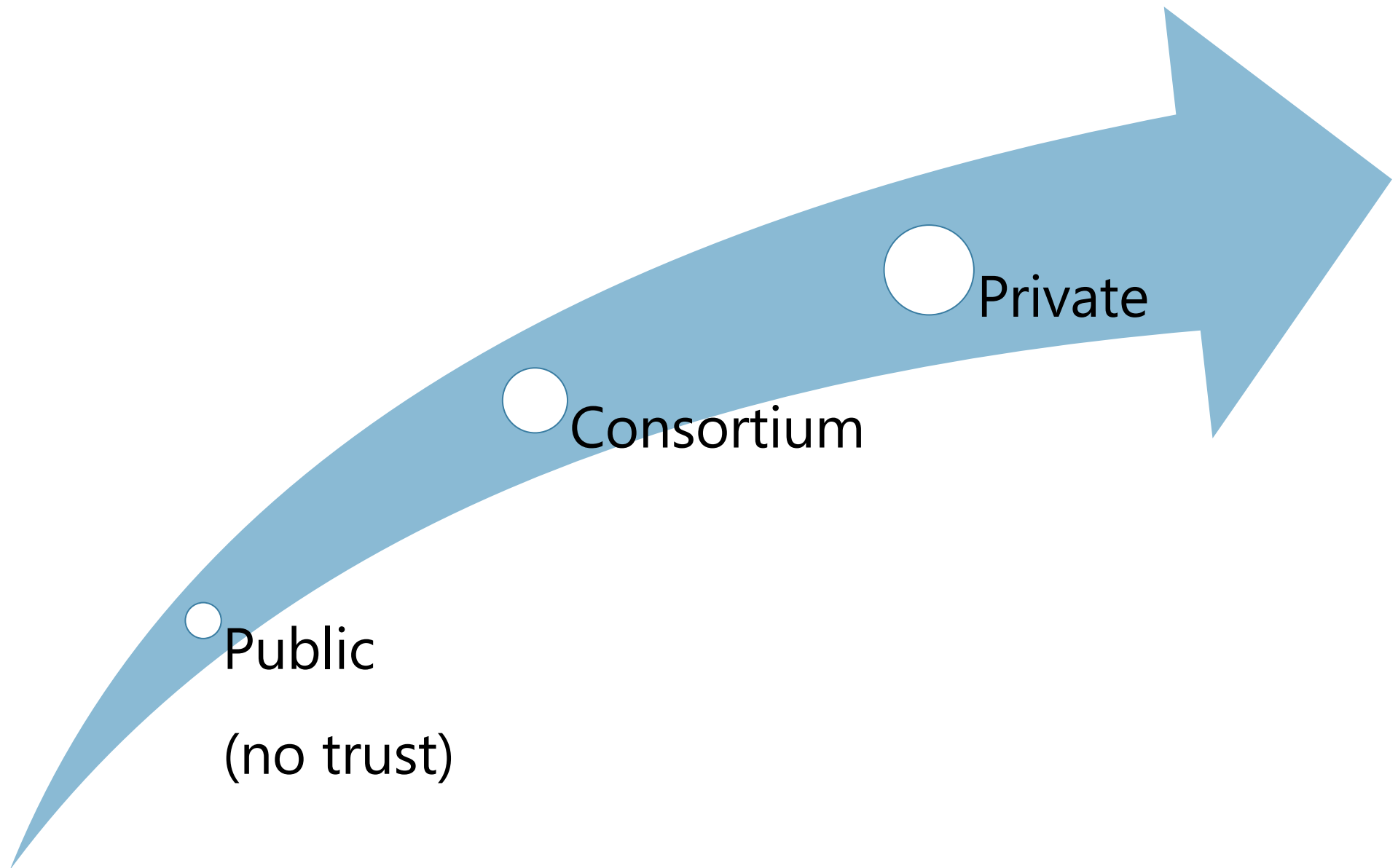
- Records are immutable forever

## Transaction identity

- Identity of records can be identified and is undeniable

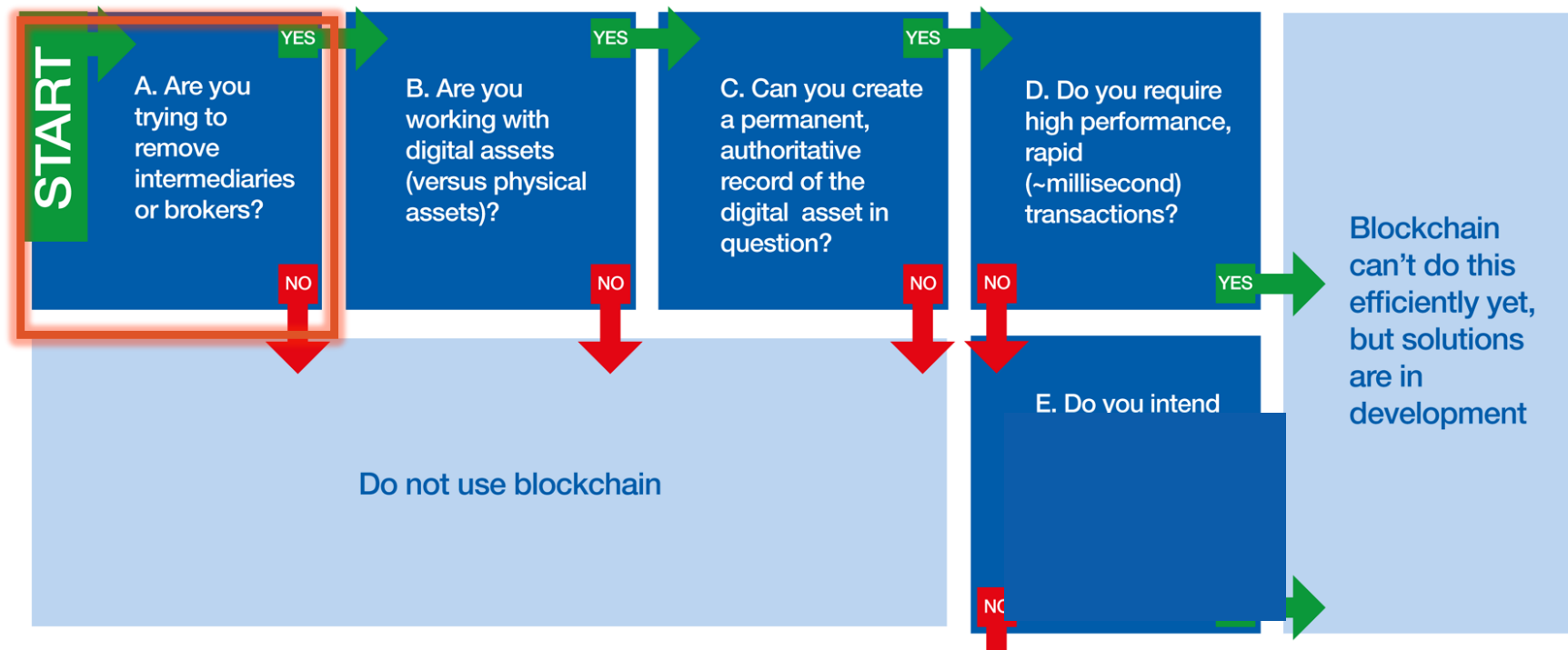
## Cryptographic auditability

## Trust in Blockchains

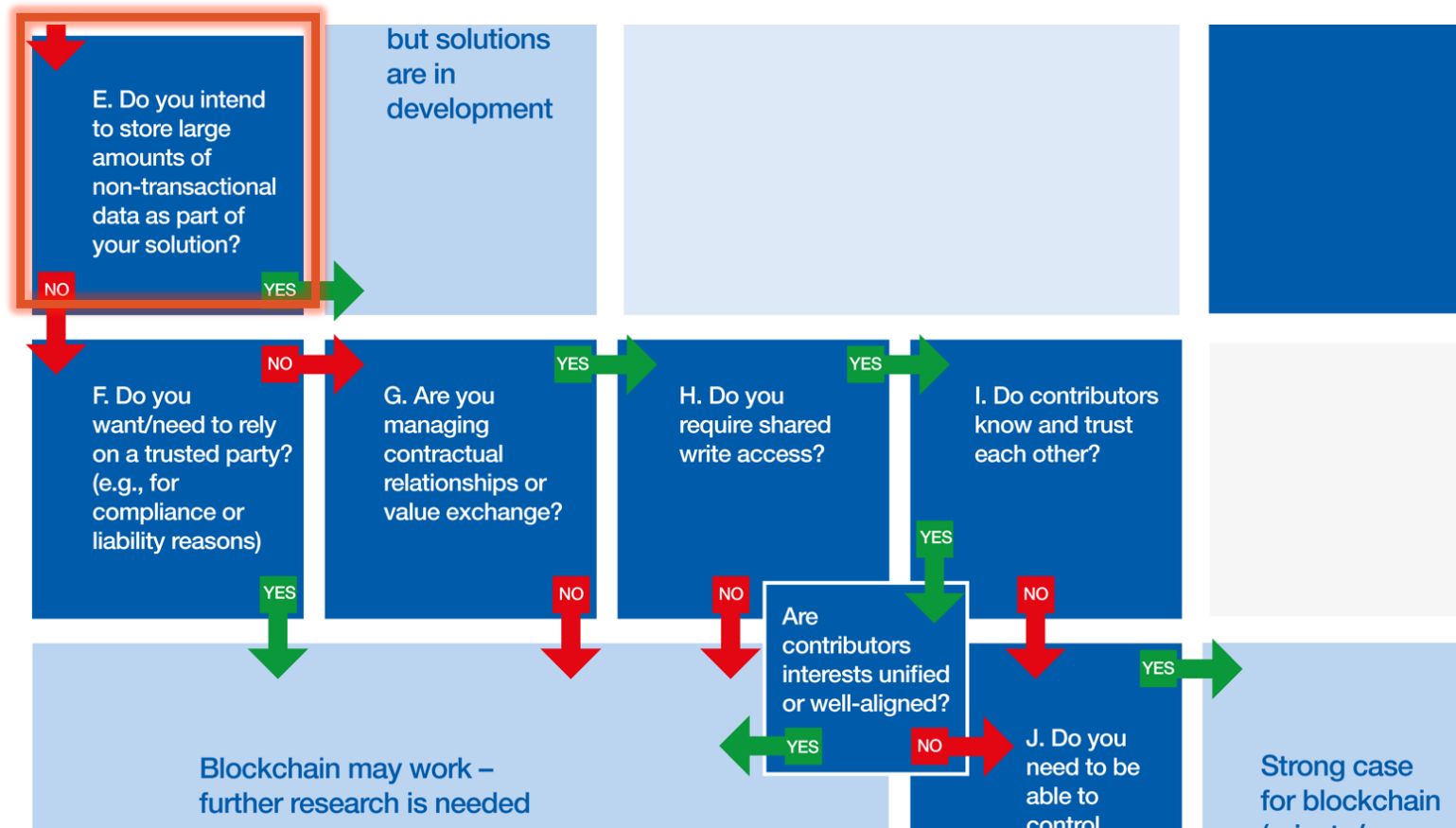


# When to use Blockchain

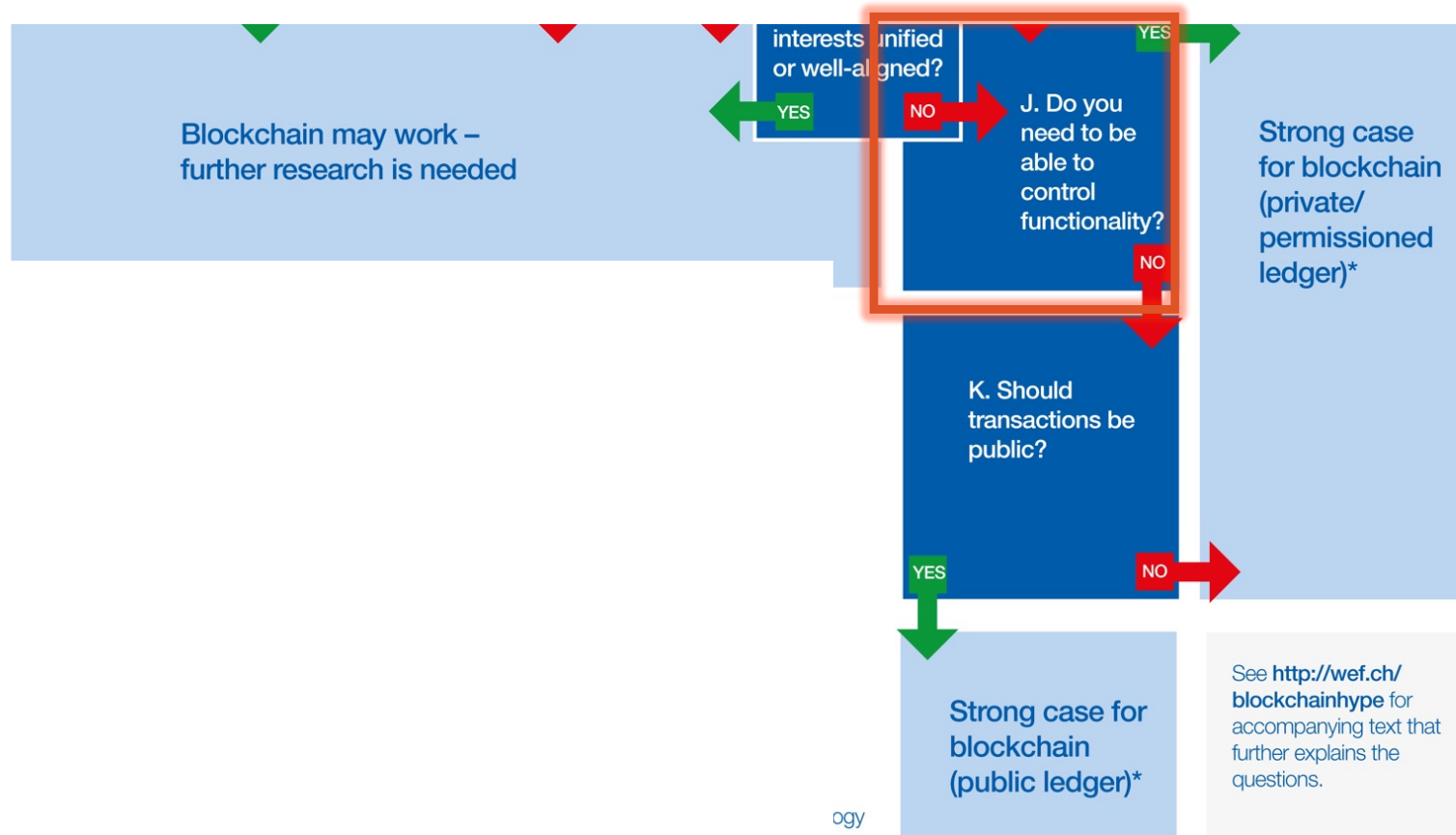
## When to use Blockchain



## When to use Blockchain



## When to use Blockchain



# Smart Contracts

# Smart Contracts

- ▶ Also known as Chaincode
- ▶ Automate transactions and ensure they are all following the same rules
- ▶ Anyone can write a smart contract by the scripting language of the blockchain and upload it into the blockchain



Smart Contract

# Smart Contracts

- ▶ **Anyone** can read and call contracts
- ▶ Once created they are executed **without intervention** of intermediaries



**Smart Contract**

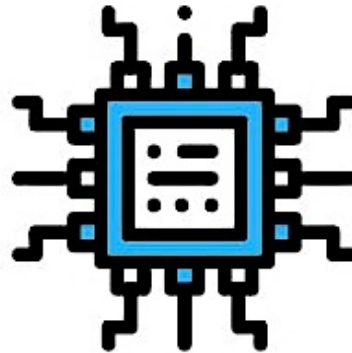
# Smart Contracts

1



Smart Contracts are **written as code** and committed to the blockchain. The code and conditions in the contract are **publicly available** on the ledger.

