



Bitcoin Private

WHITEPAPER

The Revolution of Privacy

Fulfilling Satoshi's Vision for 2018 and Beyond

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Abstract

The internet created the largest information sharing inflection point in history. While there are countless advantages to the easily accessible store of information, humans have been required to surrender their privacy in exchange. Too often, and through no fault of the end user, a third party with inadequate security is breached and sensitive information is compromised or stolen. A better system is needed that removes trusted middlemen and empowers any two individuals to freely and securely transact. A new cryptocurrency, Bitcoin Private, is presented herein as a low-fee, fast, and private transactional network — a true fulfillment of Bitcoin creator Satoshi Nakamoto’s roadmap. Bitcoin Private is the product of a fork-merge of Bitcoin with Zclassic. The resulting Bitcoin Private chain has significantly lower fees than Bitcoin, along with transaction speeds four to six times faster. Most importantly, zk-SNARKs, a peer reviewed privacy technology originally implemented by the Zcash Foundation is incorporated. zk-SNARKs allows for provably anonymous and private transactions — an accomplishment no other privacy technology can claim. The UTXO sets of both Zclassic and Bitcoin will comprise the initial coins in this new ledger. This means approximately 20.4 million out of 21 million coins will exist at fork time, ensuring that Bitcoin Private will have the lowest inflation to ever exist in the cryptocurrency universe. In conclusion, this white paper discusses Bitcoin Private, its technological advantages, the commercial applicability, and the chain’s potential for future development as well as its community-driven focus.

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1. Introduction

For most of written history, transactions have been private and fairly anonymous. The information of a transaction was only disclosed to the sender and the recipient. Recently, the large majority of financial transactions have become facilitated by technology, making it increasingly difficult to maintain financial privacy. The most common methods of payment (e.g. credit/debit card, ApplePay, etc.) result in all the information of a transaction being stored digitally. While there are immense benefits that come with these transaction methodologies, it should not preclude the utility of financial privacy for the average consumer. Considering how often breaches occur within large financial institutions resulting in significant leaks of personal and financial information, it is clear there is a need for financial privacy options.^{1,2} Furthermore, various financial institutions have been caught selling customer data,³ as well as blocking legal transactions with no valid legal basis.⁴

In October 2008, Satoshi Nakamoto released the academic article titled “Bitcoin: A Peer-to-Peer Electronic Cash System” in which the foundation for the first cryptocurrency was detailed.⁵ Satoshi’s vision was to create a currency which enabled removal of third party institutional control of transactions, limited inflation, and monetary freedom through anonymity. Since the launch of Bitcoin in 2009, over 1000 different cryptocurrencies have been created and immense progress has been attained.⁶ Indeed, many new cryptocurrencies far outpace Bitcoin in terms of transaction speed and fees. Regardless, Bitcoin still remains the most popular cryptocurrency due to its first mover advantage and significant number of base-pairs available for trading.

As the Bitcoin blockchain grew through the years, notable issues began to arise including a fixed, small block size (which led to higher-than-practical fees), slow block time (10 min average), long difficulty adjustment period (every 2 weeks), and the development/mass-production of advanced application-specific integrated circuit (ASIC) mining devices (for rapidly calculating SHA-256; this algorithm is a key consensus parameter) leading to further centralization. In order for Bitcoin to address these items, migration of over 50% of its miners would have to consent to changing the code they are running; to-date, no such event has happened. This has driven the creation of hard forks of Bitcoin (such as Bitcoin Cash and Bitcoin Gold), to enable some of these technological improvements. For example, Bitcoin Cash remodeled to allow for larger block sizes (≥ 8 MB vs 1 MB),

which reduces fees and increases transaction throughput. However, this did not come without tradeoffs — its price potential was damaged because of its lack of a fixed block-size and “fee market.” The fee market in the Bitcoin mempool challenges transactions big-and-small to compete against the opportunity cost of each other; this makes the value of its ownership even more urgent, causing higher demand. Bitcoin Gold took another route, instead reducing the block time (2.5 min), switching the PoW algorithm to Equihash (ASIC resistant), and introducing an enhanced difficulty adjustment algorithm, which occurs every block (Bitcoin Cash later instituted a difficulty adjustment of every block in November, 2017). It largely satisfied its goal as a GPU-compatible Bitcoin fork, but it lacks the widespread adoption of Bitcoin, and the developers performed a premature cash grab which many argue is less than ethical given that it happened behind closed-doors.⁷ Despite the best of intentions, Bitcoin forks have indisputably remained second to Bitcoin in the cryptocurrency markets as of Q4 2017.

