# **Build, Scale, Operate**

Building a robust bitcoin ecosystem

Eric Lombrozo & Meltem Demirors Scaling Bitcoin Phase III

### Our Goals Today

- Share our perspective on challenges in the bitcoin ecosystem and how they evolved
- Offer constructive ideas to begin growing our ecosystem and solicit input
- Leave with some shared goals for our community

Share anonymous comments, ideas, feedback at bit.ly/ScalingIdeas

### The Bitcoin Ecosystem is Fragmented









Stanford Computer







### Key Stakeholders

#### **BUILD**

- Core developers and contributors
- CTOs / engineers
- Academics
- Business people
- Product leads

#### **SCALE**

- Visionaries and influencers
- Product UI / UX
- Business Development
- Marketing and Sales
- PR / Communications
- Designers

#### **OPERATE**

- Miners
- Exchanges
- Bitcoin 2.0 companies
- Industry collaboration projects / coalitions
- Foundations and other community groups

We need coordination among stakeholders to keep bitcoin development moving forward

### Challenges in the Bitcoin Today

**Inherent Complexities** 

Native to the bitcoin protocol and the dependencies within it features can't be solved for by other implementations

**Accidental Complexities** 

Limitations arising from the manner in which bitcoin has developed over time and the techniques used - real issue is maintaining compatibility and not breaking consensus

Inadequate Methods & Techniques

Method of development is challenging - hard to gain experience, meaningful contribution requires extremely skilled developers, and many nuances and complexities in dev process

Continuous Re-invention and Re-discovery

Re-creating incompatible or sub-par solutions to problems that have already been solved, building different products to implement the same services and features

### A Quick Outline

- 15 min | Eric Contributing in Bitcoin Perspectives and Suggestions for Scalable Development
- 15 min | Meltem Operating in Bitcoin Connecting the Dots in the Ecosystem
- 5 min | Review of Suggested Projects to Pursue
- 10 min | Q&A / Discussion

# Contributing in Bitcoin

Scalable Development

### First Dive into Bitcoin Development

### Original Bitcoin client/API calls list

Bitcoin API call list (as of version 0.8.0)

Note: up-to-date API reference can be found here de.

#### Contents [hide]

- 1 Common operations
- 1.1 Listing my bitcoin addresses
- 2 Full list
- 3 Error Codes
- 4 See Also
- 5 References

#### Common operations

#### Listing my bitcoin addresses

Listing the bitcoin addresses in your wallet is easily done via *listreceivedbyaddress*. It normally lists only addresses which already have received transactions, however you can list all the addresses by setting the first argument to 0, and the second one to true.

Accounts are used to organize addresses.

#### https://en.bitcoin.it/wiki/Original\_Bitcoin\_client/API\_calls\_list

#### Full list

Required arguments are denoted inside < and > Optional arguments are inside [ and ].

Command	Parameters	Description	Requires unlocked wallet? (v0.4.0+)
addmultisigaddress	<nrequired> &lt;"["key","key"]'&gt; [account]</nrequired>	Add a nrequired-to-sign multisignature address to the wallet. Each key is a bitcoin address or hex-encoded public key. If [account] is specified, assign address to [account]. Returns a string containing the address.	N
addnode	<node> <add onetry="" remove=""></add></node>	<b>version 0.8</b> Attempts add or remove <node> from the addnode list or try a connection to <node> once.</node></node>	N
backupwallet	<destination></destination>	Safely copies wallet.dat to destination, which can be a directory or a path with filename.	N
createmultisig	<nrequired> &lt;"["key,"key"]'&gt;</nrequired>	Creates a multi-signature address and returns a json object	
createrawtransaction	[{"txid":txid,"vout":n},] {address:amount,}	version 0.7 Creates a raw transaction spending given inputs.	N
decoderawtransaction	<hex string=""></hex>	version 0.7 Produces a human-readable JSON object for a raw transaction.	N
dumpprivkey	 bitcoinaddress>	Reveals the private key corresponding to bitcoinaddress>	Y
encryptwallet	<passphrase></passphrase>	Encrypts the wallet with <passphrase>.</passphrase>	N
getaccount	 bitcoinaddress>	Returns the account associated with the given address.	N
getaccountaddress	<account></account>	Returns the current bitcoin address for receiving payments to this account. If <account> does not exist, it will be created along with an associated new address that will be returned.</account>	N