2



When an event outlined in the contract is triggered, like an expiration date or an asset's target price is reached-- the **code executes**.

3



Regulators can watch contract activity on the blockchain to **understand the market** while still **maintaining the privacy** of individual actors.

<https://blockgeeks.com/guides/smart-contracts/>

# Smart Contracts

- ▶ A sample Smart Contract written with Solidity language for Ethereum blockchain

```
contract NameRegistry {  
    mapping(bytes32 => address) public registryTable;  
    function claimName(bytes32 name) {  
        if (msg.value < 10) {      // if has been paid 10 wei (the smallest  
            currency)  
            throw;  
        }  
        if (registryTable[name] == 0) {  
            registryTable[name] = msg.sender;  
        }  
    }  
}
```

# Smart Contracts

- ▶ Dapp (pronounced Dee-app)
  - ▶ Decentralized Application
- ▶ Essentially Dapp = frontend + smart contracts
- ▶ Executing Daaps is expensive
  - ▶ Anything run on the network has to be run on every node.
  - ▶ This means that contracts and logic must be simple, streamlined and efficient
  - ▶ It is only useful for a small subset of applications

# Smart Contracts

- ▶ Decentralized Autonomous Organization (DAO)
  - ▶ A DAO is an organization that runs on a stack of computer programs
    - ▶ Smart contracts in the blockchain world
  - ▶ Rules are proposed by people inside community
  - ▶ Once it is accepted by majority it is placed in stack or operational rules
- ▶ There is no such thing as a completely autonomous DAO
  - ▶ There are specific parts that are autonomous and others that are not so autonomous.

# Cryptocurrency

# Cryptocurrency

- What is Money?
- Why Money has Value?
- What is Value?

# Cryptocurrency

- ▶ Over time people have used different kind of things to denote **value**
  - ▶ Salt
  - ▶ Peppercorn
  - ▶ ...
  - ▶ Gold



- What makes them **valuable** in their time?
  - They were **Uncommon** and **scarce**
    - Think about if soil could be the currency?
  - People **collectively agree** that something is valuable

# Cryptocurrency

- ▶ What about paper dollar bills?
  - ▶ They're just scarce
  - ▶ Hard to reproduce
  - ▶ All agree that they have value
- ▶ Add to this power of economy, army, ...



# Cryptocurrency

- ▶ Digital currencies now has the same properties
  - ▶ **Scarcity**: Mining Difficulty
  - ▶ **Reliability**: Network Consensus
  - ▶ **Tradability**: Digital Signing

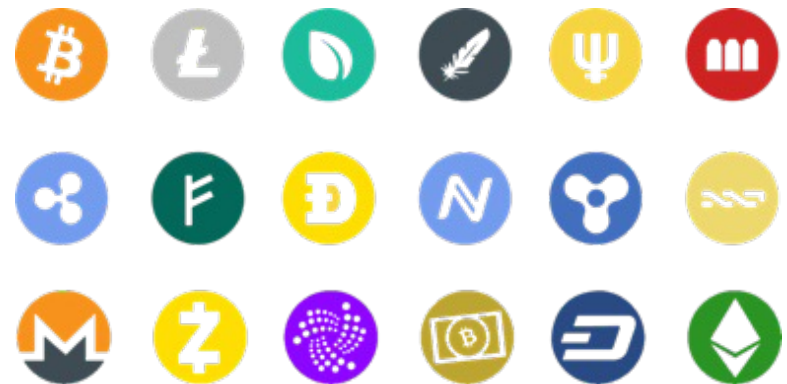


# Cryptocurrency

- ▶ Currency, Digital Currency
  - ▶ Something has value **intrinsically**
  - ▶ Just like Dollar

# Cryptocurrency

- ▶ A **digital asset** designed to work as a **medium of exchange** that uses **strong cryptography** to secure financial transactions, control the creation of additional units, and verify the transfer of assets.
- ▶ Use **decentralized control** as opposed to **centralized** digital currency and **central banking** systems
- ▶ Uses DLT on a blockchain to implement decentralization
- ▶ Not all blockchains have an associated currency
  - ▶ **Bitcoin** and **Ether** currencies are associated with their blockchain network



## Coin

- A coin is a **unit** of cryptocurrency associated with a given blockchain network