At the core of Satoshi’s vision, many find themselves drawn to technology’s capacity to manifest a deflationary unit of financial value that also allows us to enjoy and leverage anonymity. The “Right to Privacy” is a crowning liberty in the free world,⁸ and is essential to the principles set forth by Satoshi and the cryptocurrency community. Financial privacy is a critical principle in Satoshi’s vision of a new digital currency world, however, many people are still stuck at crossroads with pseudo-anonymous transactions on blockchains. Furthermore, there are government and private sector organizations that leverage massive datasets and machine learning to identify the individuals associated with such a transaction. Indeed, BitFury is capable of de-anonymizing up to 15% of Bitcoin transactions as of January 2018, a figure that increases daily and will markedly alter the cryptocurrency hemisphere in the years to come.⁹ This lack of privacy in relation to Bitcoin is ironic given the original intent of its creator, although, there exists a solution.

Various cryptocurrencies have attempted to solve this privacy issue. Unfortunately, many of these are still capable of being compromised through various techniques, due to their on-chain transaction systems that promise anonymity through obfuscation or TOR nodes. In 2014, a groundbreaking research paper by MIT researchers discussed “zero-knowledge non-interactive arguments of knowledge”, or zk-SNARKs.¹⁰ Remarkably, cryptocurrencies that implement zk-SNARKs allow for shielded transactions — funds are completely anonymous with no transaction or address balance appearing on the ledger. In 2016, the authors

of this research developed and launched Zcash, the first cryptocurrency to incorporate zk-SNARKs. A “founder’s tax” was incorporated into the code of Zcash, allowing the development team and early investors to collect 20% of coins mined by the community. After listening closely to the mining community, Rhett Creighton decided to fork Zcash just 8 days later, eliminating the founder’s tax and creating Zclassic - a Zcash platform built on transparency through community development. Unfortunately, Zclassic suffered from the same ideas which it derived its greatness: the absence of a founder’s tax led to a lack of active development. However, there are various governance methods which can prevent this stale development.

Bitcoin Private, a supposed “fork-merge” of Bitcoin and Zclassic, is intended to add privacy and spendability to the Bitcoin blockchain while remaining cognizant of the challenges, choices, and failures of prior forks. To accomplish this, Bitcoin Private will use a larger block size (2 MB), a shorter block time (2.5 min), and an ASIC-resistant (GPU-friendly) proof-of-work (PoW) algorithm for mining — Equihash. Furthermore, due to the dual nature of this fork-merge, more of the crypto-community will find themselves involved. After the snapshot, ZCL (t & z) and BTC (segwit & normal) addresses will receive BTCP (1:1 for both) at the same address. This is a first-of-its-kind fork and the open source blockchain community is finally beginning to fully explore the malleability of UTXO sets.

Table 1: Comparison of Bitcoin Private, Bitcoin, Bitcoin Cash, and Bitcoin Gold.

	Bitcoin Private	Bitcoin	Bitcoin Cash	Bitcoin Gold
<i>Total Supply</i>	21 million	21 million	21 million	21 million
<i>Privacy</i>	zk-SNARKs	x	x	x
<i>Block Time</i>	2.5 min	10 min	10 min	2.5 min
<i>Block Size</i>	2 MB	1 MB	8 MB	1 MB
<i>PoW Algorithm</i>	Equihash	SHA256	SHA256	Equihash
<i>Difficulty Adjustment</i>	Every Block	2 Weeks	Every Block	Every Block
<i>Closed Premine</i>	x	x	x	Yes
<i>Community-Driven</i>	Yes	x	x	x
<i>Governance</i>	Yes	x	x	x

2. Fork Methodology

For Bitcoin Private, a “fork-merge” is proposed, whereby the UTXOs of two cryptocurrencies are combined into one blockchain. This will formally happen off of the Zclassic blockchain, since zk-SNARKs and JoinSplit transactions are fundamentally part of this new blockchain. One can liken the solving of a blockchain to a chain-growth polymerization mechanism: when the next block is solved, the blockchain grows, just as a polymer grows upon the reactive addition of monomer to the polymer chain end. However, while longer polymer chains are generally desirable as they impart increased toughness on the resulting plastic, increasing the blockchain size results in increased storage consumption as well as significantly longer node sync times. Fortunately, this snapshot will only need to retrieve the address state from Bitcoin and Zclassic at a single point in time, which will be carried to the new chain. This approach is effective and results in a significant reduction in storage required by the blockchain, in this case reducing it from 157 GB to only 10 GB (at launch). Additionally, the Bitcoin Private clients will support blockchain pruning and SPV techniques like Electrum in order to reduce the burden of the blockchain on user devices.