### **Getting More Advanced**

#### https://en.bitcoin.it/wiki/Protocol\_documentation

#### Protocol documentation

This page describes the behavior of the reference client. The Bitcoin protocol is specified by the behavior of the reference client, not by this page. In particular, while this page is quite complete in describing the network protocol, it does not attempt to list all of the rules for block or transaction validity.

Type names used in this documentation are from the C99 standard.

For protocol used in mining, see getblocktemplate.

#### Contents [hide] 1 Common standards 1.1 Hashes 1.2 Merkle Trees 1.3 Signatures 1.4 Transaction Verification 1.5 Addresses 2 Common structures 2.1 Message structure 2.2 Variable length integer 2.3 Variable length string 2.4 Network address 2.5 Inventory Vectors 2.6 Block Headers 2.7 Differential encoding 2.8 PrefilledTransaction 2.9 HeaderAndShortIDs 2.10 BlockTransactionsRequest 2.11 BlockTransactions 2.12 Short transaction ID 3 Message types 3.1 version 3.2 verack 3.3 addr 3.4 inv 3.5 getdata 3.6 notfound 3.7 getblocks 3.8 getheaders 3.9 tx 3.10 block 3.11 headers 3.12 getaddr 3.13 mempool 3.14 checkorder

3.15 submitorder

#### https://en.bitcoin.it/wiki/Protocol\_documentation

#### Message types

#### version

When a node creates an outgoing connection, it will immediately advertise its version. The remote node will respond with its version. No further communication is possible until both peers have exchanged their version.

#### Payload:

Field Size	Description	Data type	Comments		
4	version	int32_t	Identifies protocol version being used by the node		
8	services	uint64_t	bitfield of features to be enabled for this connection		
8	timestamp	int64_t	standard UNIX timestamp in seconds		
26	addr_recv	net_addr	The network address of the node receiving this message		
Fields below	Fields below require version ≥ 106				
26	addr_from	net_addr	The network address of the node emitting this message		
8	nonce	uint64_t	Node random nonce, randomly generated every time a version packet is sent. This nonce is used to detect connections to self.		
?	user_agent	var_str	User Agent & (0x00 if string is 0 bytes long)		
4	start_height	int32_t	The last block received by the emitting node		
Fields below	Fields below require version ≥ 70001				
1	relay	bool	Whether the remote peer should announce relayed transactions or not, see BIP 0037 ₺		

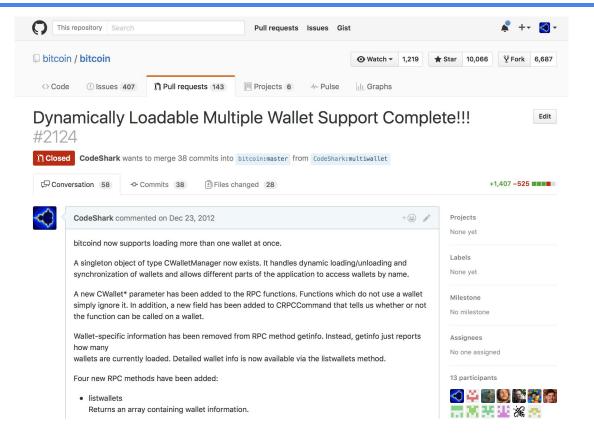
A "verack" packet shall be sent if the version packet was accepted.