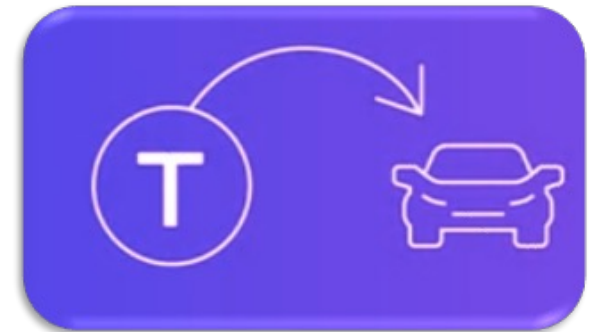


## Token

- Something tradable, sellable, own-able
- Can be seen as a proof of an ownership of stake in something which has value
  - Like a share in a company
- Value of the token is **extrinsic** to it and that is in contrast to the value **intrinsic** to a coin
- You buy tokens with coins of that blockchain
  - You buy Ethereum tokens with Ether coins

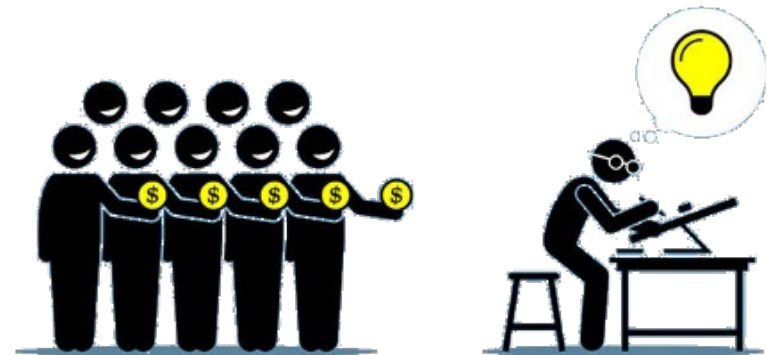
## Token

- Tokens are a mechanism to represent a physical item or value in the digital realm.
- A token enables the movement or trading of the value or asset the token represents.



## Token

- You have a project and want to be **invested** by people
  - Crowd funding
- You can create a token with a new name on a blockchain
- People buy it with the currency of that blockchain
- Having your tokens, is a proof that some one holds some share on your **Dapp** project
  - Like voting right



## Token

- You provide some online services
- People can buy different tokens to use various services you provide
- These tokens have monetary value
- The possibilities of **tokenized ownership** are one of the potentially revolutionary aspects of blockchain technology

## Token

- ▶ Ethereum network defines ERC-20 and recently ERC-223 standards
- ▶ Standards define a minimum set of functions for a token
- ▶ They are optional but recommended

## Initial Coin Offering (ICO)

- An ICO is like a crypto version of an IPO (Initial Public Offering)
- In an IPO, a company offers ownership shares to the public in order to raise money
- The ICO is the same, it's a way for projects to get funded in exchange for shares of ownership



## Initial Coin Offering (ICO)

- ICO is also a process by which new cryptocurrencies can be introduced to the public.
- Instead of selling an ownership stake in something else, it's an offer to buy a new currency, with the hope that the associated blockchain will grow in popularity, making that currency more valuable.
- This would be most similar to buying foreign currency and hoping that the issuing country's economy strengthens.



## Example of Dapps & Tokens

### ► Golem

- Builds world-scale supercomputer
- Rent part of your CPU power and get GNT (Golem Network Token)
- Buy GNT token to use the network



### ► Meridio

- Slice total value of a house into small shares
- You buy shares with Ether coins and receive tokens
- Later you may exchange tokens for other currencies



## Example of Dapps & Tokens

- ▶ Brave Browser
  - ▶ Chrome-base browser
  - ▶ Gives BAT (Business Attendance Token) for people watching contents (Ads, any content)
  - ▶ Secure and respects privacy
  - ▶ What is the business?
    - ▶ When users of the platform increases, BAT value is also increase



# Consensus



# Consensus

- ▶ Consensus is a process of **agreement** between distrusting nodes on the final state of data
- ▶ The choice of the consensus algorithm is also governed by the type of blockchain in use
  - ▶ Not all consensus mechanisms are suitable for all types of blockchains

## Consensus Types

- Leader Election-based
  - Also called proof-based, lottery-based, ...
  - Nodes compete to be leader and then the elected leader proposes the final value
  - Like in Paxos
- It is mostly used in public and permissionless Blockchains



## Consensus Types

- ▶ BFT-Based (Byzantine Fault Tolerant)
  - ▶ Works based on voting rounds
  - ▶ Nodes send and receive signed-messages
  - ▶ If enough similar messages gathered, the agreement is reached
  - ▶ Works well with limited number of nodes
  - ▶ Mostly used in consortium (permissioned or enterprise) blockchains

## Consensus Types

- Proof-of-Work (PoW) consensus
  - Also Nakamoto consensus, used in Bitcoin and Ethereum networks
  - Accounts on scarcity of computational resources
  - Miners must race to solve a hard cryptographic problem
    - Consumes a high amount of resources including computing power and electricity
    - Secures the system against frauds and double spending attacks while adding more virtual currency to the Bitcoin ecosystem
  - Once a miner found a solution, broadcasts in network to be included in the chain

## PoW

- Roughly one new block is created (mined) every 10 minutes to control the frequency of generation of bitcoins.
- This frequency needs to be maintained by the Bitcoin network and is encoded in the bitcoin core clients in order to control the **money supply**.

## Consensus Types

- Miners are rewarded with new coins if and when they discover new blocks by solving PoW.
- This is how new coins are injected into the Bitcoin network
- Miners are also paid transaction fees in return for including transactions in their proposed blocks.