A significant issue that any fork must handle is a so-called “replay attack,” in which a post-fork transaction on the original blockchain is made valid on the new blockchain. All coin forks must have replay protection in order to ensure legitimacy and independence from the original blockchain. To safeguard against replay attacks from Bitcoin and Zclassic, Bitcoin Private will feature two-way replay protection. This is a studied problem, and we are using the industry standard approach which will be incorporated in a two-way manner as stated above. This is already implemented, and we are using the industry standard approach (SIGHASH_FORKID), which is well-studied and has worked successfully for Bitcoin Gold.¹¹

The snapshot of Bitcoin and Zclassic is set for the first blocks timestamped after 5 PM UTC on February 28, 2018, with the fork/main-net launch occurring approximately 2 days later. After launch, there will be approximately 700,000 mineable Bitcoin Private. A starting block reward of 1.5625 Bitcoin Private has been selected along with a halving every 210,000 blocks (~1 year). However, if this experiment proves unsuccessful, an alternative plan can be implemented, which is outlined in Section 7.

3. Proof-of-Work: Equihash

As discussed in the introduction, mining of Bitcoin is predominantly performed by ASICs, specialized instruments capable of significantly outcompeting GPUs. Unlike GPUs, ASICs are far more difficult to acquire and have led to significant centralization of Bitcoin mining. Indeed, Igor Homakov has suggested that over 60% of Bitcoin network hash rate is located in China.¹² Meanwhile, ASIC resistant algorithms are far more likely to be decentralized as GPUs are more readily available throughout the world. Decentralization of the network hash allows for significantly more democratization of the blockchain, decreased susceptibility to a 51% attack, and ensures that the cryptocurrency generated via mining, as well as associated fees collected, are spread throughout the community as evenly as possible. This further prevents the ability of a few miners to influence the blockchain development as well as manipulate the market via mining significantly large amounts of the cryptocurrency.

Bitcoin Private will utilize the highly-regarded Equihash PoW algorithm, which was developed by Alex Biryukov and Dmitry Khovratovich at the University of Luxembourg as an asymmetric proof-of-work (PoW) mechanism.¹³ Unlike other ASIC-resistant PoW algorithms, Equihash is based on the “Birthday Problem” and the enhanced Wagner algorithm utilized to solve it. Furthermore, Equihash features “memory hardness” whereby a steep computational penalty is associated with a reduction in memory usage and speed. This feature increases the ASIC resistivity of Equihash due to the cost of implementing more memory into ASICs to make them competitive with GPUs or even CPUs. The authors of the original paper discuss that while memory hardness does not protect against botnet-based CPU mining, the large amount of memory consumption would be extreme, such that the userbase of infected PCs would notice a significant difference in performance and take necessary actions to remove the infection.

4. Transparent vs. Shielded Transactions

Bitcoin Private is an amalgamation of two transaction systems - transparent and shielded transactions. Transparent transactions operate on the same principles as Bitcoin - input, output, amount, and signature. Sources of all funds, destinations, and amounts are stored transparently on the blockchain. Shielded transactions, conversely, encrypt these details into a special section of a block called the JoinSplit. These transactions are verifiable but indecipherable to

third-party observers. When spending shielded notes, the integrity of the blockchain is kept via a specialized zero-knowledge proof algorithm called zk-SNARKs.⁶ This algorithm runs a series of computations to show the input values sum to the output values for each shielded transfer. Then, the sender proves that they have the private spending keys of the input notes, giving them the authority to spend. Finally, the private spending keys of the input notes are cryptographically linked to a signature over the whole transaction, in such a way that the transaction cannot be modified by a party who did not know these private keys.¹⁴ This entire methodology relies on the Zcash trusted setup: at Zcash launch, keys necessary for zero knowledge proofs and private transactions were generated and subsequently destroyed; this was called “The Ceremony.”⁶ By doing this, the system can ensure “one-time strong unforgeability against chosen message attacks.”¹⁰

5. Voluntary Miner Contribution Program

To create a treasury for the maintenance and development of Bitcoin Private, a *Voluntary Miner Contribution Program* was launched. In this program, 62,500 Bitcoin Private are auctioned to miners up to a total of 50,000 Zclassic donated to the Bitcoin Private treasury fund via hash power. The payout for any given miner in the program can be determined by the following equation:

$$P = Z_m * 62,500/Z_p$$

Where P is the payout for the miner, Z_m is the Zclassic mined by the miner, and Z_p is the total Zclassic mined by the entire pool. The 62,500 Bitcoin Private are generated at the fork and deposited to the corresponding wallet addresses provided by each miner. The pre-fork ZCL multi-sig wallet that was established for this program will contain up to 50,000 Zclassic and subsequently be forked into BTCP to establish a treasury for development, bounties, continued marketing and the overall development of Bitcoin Private by the community. This is one of several methods to address the original Zclassic stale development issue.

