

CS 489 / 698: Software and Systems Security

Module 6: Non-technical Aspects of Security a brief introduction on blockchains

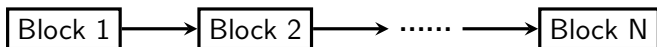
Meng Xu (*University of Waterloo*)
Spring 2023

Outline

- 1 An overview of blockchain design space
- 2 Consensus: Proof-of-Work
- 3 Consensus: Proof-of-Stake

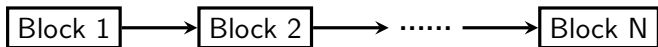
What is a blockchain?

A blockchain is ... a chain of blocks!



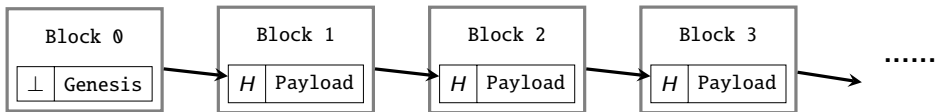
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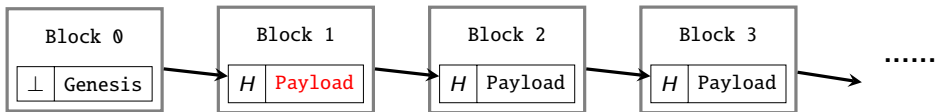
- What does chaining mean here?
 - Linked list? Some cryptographic construct?
- What goes into these blocks?
 - Anything? A fixed format? What makes a block valid?
- Who can put up a block?
 - A single entity? A group of people? Anyone with Internet access?
- How to ensure a same view of the chain?
 - Centralized? Distributed? How to resolve a dispute?

A basic chaining scheme



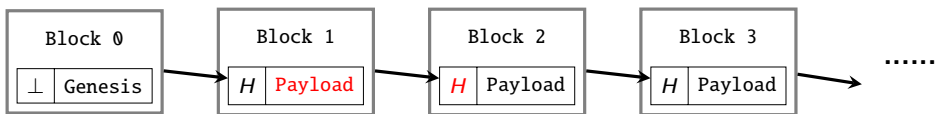
Each block contains a **cryptographic hash** of the previous block.

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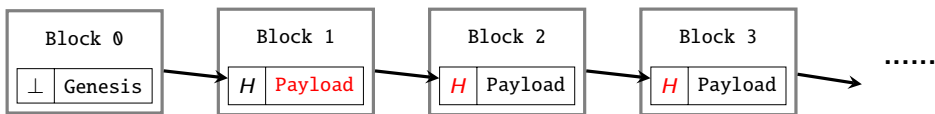
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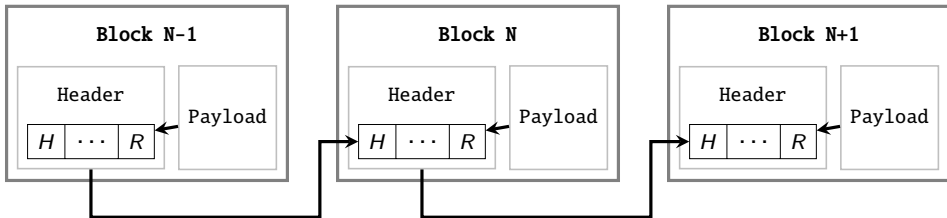
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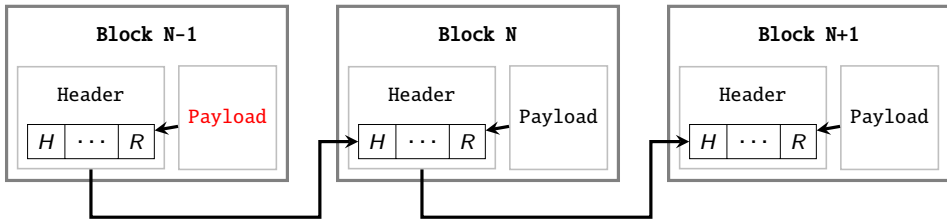
A better chaining scheme



Each block is split into two parts:

- A *header* that contains at least two critical values:
 - A **cryptographic hash** of the previous block header.
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- A *payload* that contains application-specific information

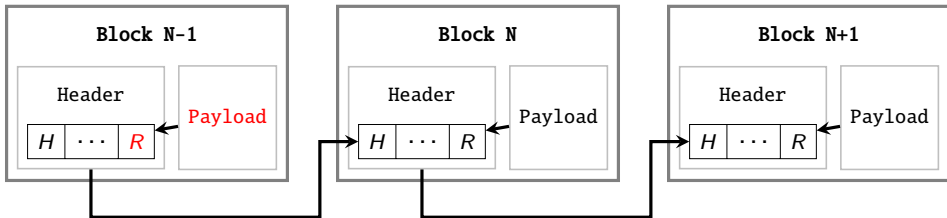
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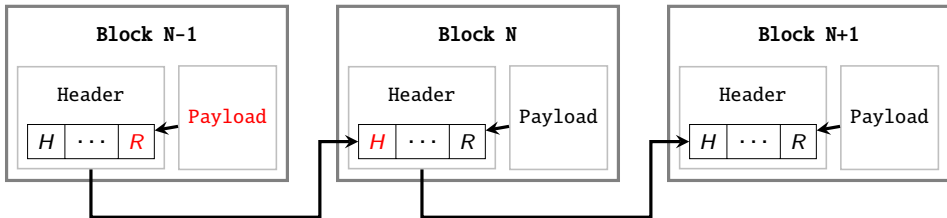
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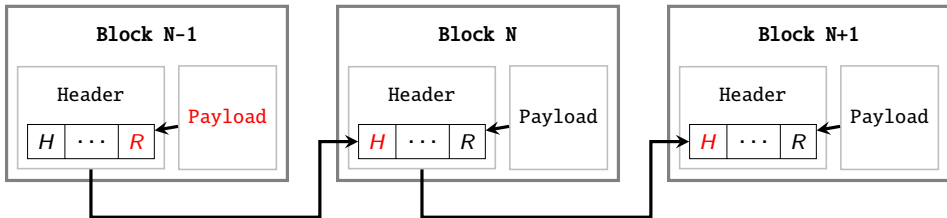
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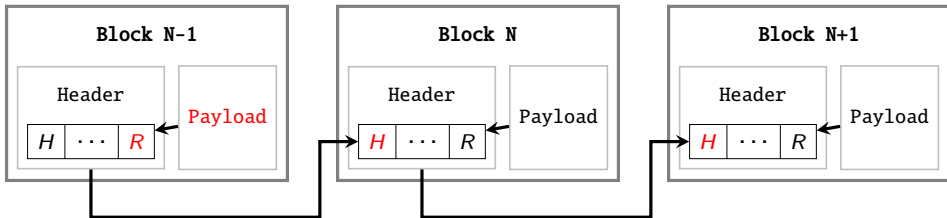
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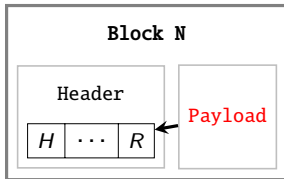


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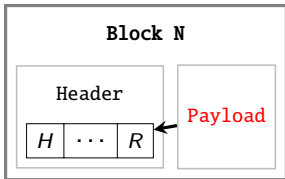
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Q: Why this is a better chaining scheme?

What goes into the payload?

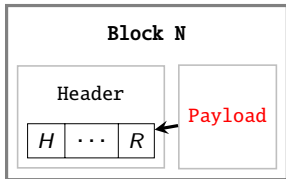


What goes into the payload?