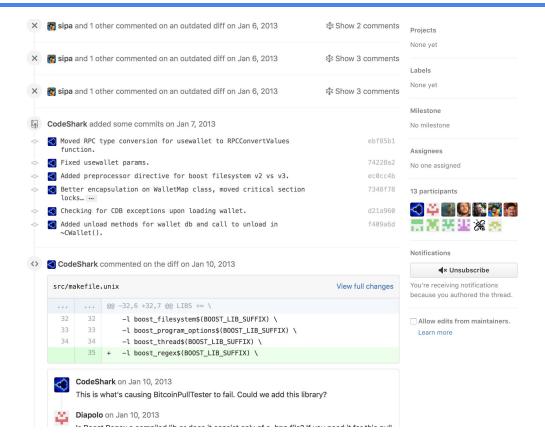
The following services are currently assigned:

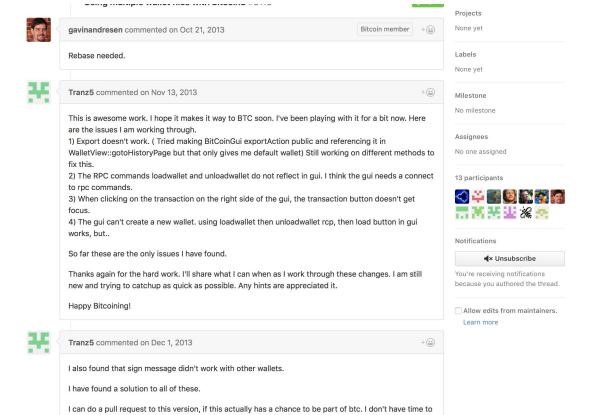
Value	Name	Description
1	NODE_NETWORK	This node can be asked for full blocks instead of just headers.

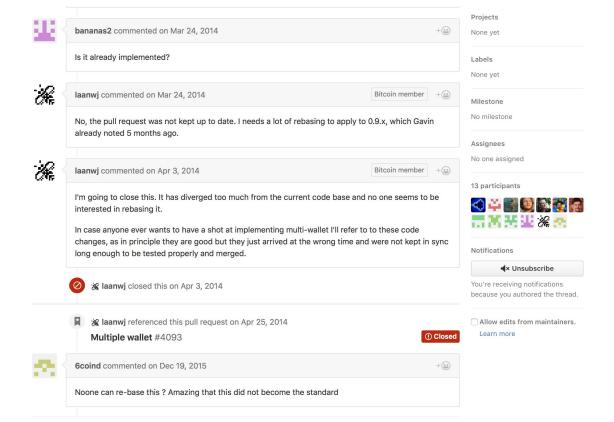
#### https://en.bitcoin.it/wiki/Protocol\_documentation

```
f9 be b4 d9 76 65 72 73 69 6f 6e 00 00 00 00 00 ....version....
0010
    64 00 00 00 35 8d 49 32 62 ea 00 00 01 00 00 d...5.I2b......
0020
    00 00 00 00 11 b2 d0 50 00 00 00 01 00 00 00 .....P.....
0030
    0060
    3b 2e b3 5d 8c e6 17 65 0f 2f 53 61 74 6f 73 68 ;....e./Satosh
    69 3a 30 2e 37 2e 32 2f c0 3e 03 00
                                     i:0.7.2/.>..
Message Header:
F9 BE B4 D9
                                                    - Main network magic bytes
76 65 72 73 69 6F 6E 00 00 00 00 00
                                                     - "version" command
64 00 00 00
                                                     - Payload is 100 bytes long
3B 64 8D 5A
                                                    - payload checksum
Version message:
62 EA 00 00
                                                    - 60002 (protocol version 60002)
                                                     - 1 (NODE NETWORK services)
01 00 00 00 00 00 00 00
                                                     - Tue Dec 18 10:12:33 PST 2012
11 B2 D0 50 00 00 00 00
3B 2E B3 5D 8C E6 17 65
                                                    - Node ID
                                                    - "/Satoshi:0.7.2/" sub-version string (string is 15 bytes long)
OF 2F 53 61 74 6F 73 68 69 3A 30 2E 37 2E 32 2F
CO 3E 03 00
                                                    - Last block sending node has is block #212672
```









# **Internet Protocol Layers**

**Applications** 

HTTP / FTP / IMAP / SMTP / etc...