In some regards, this program could be seen as a “premine” which is a concept the Bitcoin Private contribution team is vehemently opposed to. However, premines have generally been performed by and directly for the core group and that is not the case here. In this instance, the mining community is able to voluntarily choose to donate funds in exchange for incentivized early access to

mining Bitcoin Private. Furthermore, due to the auction-like style of the program, the mining community is able to choose how much each ZCL donated will be worth as a collective (see equation above): this type of free-market methodology is at the core of Satoshi's original vision for Bitcoin. These funds will be used for exchange listings (50%), development (25%), marketing (15%), and general/administrative (10%).

6. Treasury Fund Governance

A treasury fund governance council has been assembled from three members of the community and two members from the mining community, which has been incorporated as BTCP Developer Community, LLC. At the time of publication, Jacob Brutman, Ph.D. (Operations Lead), Giuseppe Stuto (Marketing Lead), and Peter Hatzipetros (General Counsel) represent the community, while Adib Alami and Evan Darby represent the mining community. A bylaws document for the council has been prepared as well.¹⁵

7. The Future of Bitcoin Private

Improving privacy across the board is an important piece of the Bitcoin Private project. Currently, zk-SNARKs is quite RAM and CPU intensive during signing of the transaction, which can take up to a few minutes. One of the first improvements to be implemented post-fork is the new sapling, termed "Jubjub," currently under development by the Zcash core development team.¹⁶ This new sapling will allow for a significant improvement in the speed and user-friendliness of shielded transactions for zk-SNARKs privacy coins. Another methodology for improving the privacy of Bitcoin Private is to utilize the "Dandelion" privacy project currently under development.¹⁷ This technique involves the "stem" (the transactions) and the "fluff" (obfuscation). While any obfuscation procedure is inherently less secure than zk-SNARKs, Dandelion obfuscation could be added to both transparent and shielded transactions of Bitcoin Private, improving privacy across the board.

Allowing for blockchain improvements to Bitcoin Private is of great importance to the project. BIP9 has been incorporated into the blockchain to allow for soft forks and thus, improvements.¹⁸ After the proper coding for improvements has been finished, the miners are asked to signal readiness to accept the chain code change. When 95% of miners accept the change, it becomes

“locked in” and the soft fork is completed. However, if the miners do not signal readiness within the specified time, the soft fork will fail, and no changes will take place. Support and development of the Bitcoin Private project will rely on continued treasury fund collection in a manner other than mining pool donations. However, the Bitcoin Private contribution team strongly opposes any sort of imposed taxation on its community without a democratic vote in favor of such. Therefore, one of the first proposed changes via BIP9 will involve treasury fund collection parameters. In this way, the miners are able to choose what is a suitable amount they are willing to donate as a collective to ensure the future success of the program.

As stated in Section 2, the low amount of mineable Bitcoin Private remaining after the fork could cause some problems, including extremely low network hash rate. A possible solution is to offer the removal of coins that remain unmoved from before the fork. If this implementation is chosen, approximately 0.14% of all unmoved Bitcoin Private coins from the fork would be removed daily over the course of two years. In this scenario, Bitcoin Private coins would be removed equally across all wallets: each wallet with unmoved Bitcoin Private will lose *ca.* 0.14% of its coins per day for 2 years. This methodology would free up a significant portion of coins for miners while giving ample time for users to move their forked coins. Furthermore, the low percentage of daily removal should prevent any shock to the market cap occurring.

As a backup measure, a “difficulty bomb” has been implemented into Bitcoin Private to allow for significant future development, in a similar manner as with Ethereum.¹⁹ When utilized, the difficulty bomb will be applied to the old blockchain code, reminding miners to adopt new code base for continued improvements. This method is considered a *last resort* and will only be used under *extreme circumstances*. Potentially, the bomb could be implemented to introduce a new governance system, such as, but not limited to, the system featured by Decred.²⁰ This will allow for further democratization and decentralization of the Bitcoin Private blockchain. Currently, the difficulty bomb date is set for March 2, 2019, however, hardforks can be utilized to extend this date indefinitely. Non-coincidentally, the first halving will occur around the date of the difficulty bomb; this will allow for changes to be made should the low inflation experiment prove to be unsuccessful.