Anything! Depending on how you plan to use this blockchain.

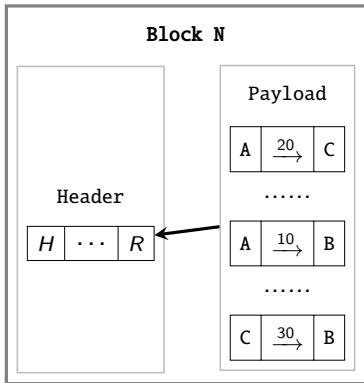
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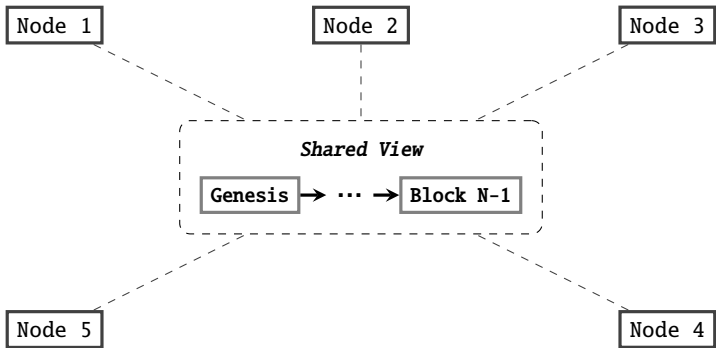
Anything! Depending on how you plan to use this blockchain.

- Bitcoin blockchain: ledger
- Ethereum blockchain: state machine

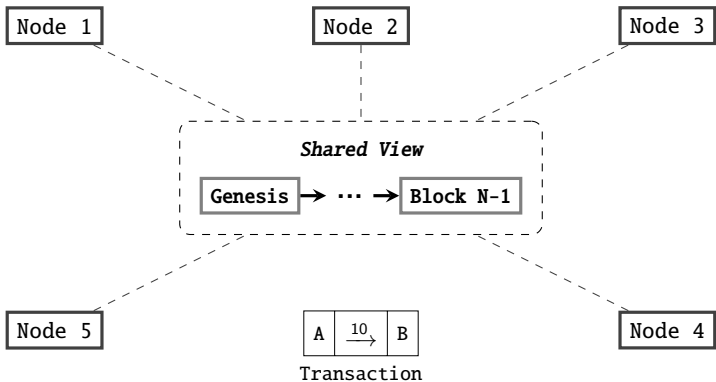
Payload example: a ledger



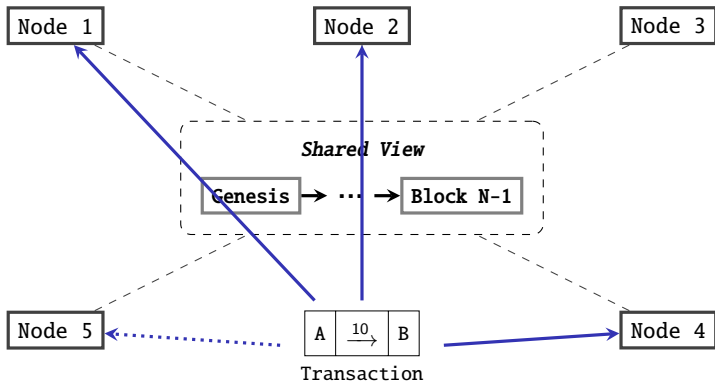
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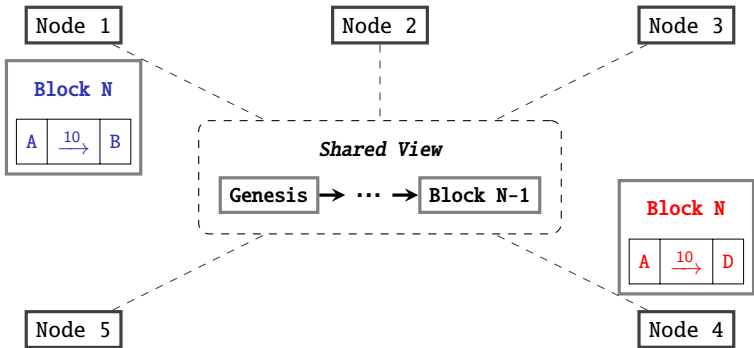
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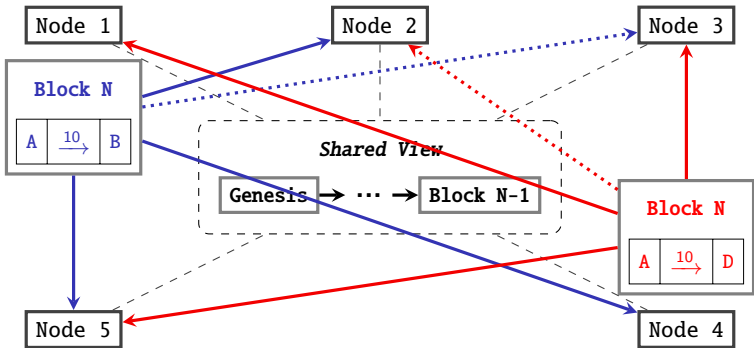
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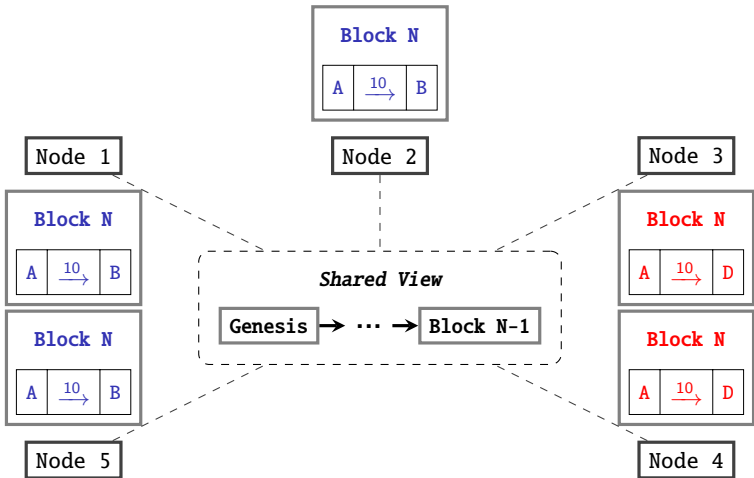
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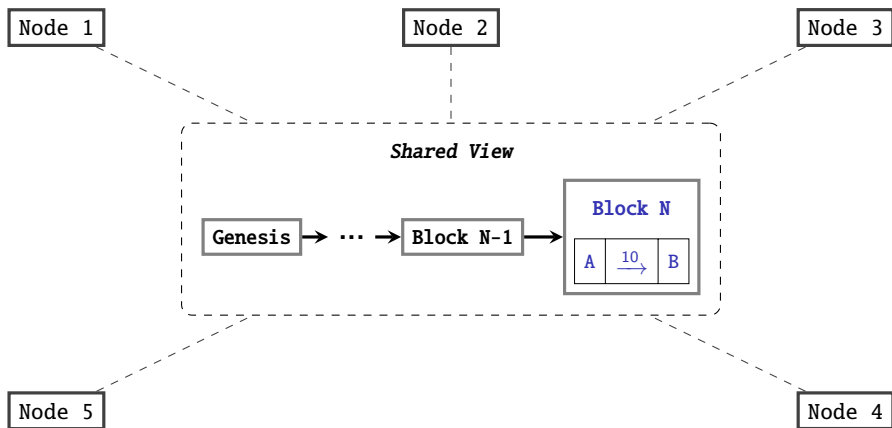
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The power of consensus