TCP / UDP / etc...

IPv4 / IPv6 / etc...

# **Bitcoin Protocol Layers**

**Applications** 

Off-chain Protocols / APIs

P2P / Propagation / Relay

Consensus

# **BIP 123**

BIP: 123
Layer: Process
Title: BIP Classification
Author: Eric Lombrozo <elombrozo@gmail.com>
Status: Draft
Type: Process
Created: 2015-08-26

#### **Table of Contents**

- <sup>∟</sup> Abstract
- <sup>∟</sup> Motivation
- <sup>∟</sup> Specification
- <sup>∟</sup> 1. Consensus Layer
- └ Soft Forks
- <sup>∟</sup> Hard Forks
- <sup>∟</sup> 2. Peer Services Layer
- <sup>∟</sup> 3. API/RPC Layer
- <sup>∟</sup> 4. Applications Layer
- <sup>└</sup> Classification of existing BIPs

#### **Abstract**

This document describes a classification scheme for BIPs.

BIPs are classified by system layers with lower numbered layers involving more intricate interoperability requirements.

The specification defines the layers and sets forth specific criteria for deciding to which layer a particular standards BIP belongs.

#### 4. Applications Layer

The applications layer specifies high level structures, abstractions, and conventions that allow different applications to support similar features and share data.

#### 3. API/RPC Layer

The API/RPC layer specifies higher level calls accessible to applications. Support for these BIPs is not required for basic network interoperability but might be expected by some client applications.

There's room at this layer to allow for competing standards without breaking basic network interoperability.

#### 2. Peer Services Layer

The peer services layer specifies how nodes find each other and propagate messages.

Only a subset of all specified peer services are required for basic node interoperability. Nodes can support further optional extensions.

It is always possible to add new services without breaking compatibility with existing services, then gradually deprecate older services. In this manner, the entire network can be upgraded without serious risks of service disruption.

#### 1. Consensus Layer

The consensus layer defines cryptographic commitment structures. Its purpose is ensuring that anyone can locally evaluate whether a particular state and history is valid, providing settlement guarantees, and assuring eventual convergence.

The consensus layer is not concerned with how messages are propagated on a network.

Disagreements over the consensus layer can result in network partitioning, or forks, where different nodes might end up accepting different incompatible histories. We further subdivide consensus layer changes into soft forks and hard forks.

#### Soft Forks

In a soft fork, some structures that were valid under the old rules are no longer valid under the new rules. Structures that were invalid under the old rules continue to be invalid under the new rules.

#### **Hard Forks**

In a hard fork, structures that were invalid under the old rules become valid under the new rules.

# Consensus Rule Changes

### Satoshi's Vision

#### satoshi

Founder Sr. Member



Activity: 364





The nature of Bitcoin is such that once version 0.1 was released, the core design was set in stone for the rest of its lifetime. Because of that, I

wanted to design it to support every possible transaction type I could think of. The problem was, each thing required special support code and data fields whether it was used or not, and only covered one special case at a time. It would have been an explosion of special cases. The solution was script, which generalizes the problem so transacting parties can describe their transaction as a predicate that the node network evaluates. The nodes only need to understand the transaction to the extent of evaluating whether the sender's conditions are met.

The script is actually a predicate. It's just an equation that evaluates to true or false. Predicate is a long and unfamiliar word so I called it script.

The receiver of a payment does a template match on the script. Currently, receivers only accept two templates: direct payment and bitcoin address. Future versions can add templates for more transaction types and nodes running that version or higher will be able to receive them. All versions of nodes in the network can verify and process any new transactions into blocks, even though they may not know how to read them.