8. Commercial Applications

Payment processing continues to be one of the most profound use cases of Bitcoin today. Merchants have likely transacted over \$1 billion equivalent of Bitcoin for the year of 2017 using Bitcoin payment processing companies such as BitPay. Wallet users of this very same company secure over \$1 billion worth of assets per month and send over \$1.5 billion wallet to wallet per month.²¹ Just as the internet brought a new, revolutionary method of payment, cryptocurrency is doing the same.

Consumers expect a certain level of convenience when it comes to transferring value in exchange for goods and services, and this is why payment processing on the web has become commonplace. Along with this expectation of convenience, there is an assumed level of privacy that comes with such a transaction. Unfortunately, over the past two decades there have been entities who profit off of creating an online “profile” of a consumer by tracking online credit card transactions.²² This is incredibly invasive and serves as a large supporting premise for why a consumer would want to transact online with cryptocurrency. Despite the technical design of the most popular cryptocurrency, this privacy can no longer be expected on the blockchain.¹⁴ However, Bitcoin Private could fulfill the privacy needs of consumers via zk-SNARKs transactions.

Bitcoin Private will play a major role in peer-to-peer and commercial transfer of digital assets. It offers vendors a tested, secure, and widely adopted cryptocurrency technology with the added benefit of provable anonymity and privacy. Potentially, hundreds to thousands of natural use cases will come of Bitcoin Private in commercial use. While other z-protocol coins could be capable of fulfilling this role, generally none have opted to or succeeded. This is likely due to the high CPU and memory requirements of shielded transactions; however, the release of “Jubjub” sapling will allow for mobile shielded transactions. The Bitcoin Private contribution team has a strong desire to bring the cryptocurrency into mainstream acceptance, allowing for widespread usage. Therefore, a vendor-friendly shielded-transaction service will be released shortly after the new sapling. On top of the standard web vendor use case, mobile wallet platforms could be utilized to store and transfer Bitcoin Private via transparent and shielded transactions in brick and mortar applications. Furthermore, this same platform could be used by any user and would not be limited to stores. As of now, Bitcoin Private has already been approached by various vendors and merchants for use

as a payment option for their merchandise. A percentage of these commercial transactions could be collected for the Bitcoin Private treasury which could nullify the need for a treasury collection via mining.

9. Community-driven Project

Many cryptocurrency projects, whether utility tokens or coins, claim to be community-driven and open source. While this is true to an extent, a core development team typically exists which controls the entire future of the project. Few exceptions exist (e.g. Decred) whereby the community has actual control of the future, however, development teams are still often closed doors. While community members can suggest modifications on the corresponding code, these requests may go unnoticed. The Bitcoin Private project represents a true community effort, with over 100 contributors currently (Feb. 6, 2018) and is growing daily.

Various initiatives have been implemented which separate Bitcoin Private from other community coins. For instance, a worldwide, multilingual ambassador program has been launched whereby members of the community can actively engage in helping to promote Bitcoin Private and increase the community. Furthermore, Bitcoin Private has opened a “call for developers” in which anyone can apply, even those new to blockchain technology, and contribute in a meaningful way to the project. Those without prior experience are able to learn from this developer program and become proficient in blockchain technology/engineering. These two programs combined have added over one hundred new contributors in a span of a few days, expanding our daily contributing team to well over 300 members. The size of the Bitcoin Private contribution team shows the project’s dedication to its community-driven inspiration and is a feat that no other cryptocurrency has achieved to the best of the team’s knowledge. This showcases the truly decentralized nature of Bitcoin Private’s development

10. Conclusion

Bitcoin Private is a cryptocurrency developed and maintained by a diverse community. Team members from around the globe collaborate daily to make this project a success. They do so, because they believe the project fulfills Satoshi’s original vision of financial freedom via fast, low-fee, decentralized, and private

transactions. Bitcoin Private’s forward-thinking inclusion of the BIP9 soft fork proposal will allow for future developments, and an included difficulty bomb will advance alternative governance methodologies should BIP9 prove ineffective. The commercial applications of Bitcoin Private are numerous: from fast global transactions to purchasing in local stores. This merger of Bitcoin’s vast, dedicated following and shielded transaction technology of Zclassic will usher in a new era of provable and trustless blockchain privacy.

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