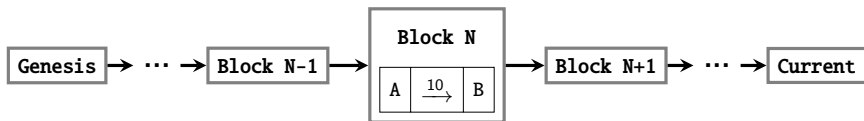
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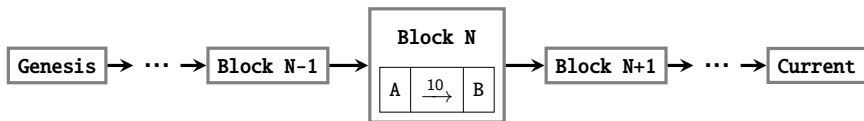
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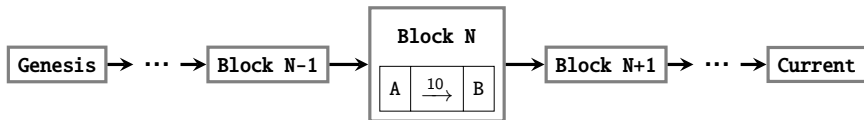
To the best of Bob's knowledge:

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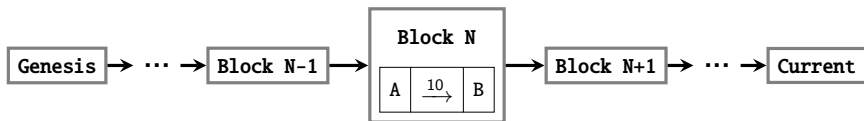
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Summary

Pay attention to two aspects when you design/analyze a blockchain:

- What goes into a block?
- How to ensure consensus?

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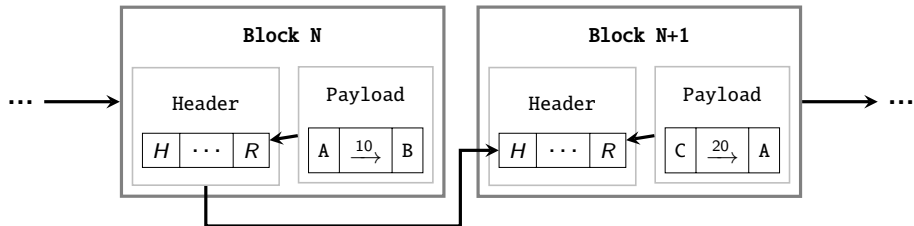
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In most blockchain systems, these two aspects are **orthogonal**.

Outline

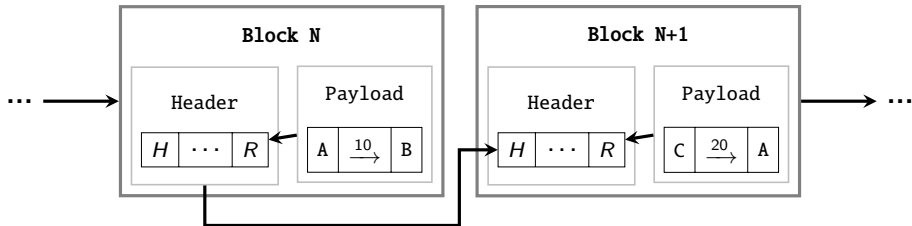
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How hard it is to alter this chain?

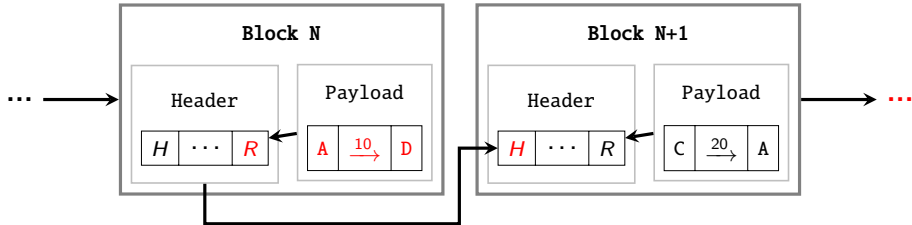


This is the chain Alice shows Bob w.r.t her payment to Bob.

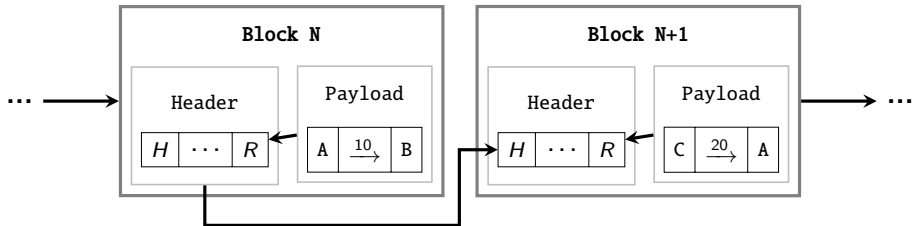
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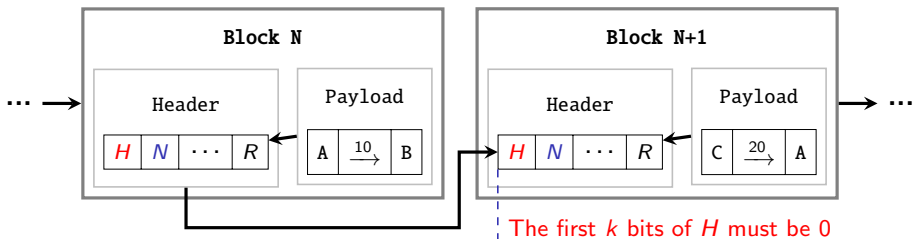
It is not hard at all for Alice to revert the payment to Bob!



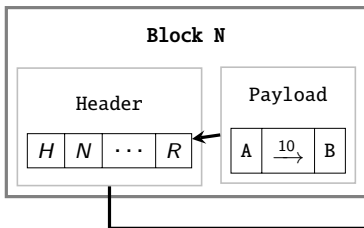
Increase the difficulty



Bob decides to make it harder for Alice to alter her payment



Mining for a valid hash



Mining for a valid hash

Block N

Header

H | N | ... | R

Payload

A | $\xrightarrow{10}$ | B

$N = 0 \implies \text{Hash}(H \parallel N \parallel \dots \parallel R) = 0x349c1a7e\dots \quad \times$

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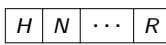
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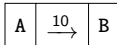
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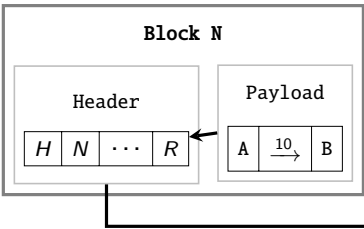
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Q: What is the chance of finding a valid N assuming an m -bit hash?