The design supports a tremendous variety of possible transaction types that I designed years ago. Escrow transactions, bonded contracts, third party arbitration, multi-party signature, etc. If Bitcoin catches on in a big way, these are things we'll want to explore in the future, but they all had to be designed at the beginning to make sure they would be possible later.

I don't believe a second, compatible implementation of Bitcoin will ever be a good idea. So much of the design depends on all nodes getting exactly identical results in lockstep that a second implementation would be a menace to the network. The MIT license is compatible with all other licenses and commercial uses, so there is no need to rewrite it from a licensing standpoint.

#### **satoshi** Founder Sr. Member



Activity: 364



#### Re: Transactions and Scripts: DUP HASH160 ... EQUALVERIFY CHECKSIG June 18, 2010, 04:17:14 PM

A second version would be a massive development and maintenance hassle for me. It's hard enough maintaining backward compatibility while upgrading the network without a second version locking things in. If the second version screwed up, the user experience would reflect badly on both, although it would at least reinforce to users the importance of staying with the official version. If someone was getting ready to fork a second version, I would have to air a lot of disclaimers about the risks of using a minority version. This is a design where the majority version wins if there's any disagreement, and that can be pretty ugly for the minority version and I'd rather not go into it, and I don't have to as long as there's only one version.

I know, most developers don't like their software forked, but I have real technical reasons in this case.

#### Quote from: gavinandresen on June 17, 2010, 07:58:14 PM

I admire the flexibility of the scripts-in-a-transaction scheme, but my evil little mind immediately starts to think of ways I might abuse it. I could encode all sorts of interesting information in the TxOut script, and if non-hacked clients validated-and-then-ignored those transactions it would be a useful covert broadcast communication channel.

That's a cool feature until it gets popular and somebody decides it would be fun to flood the payment network with millions of transactions to transfer the latest Lady Gaga video to all their friends...

That's one of the reasons for transaction fees. There are other things we can do if necessary.

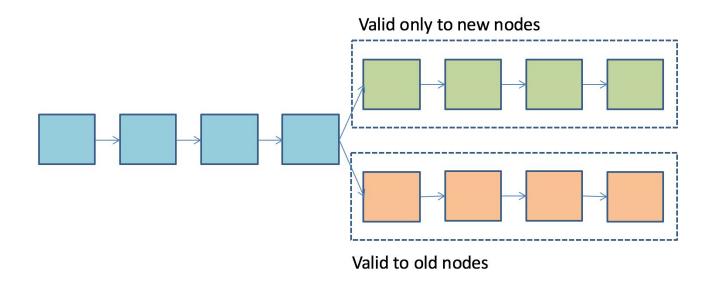
#### Quote from: laszlo on June 17, 2010, 06:50:31 PM

How long have you been working on this design Satoshi? It seems very well thought out, not the kind of thing you just sit down and code up without doing a lot of brainstorming and discussion on it first. Everyone has the obvious questions looking for holes in it but it is holding up well

Since 2007. At some point I became convinced there was a way to do this without any trust required at all and couldn't resist to keep thinking about it. Much more of the work was designing than coding.

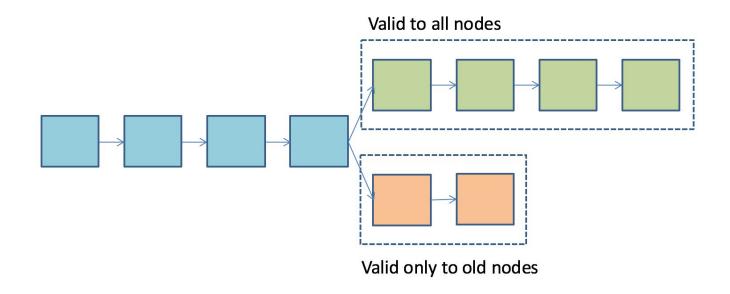
Fortunately, so far all the issues raised have been things I previously considered and planned for.