## PoW

- The rate of creation of new bitcoins **decreases by 50%**, every 210,000 blocks, roughly **every 4 years** by adjusting difficulty of cryptographic puzzle
- When bitcoin was initially introduced, the block reward was 50 bitcoins
- In 2012, this was reduced to **25 bitcoins**.
- In July 2016, This was further reduced to **12.5 coins (12 coins)**
- The next reduction was done on July 4, 2020.
- This will reduce the coin reward further down to approximately **six coins**

## PoW

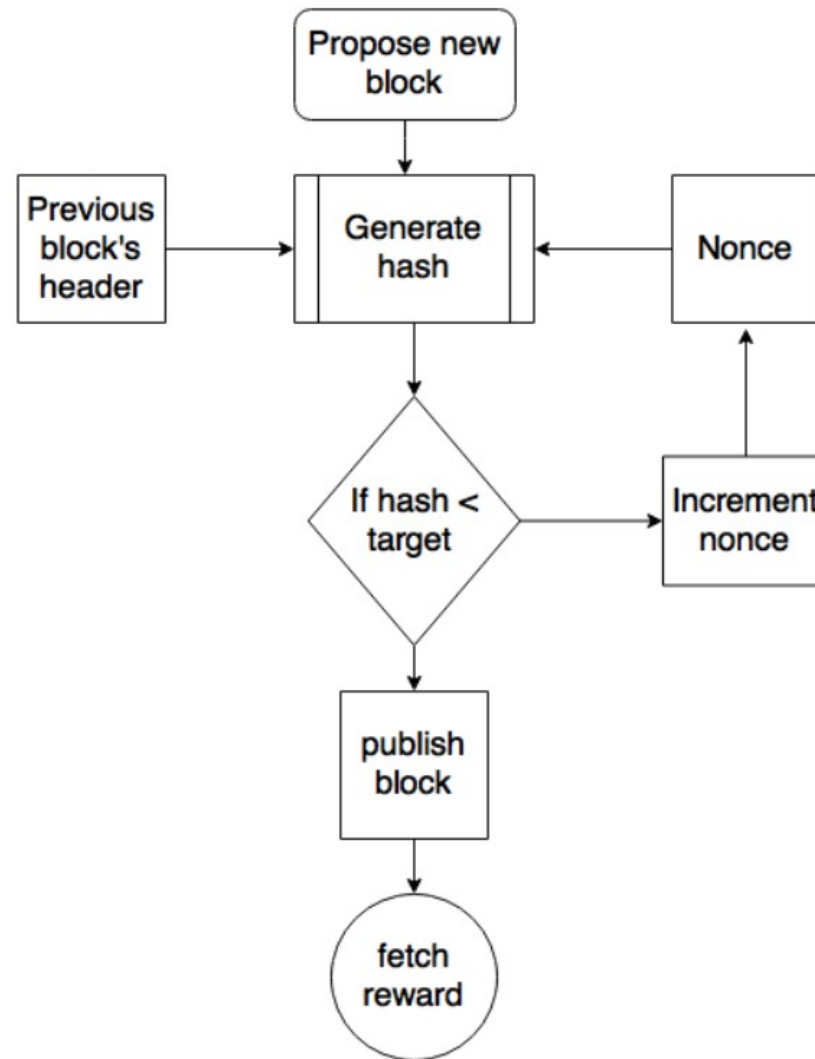
- Approximately 144 blocks( = 1,728 bitcoins) are generated per day
- Bitcoin supply is also limited and in 2140, almost 21 million bitcoins will be finally created and no new bitcoins can be created
- Around 130 years to mine all Bitcoins
- Bitcoin miners, however, will still be able to profit from the ecosystem by charging transaction fees

## PoW Cryptographic Puzzle

►  $H(N \parallel P\_hash \parallel Tx \parallel Tx \parallel \dots Tx) < Target$

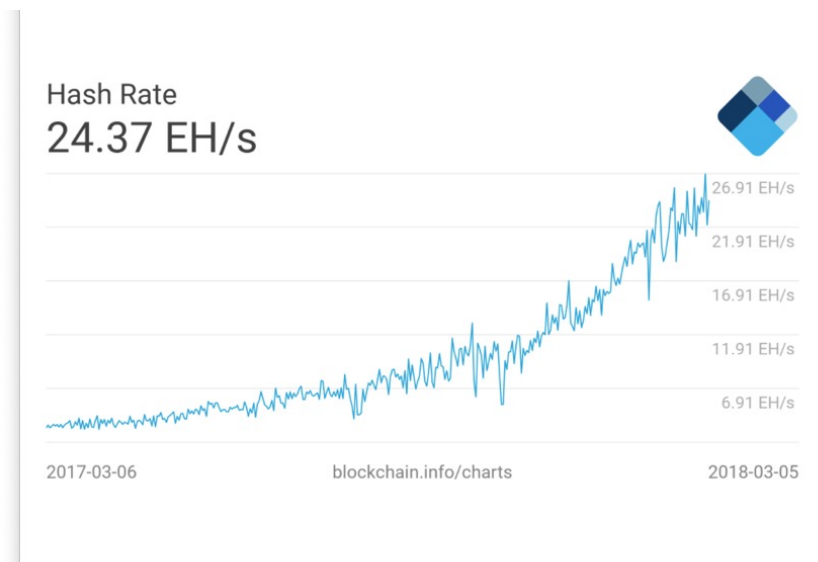
- Where **N** is a nonce
- **P\_hash** is a hash of the previous block
- **Tx** represents transactions in the block
- **Target** is the target network difficulty value.
  - $H(block) < target\ value$
- The only way to find this **nonce** is the brute force method.
- Once a certain pattern of a certain number of zeroes is met by a miner, the block is immediately broadcasted and accepted by other miners