Mining for a valid hash



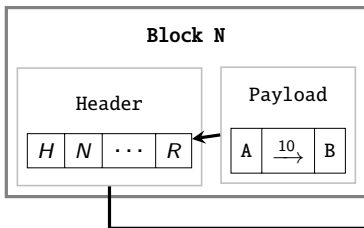
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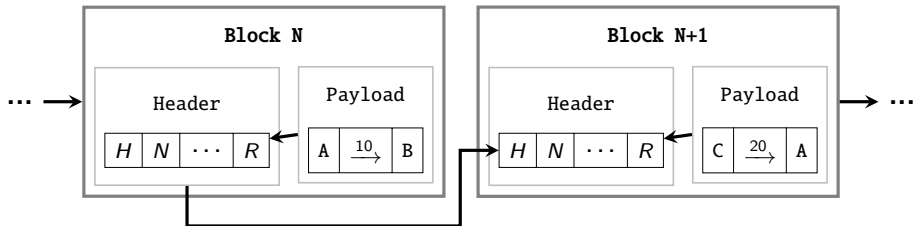
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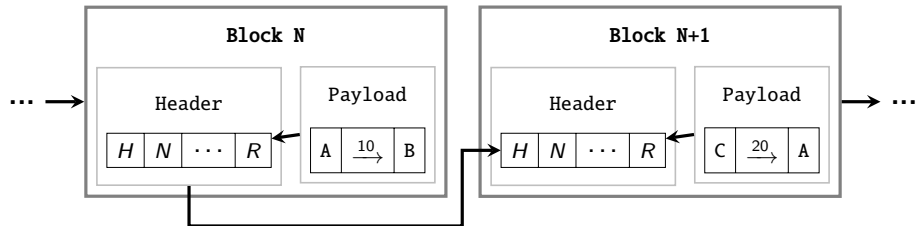
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i.e., expect 2^k hash operations to find a valid N on average.

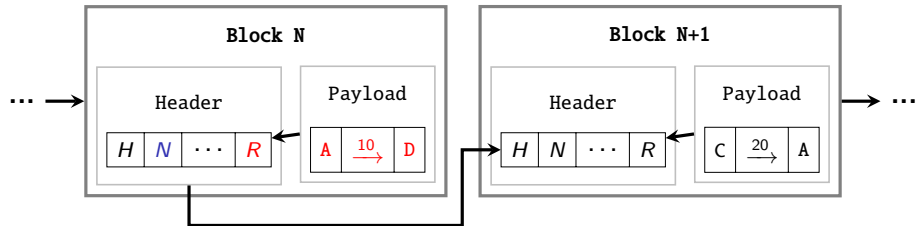
How does mining deter alteration? - Case 1



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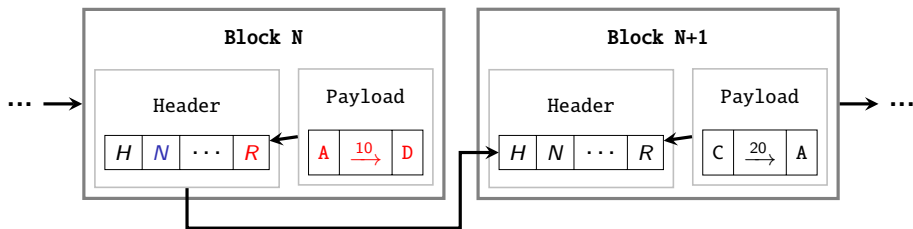


Case 1: Alice re-mines block *N* and finds a new **nonce** such that the block header hash remains unchanged



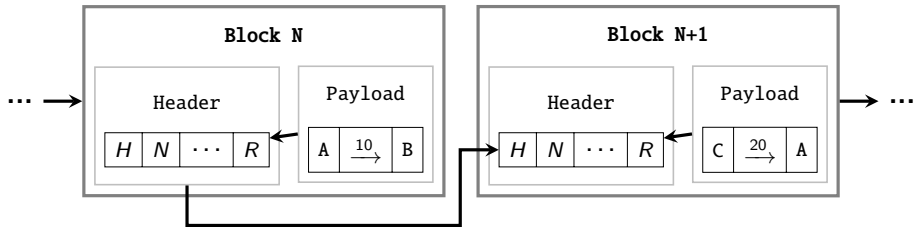
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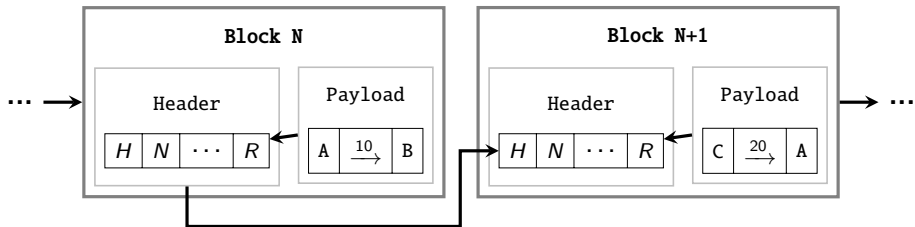


Deterrent: This is extremely hard for a cryptographic hash function that has *preimage resistance* and *second-preimage resistance*.

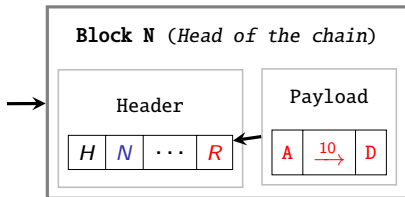
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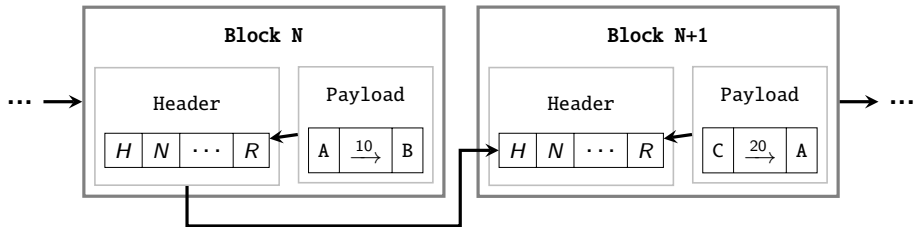
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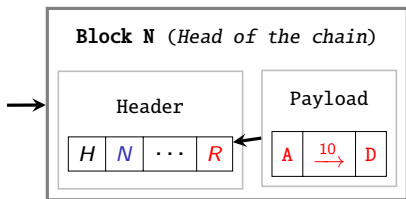
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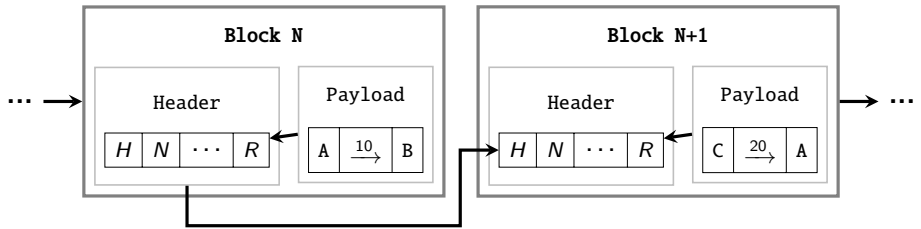


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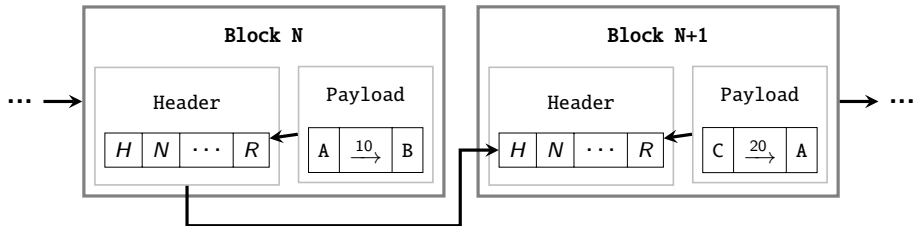


Deterrent: longer chains are preferred over shorter chains.