### Hard Forks: convergence not guaranteed



Blocks that used to be <u>invalid</u> become <u>valid</u> (not enforceable by miners)

### Soft Forks: convergence guaranteed



Blocks that used to be <u>valid</u> become <u>invalid</u> (de facto enforceable by miners)

# Bootstrapping a Global Network



## Key Issues with Building Bitcoin

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# Key Issues with Building Bitcoin

- Developmental Bottlenecks
- Modularization & Layers

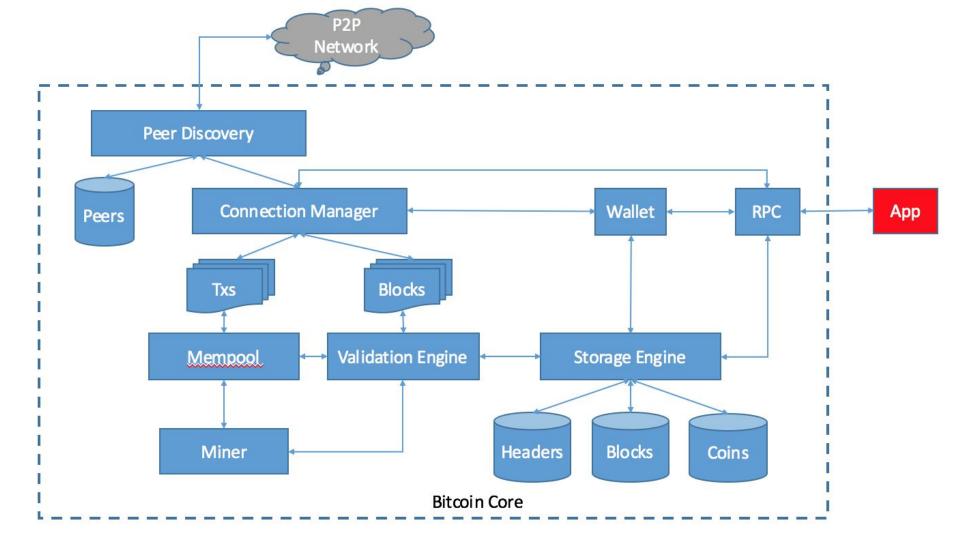
## Key Issues with Building Bitcoin

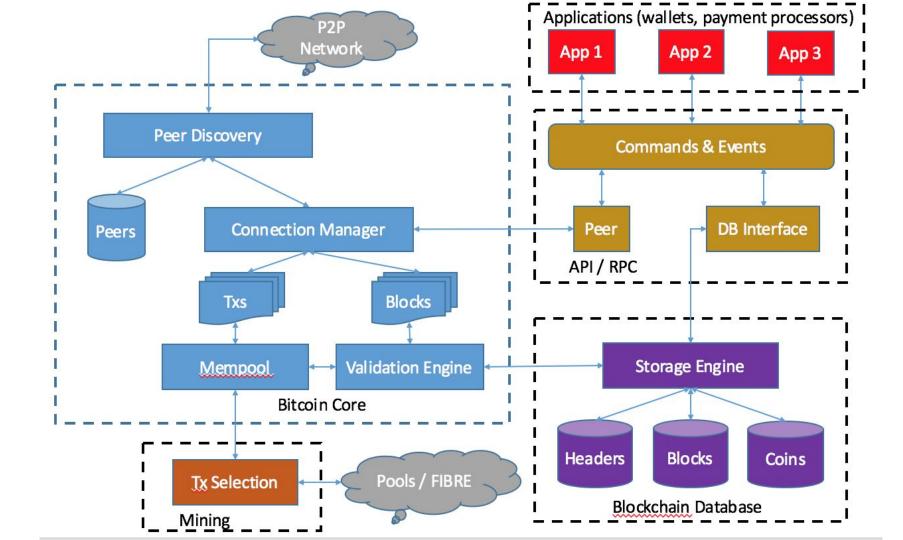
- Developmental Bottlenecks
- Modularization & Layers
- Consensus Rule Changes