# PoW Cryptographic Puzzle



## PoW Cryptographic Puzzle

- Target value is updated every two weeks to adjust difficulty to ensure 10-minute block generation time is maintained



## PoW

- Mining Tools
  - CPU
  - GPU
  - FPGA
  - ASIC
- Mining Pools



## Consensus

- What if a **malicious** leader is elected?
  - Others validate the proposal and do not include in their database
  - Leaders must spend power horse on computation to prove they are not malicious!
- Assumes no-one (or consortium) holds more than 51% of resources
  - Otherwise, the miner has a high probability of finding an acceptable solution to the mining puzzle before anyone else for every
  - This gives the miner complete control of the blockchain and breaks the decentralization of blockchain

## Consensus Types

- Proof-of-Stake (PoS)
  - The principle idea behind PoS is that users are required to demonstrate possession of a certain amount of stake in network
  - For example how much they have stake in the coin of this blockchain
  - Amount of coins that a network may require changes just like the difficulty in PoW.

## PoS

- Works based on scarcity of given cryptocurrency
- If someone (a group) hold majority percent of cryptocurrency can forge most of blocks and takes the control
- Since cryptocurrency is a limited asset, buying up enough of it is expensive, making attacks economically infeasible
- Having stake in a network, convince person to behave trustfully, otherwise value of his stake will decrease

## PoS

- How miners are selected?
- Randomized Block Selection
  - Next leader (forger) is selected pseudo-randomly from all users with a stake
  - All nodes has synchronized algorithm state and execute it independently
  - Probability of being selected is roughly **proportional to the size** of the user's stake

## PoS

- Age-based (Proof-of-Coinage)
  - **Coinage**: The age of a coin is the time since the coins were last used or held
  - Age of held coins is reset every time a block is mined
  - A number generated from the product of the number of coins multiplied by the number of days the coins have been held
  - Next leader is selected pseudo-randomly from the highest generated numbers
  - Coins must be blocked for 30 days up to maximum of 90 days
    - Prevents domination of very old or very large collections

## PoS

- If a forger decide to cheat
  - Loses the blocked stake
  - Loses rights to forge

## PoS

- **PeerCoin** is an implementation of Proof-of-Coinage
  - Peercoin works with combination of coinage and PoW
  - The difficulty of mining puzzles (PoW) is inversely proportional to the coinage
  - If miners consume some coinage using coin-stake transactions, then the PoW requirements are relieved.

# PoS

## Pros

- ✓ Speed
- ✓ Efficiency (consumes less energy)
- ✓ Less hardware (doesn't need a supercomputer)
- ✓ Less centralization due to the forger being chosen at pseudo random

## Cons

- ✗ Vulnerability (investing in the destruction of the network)
- ✗ The rich get richer (stake based consensus)

## Consensus Types

- Proof-of-Activity
  - For a new block miners race with PoW
    - Block contains miner address and his reward plus other header info
- When a new block mined, a group of validators are selected by PoS to validate and sign
- The more cryptocurrencies a validator stakes, the more chances he or she has for being selected as a signer

## Consensus Types

- ▶ Proof-of-Burn
  - ▶ Considered as a variant of PoS
  - ▶ Participants must “burn” some their coins
    - ▶ Burning a coin means sending it to a randomly selected address which is unlikely to be under control of any participant
  - ▶ The amount of burned coins then serves as an everlasting ticket in a lottery for the right to publish
  - ▶ Participants can then engage in a proof-of-work-style puzzle whose difficulty is *inversely* related to the amount of burned coins

## Consensus Types

- Proof-of-Capacity
  - Implemented by BurstCoin
  - Uses HDD capacity
- It has two major steps
  - Plotting Step:
    - A large data set is generated and stored in user's hard drive
    - These can be seen as the pre-computed hashes and all things required to forge blocks
    - This phase may take days or weeks to complete
  - Mining Step
    - Through some mathematical processes user scans his Plot files and finds a deadline time
    - Waits for the defined deadline time and if no one forges a block he can start forging
- Having larger capacity helps to find smaller deadline time

## Consensus Types

- Proof-of-space
  - Allows prover to convince verifier that the miner has spent some storage resources

## Consensus Types

- Proof-of-Retrievability (PoRet)
  - Allows prover to check that the server is still storing the data
  - Makes the proofs themselves leak pieces of the data so that the verifier can issue some number of challenges and then reconstruct the data from the proofs

## Proof-of-Retrievability

- ▶ Permacoin
  - ▶ A PoRet system developed by Microsoft Research
  - ▶ Modifies Bitcoin to repurpose its mining resources to achieve a distributed storage of archival data.
  - ▶ It requires clients to invest both computational and storage
  - ▶ Miners are required local, random access to a copy of a file
  - ▶ A large file  $F$  is broken into several segments distributed by a trusted dealer