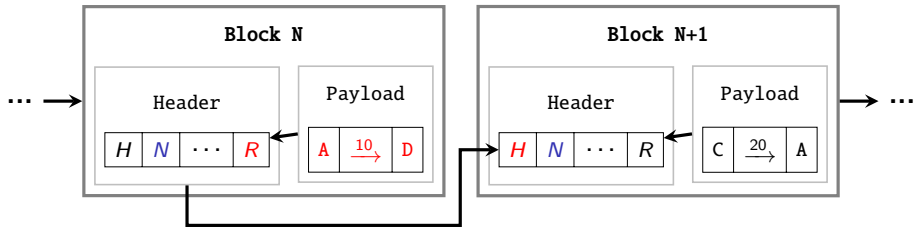
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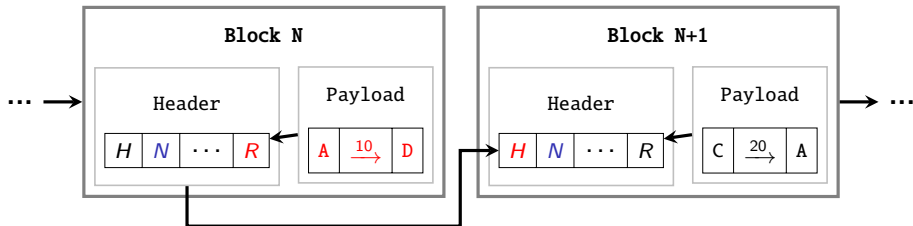


Case 3: Alice re-mines **all** the **nonces** since block N



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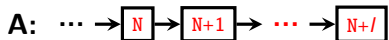
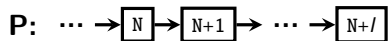


Deterrent: If there are l blocks between and including block N and the chain head, Alice is expected to perform $l \times 2^k$ hash operations to build-up a equally competitive chain assuming the difficulty level k does not change.

51% attack

There is a catch in the deterrent:

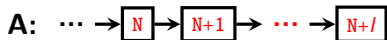
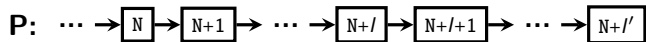
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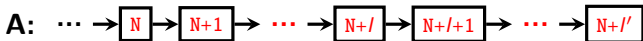
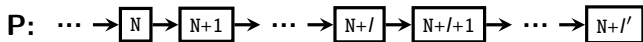
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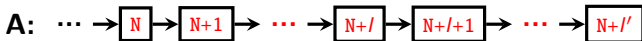
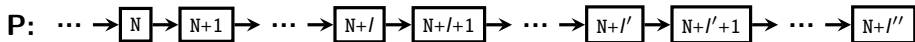
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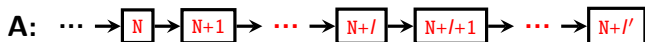
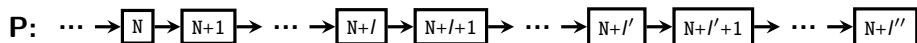


⇒ the public chain grows faster than Alice's chain.

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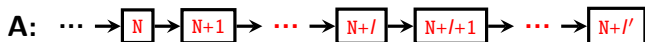
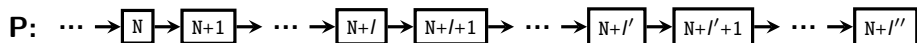
⇒ the public chain grows faster than Alice's chain.

Q: what if Alice mines faster?

51% attack

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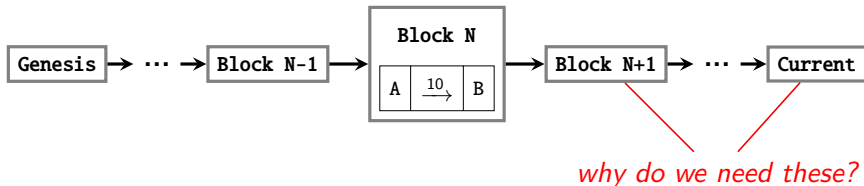
⇒ the public chain grows faster than Alice's chain.

Q: what if Alice mines faster?

A: Alice gets to rewrite the history.

Confirmation level

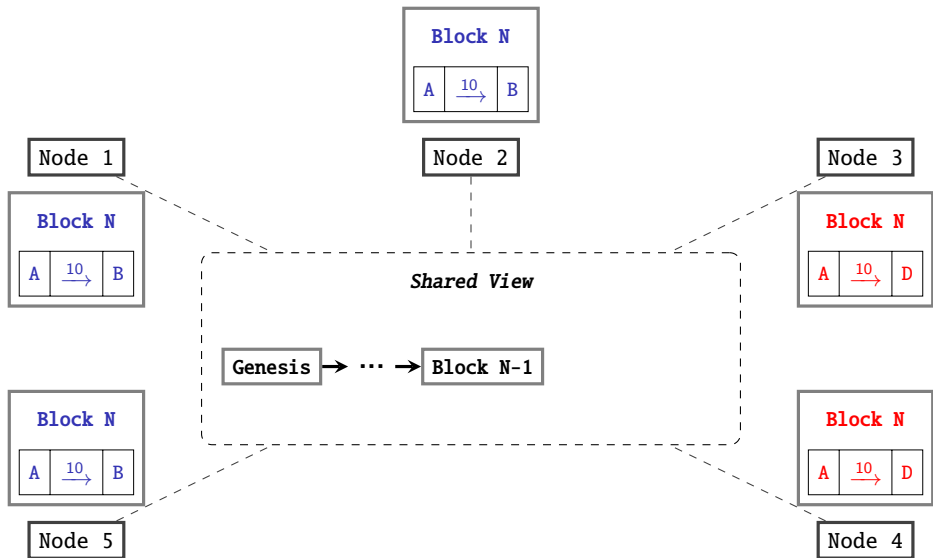
Recall that when we show a proof of payment, we need a few extra blocks after the block that hosts the ledger entry.



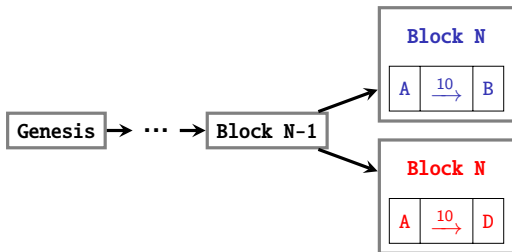
Q: Why do we need these extra blocks even when

- 1) Alice does not control over 50% of computational power and
- 2) everyone else is honest and cooperative?

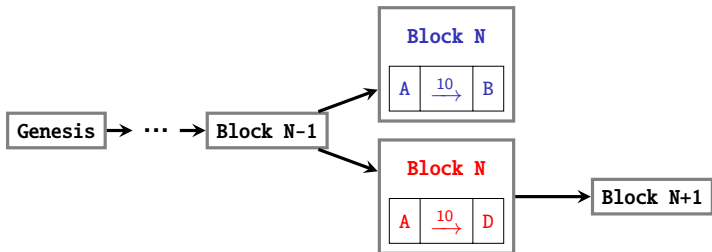
How does the data get into the block?