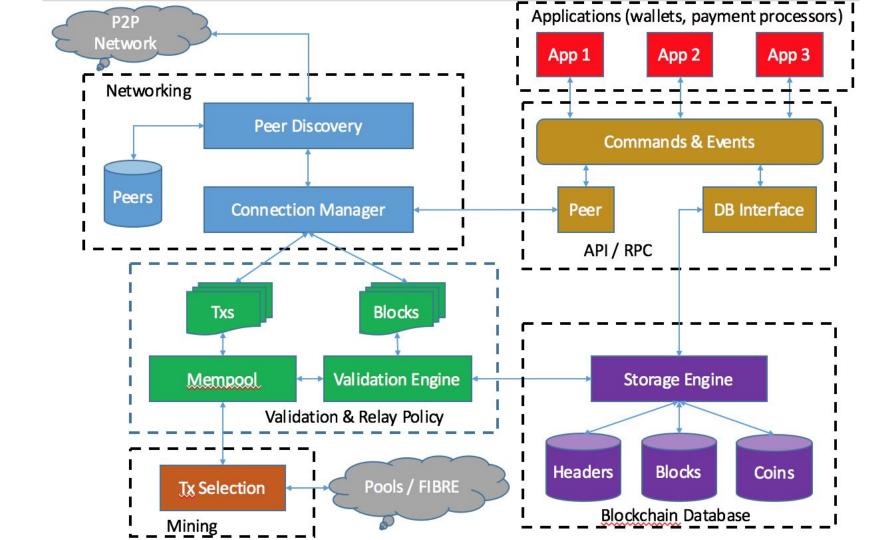
#### Key Issues with Building Bitcoin

- Developmental Bottlenecks
- Modularization & Layers
- Consensus Rule Changes
- Bootstrapping a Global Network