## Proof-of-Retrievability

- Permacoin
  - Computer Merkle root for the file where tree leaves are segments
  - Select a random nonce and compute
  - $h1 = H(\text{prev\_block} || \text{mrkl\_root} || \text{pk} || \text{nonce})$
  - With h1 select K psuedo-randomly file segments to store
  - Compute h2 based on the nonce and the file content:
  - $h2 = H(\text{prev\_block} || \text{mrkl\_root} || \text{pk} || \text{nonce} || F)$
  - The miner wins if  $h2 < \text{target}$

## Consensus Types

- PBFT (Practical Byzantine Fault-Tolerance)
  - Provide strong guarantees in that either all honest nodes will adopt a block or none will
  - PBFT does not scale well, useful for small networks

## Consensus Types

- Proof of Elapsed Time (PoET)
  - Works like a lottery system, the next leader is elected randomly
  - Gives chance to all participators
- Each node have a timer, it is assigned a random time to wait
- The node finished its waiting time commits the next block

## Proof of Elapsed Time (PoET)

- Hyperledger
  - A project started by Linux Foundation and involves several blockchain projects mostly for enterprises
- Hyperledger Sawtooth
  - A modular project to inject any consensus algorithms and permissions, ...
  - Currently it has Intel-contributed PoET and PBFT

## Proof of Elapsed Time (PoET)

- ▶ PoET in Hyperledger Sawtooth
  - ▶ Sawtooth relies on Intel Trusted Execution Environment, SGX
    - ▶ SGX is like a VM with special privileged instructions
  - ▶ Waiting time is generated by random and checked by SGX
  - ▶ The validator with the shortest wait time for a particular transaction block is elected as leader
  - ▶ Leader creates, finalizes, signs and broadcast block
  - ▶ Block is validated by validators

## Proof of Elapsed Time (PoET)

- PoET in Hyperledger Sawtooth (cont.)
  - It is very energy-efficient
- Disadvantages
  - Needs a special hardware
  - Having several SGX environments means having more tickets in lottery
  - Attacker with compromised environment may win always

## Consensus Types

- Ripple Network
  - Mostly for consortium blockchains
  - The rival of SWIFT system for exchanging
- Mainly designed for exchanging with its native currency XRP
- Uses the Ripple protocol consensus algorithm (RPCA) which is variant of PBFT
- There are two node types: clients and servers
- Clients only issue transactions

## Ripple Network









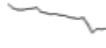




- Servers maintain a UNL (Unique Node List) which is a list of trusted nodes
- Servers collect valid transactions (candidate set) and send to other UNL nodes (about every few seconds)
- They collect candidate sets from others
- Transactions accepted by 80% of UNL nodes are applied to the ledger

## Consensus Types

- Stellar Network
  - Launched by one the cofounders of Ripple
  - Uses **Federated Byzantine Agreement** (Variant of PBFT)
  - Similar to Ripple, but allows participants to choose their trusted list called **quorum slice**
  - Set of quorum slices form **Quorums** which are nodes that is sufficient for network if they reach consensus
    - A quorum is a non-empty set of nodes containing at least one quorum slice for each of its non-faulty members
- FBA mandates Quorums must share at least one honest node

# List of Crypto-Currencies

## MOST ACTIVE CRYPTOCURRENCIES

DOLLAR		EURO						
NAME CURRENCY	PRICE	+/-	%	LAST UPDATED	MARKET CAP	CIRCULATING SUPPLY	VOLUME	1 MON. CHART
Bitcoin	7,186.7500	-19.89	-0.28 %	10:36:00 PM	129.88 B	18,072,712	18.88 B	
Ethereum	127.4152	-0.86	-0.67 %	10:36:00 PM	13.85 B	108,728,346	7.37 B	
Ripple	0.1934	0.00	-0.92 %	10:36:00 PM	8.37 B	43,299,885,509	1.27 B	
Tether	1.0054	0.00	-0.06 %	10:32:00 PM	4.13 B	4,108,044,456	21.23 B	
Bitcoin Cash	187.2741	-0.06	-0.03 %	10:36:00 PM	3.40 B	18,138,300	1.42 B	
Litecoin	39.9779	-0.18	-0.44 %	10:36:00 PM	2.55 B	63,728,213	2.67 B	
EOS	2.4785	-0.02	-0.81 %	10:32:00 PM	2.34 B	942,129,908	1.49 B	
Binance Coin	13.5432	0.00	-0.03 %	10:32:00 PM	2.11 B	155,536,713	195.90 M	
Bitcoin SV	87.5976	-0.87	-0.98 %	10:32:00 PM	1.58 B	18,068,415	390.69 M	
Stellar	0.0448	0.00	-3.20 %	10:32:00 PM	897.63 M	20,054,779,554	227.56 M	
Tron	0.0134	0.00	-0.87 %	10:32:00 PM	893.07 M	66,682,072,191	1.30 B	
Cardano	0.0339	0.00	0.57 %	10:32:00 PM	879.60 M	25,927,070,538	59.59 M	
Monero	46.2166	-0.54	-1.17 %	10:36:00 PM	800.91 M	17,329,479	154.01 M	

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# The End!