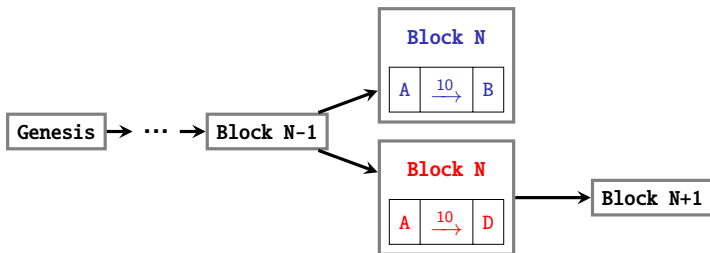
Back to confirmation level



Back to confirmation level



Back to confirmation level



To trigger a fork, Alice could

- Send two transactions in a short time window
- Send two transactions to separate halves of the network
- Pre-mine one block and only reveal it after the first transaction is sent to the network

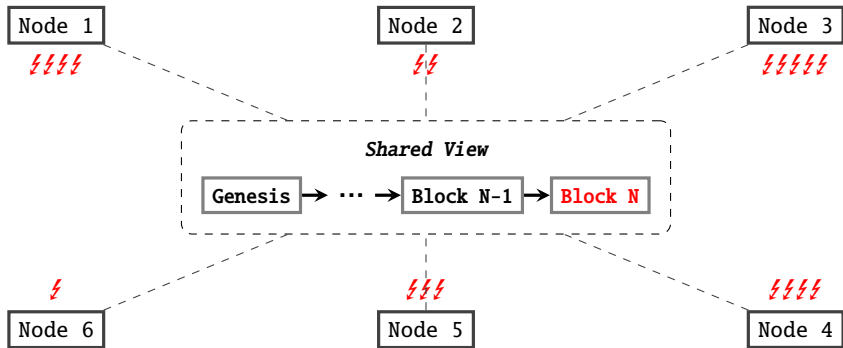
Drawbacks of Proof-of-Work consensus

- Speed of confirmation
 - E.g., a Bitcoin transaction takes on average 10 minutes to confirm
 - Even worse, it is advised to wait for 6 confirmations, i.e., 1 hour.
- Vulnerable to 51% attacks
 - In 2014, mining pool Ghash.io obtained 51% hash rate in Bitcoin
 - Bitcoin Gold, was hit by such attacks twice in 2018 and 2020
- Energy consumption
 - Hashing itself is not useful
 - And such useless operations are repeated across the fleet of nodes

Outline

- 1 An overview of blockchain design space
- 2 Consensus: Proof-of-Work
- 3 Consensus: Proof-of-Stake

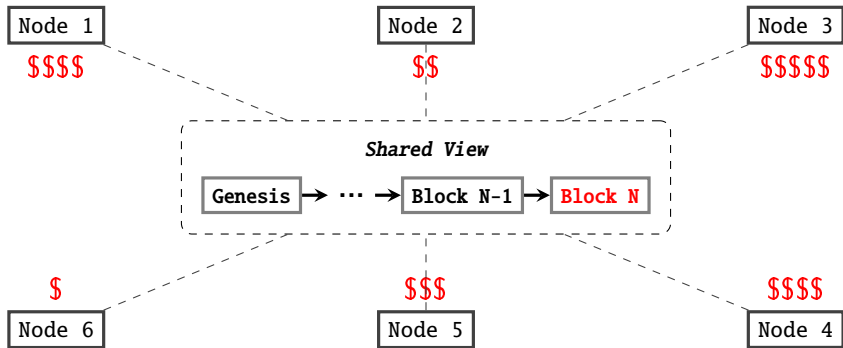
Block production as election



In a proof-of-work scheme,

- the chance of which node is elected to propose a new block is proportional to its **hashing power**
- **collisions** are allowed and are resolved by the longest chain rule

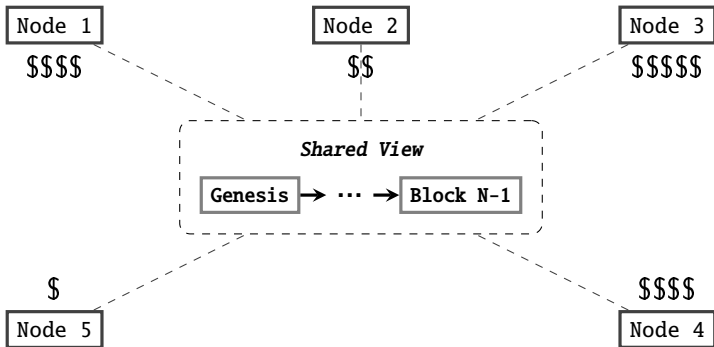
Block production as election



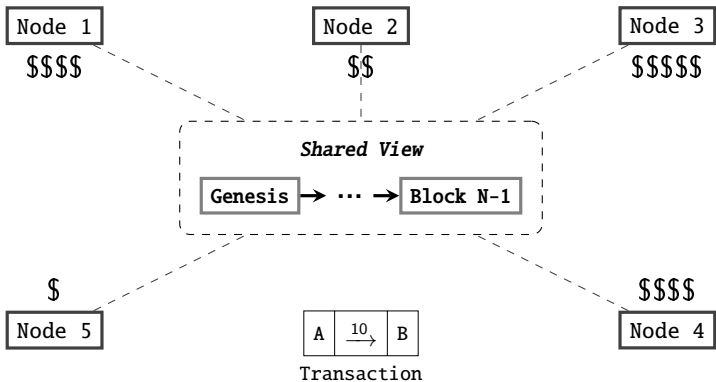
In a proof-of-stake scheme,

- the chance of which node is elected to propose a new block is proportional to its **staked value**
- **collisions** are not allowed by design, only the leader creates a block

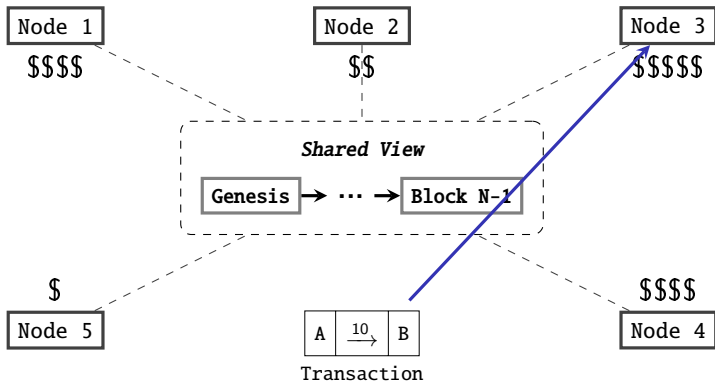
Transaction lifecycle in PoS



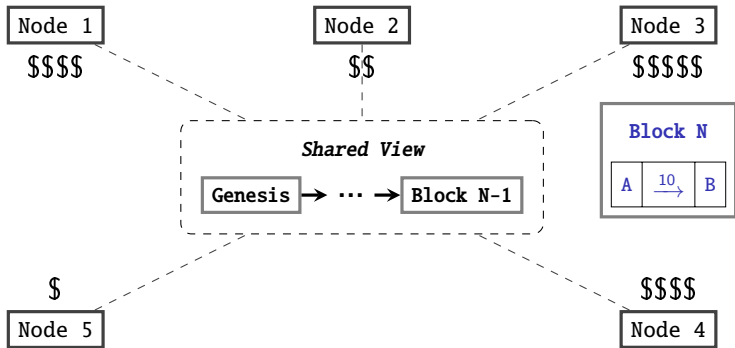
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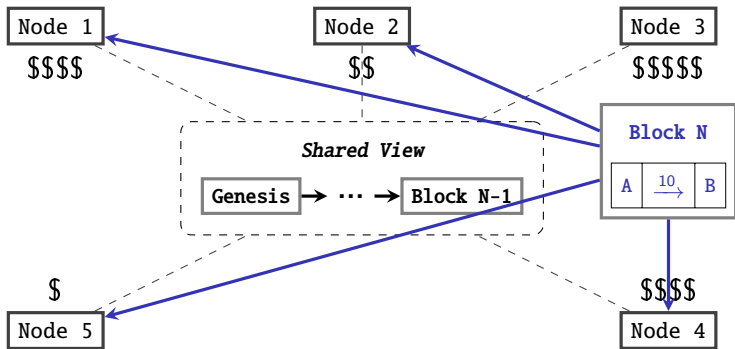
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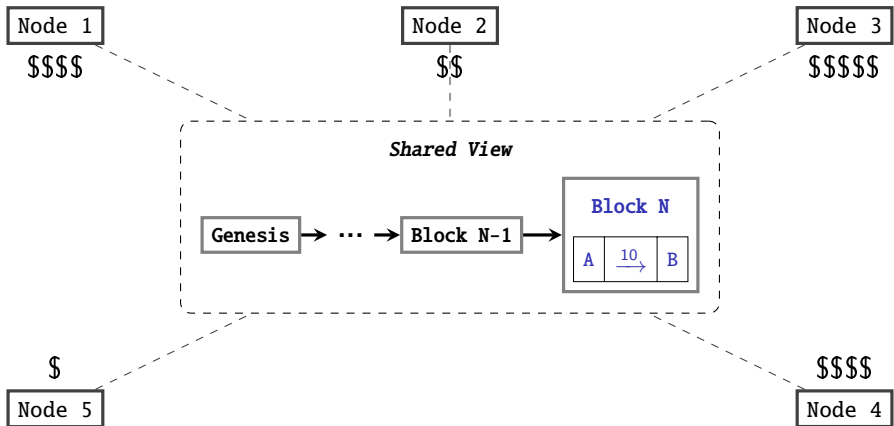
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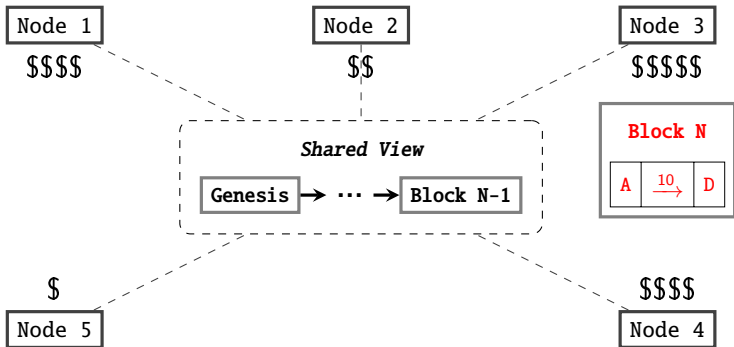
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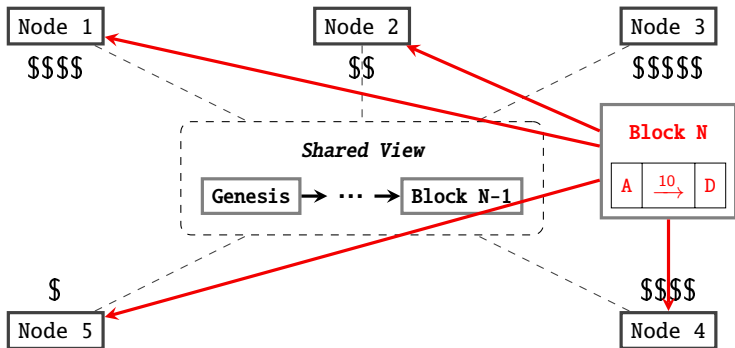
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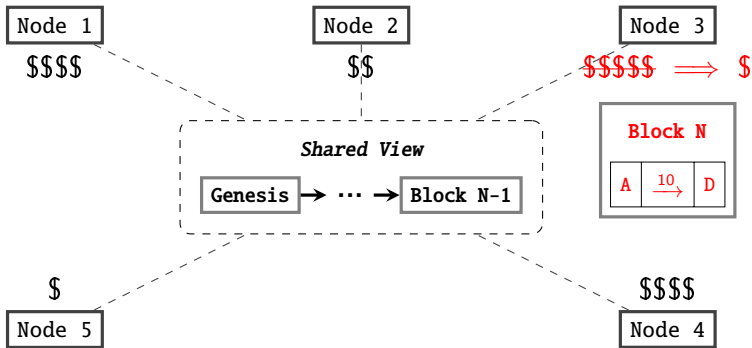
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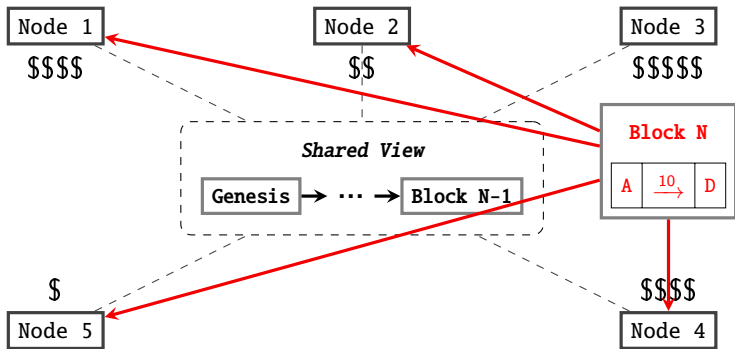
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The 51% attack in PoS

Q: What if the attacker controls $\geq 50\%$ of staked resources?

Transaction lifecycle in PoS



The 51% attack in PoS

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A: The attacker can prove fraudulent transactions.

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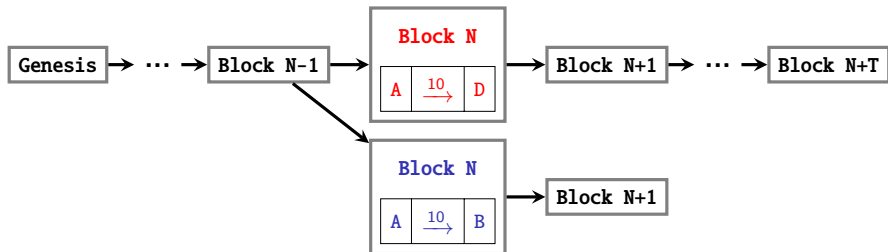
A: The attacker can prove fraudulent transactions.

Q: Is 51% attack less likely in PoS compared with PoW?

A: Yes, because in PoS, the attacker loses the weapon to future attacks, i.e., all the stake are gone, **and is not easily recoverable!**

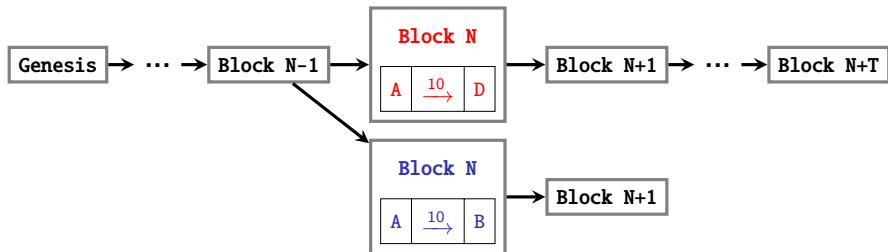
Hard fork as a recovery of a 51% attack

To recover from a 51% attack, the only solution is to **hard fork** the blockchain in order to invalidate the fraudulent transactions added by the attackers.



Hard fork as a recovery of a 51% attack

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NOTE: the forked chain can be shorter than the previous chain!
⇒ a higher level of social coordination is required

Hard fork as a recovery of a 51% attack

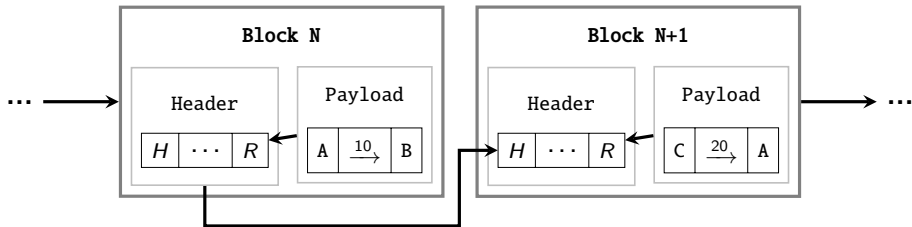
In PoS, we do a hard fork to invalidate fraudulent transactions AND wipe out the attacker who controls $\geq 50\%$ of the staked resources.

In PoW, the hard fork can only invalidate transaction WHILE the $\geq 50\%$ computational power is still controlled by the attacker.

Chain validation

If Alice shows Bob, the Pizzeria owner, the following blockchain, why would Bob accept it? Why would Bob believe that

- It is **hard** for Alice to produce such a chain of blocks
- There does not exist a **better** chain of blocks as of now

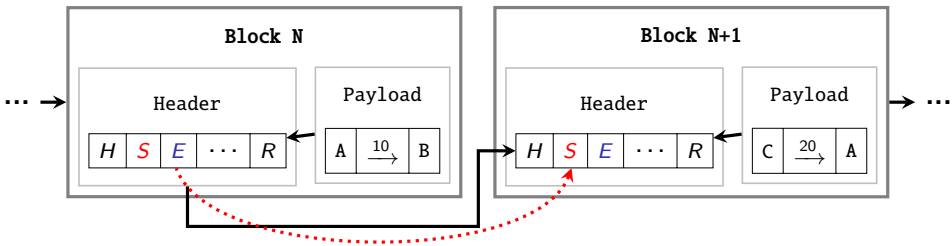


Chain validation

This turns out to be an extremely complicated problem!

Chain validation

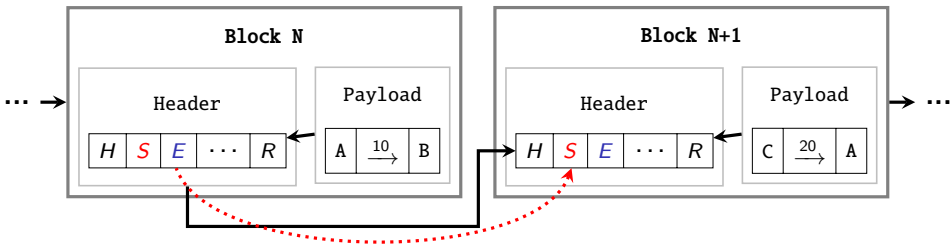
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Chain validation

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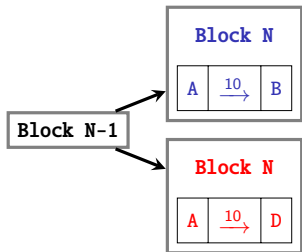


- S - Signature of the proposer of this block
- E - Election packet that records how this proposer is elected

Q: What are the issues with this scheme?

The Nothing-at-Stake problem

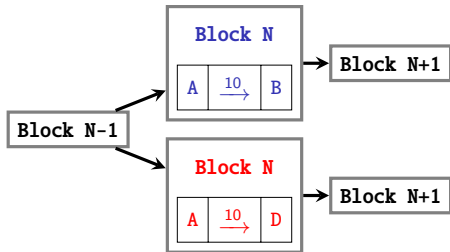
Assuming Alice has some stake (e.g., 1%) and can be elected as a block proposer:



In one of her turn as a block proposer, Alice triggers a fork in the chain with an attempt to double-spend.

The Nothing-at-Stake problem

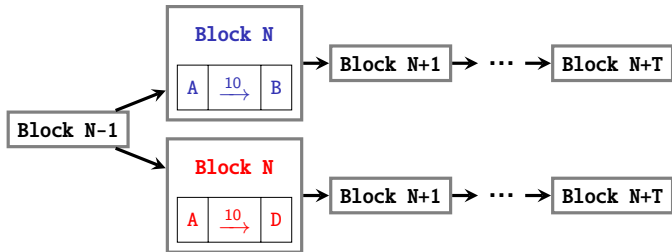
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The next block proposer, even honest, has **no incentive** to select which chain to converge on. The proposer has no idea which chain will survive in the future, the logical thing to do is to mine on both.

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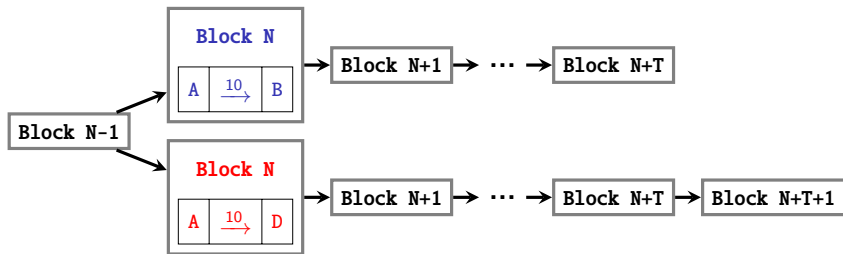
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The Nothing-at-Stake problem

Assuming Alice has some stake (e.g., 1%) and can be elected as a block proposer:



When its Alice's turn again, she only append a block to the chain that is more favorable to her. The other chain dies as a result. This is sometimes called the 1% attack.

The Nothing-at-Stake problem

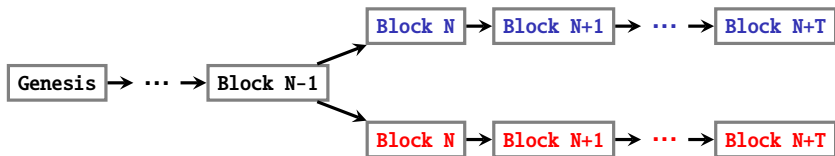
Solution? There is no common solution. Different PoS chains adopt different mechanisms.

The Slash protocol (Ethereum PoS candidate) has two rules:

- Penalize those who “equivocated” on a given block, i.e., voted on two different versions of it.
- Penalize those who voted on the wrong block, regardless of whether or not they double-voted.

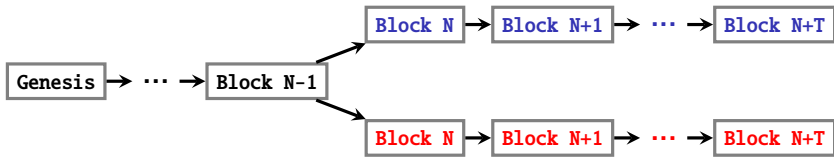
Long-range attacks (the bootstrapping problem)

Bob first joins the network, which chain should he accept?



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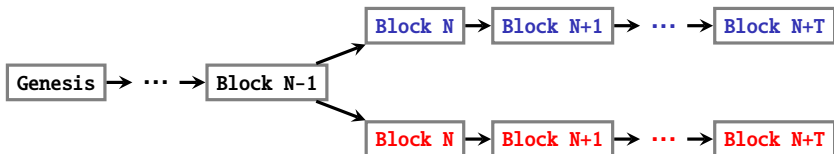
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Q: Why this is not a problem in PoW?

Long-range attacks (the bootstrapping problem)

Bob first joins the network, which chain should he accept?



Q: Why this is not a problem in PoW?

A: Because it is computationally expensive to create a counterfeit chain in PoW. But it is easy (almost no cost) in the PoS case.

Long-range attacks (the bootstrapping problem)

Solution? In short, there is no simple solutions.

- Casper (Ethereum's PoS protocol) depends on trusted nodes to broadcast the correct block hash.
- Peercoin, broadcasts the hash of the "legitimate" chain on a daily basis.
- Extremely complicated solutions have been proposed e.g., [Ouroboros Genesis](#).

〈 End 〉