#### Node Architecture





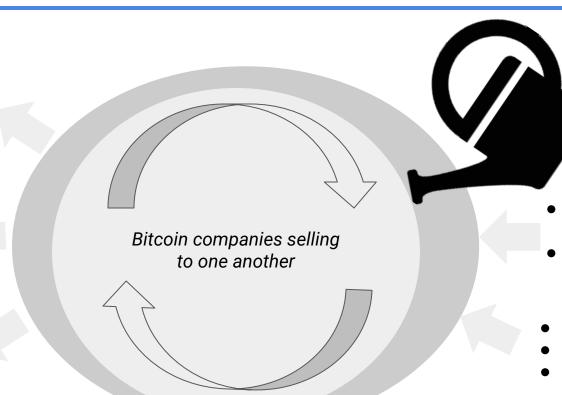


# Operating in Bitcoin

Reducing entropy

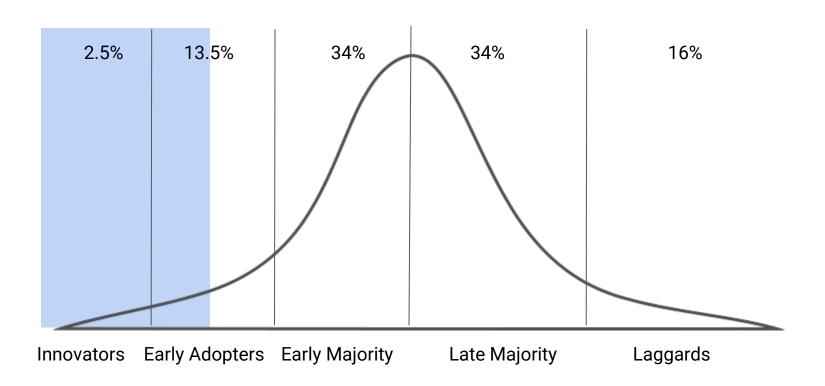
#### Bitcoin Today

Slow adoption in other communities or ecosystems



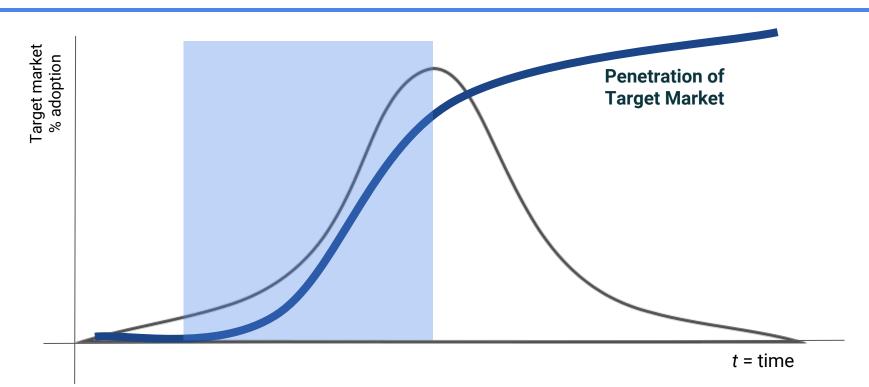
- Early adopters and speculators
- VC and institutional investment
- Entrepreneurs
- Opportunists
- Intellectually curious people

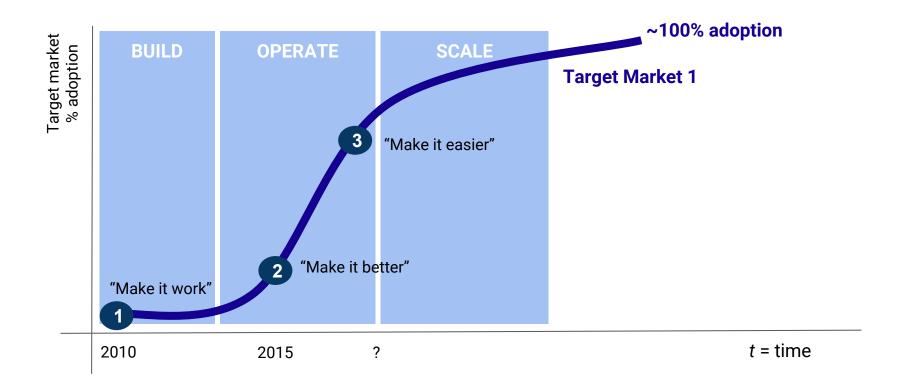
#### Who is Bitcoin for?

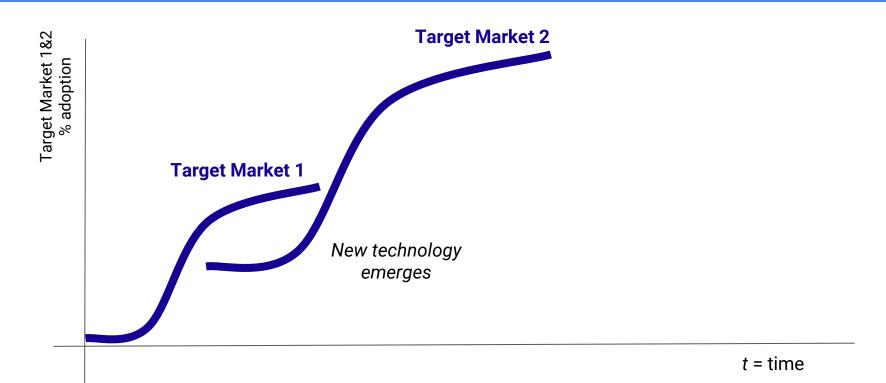


# Stakeholders in Bitcoin Today

	Ability to Influence	Level of Interest
Bitcoin Core / Dev		
Miners		
Industry / Exchanges		
Industry / Wallets & Secuity		
Corporates		
Academics		
Policymakers		
HOLDERS / observers		
General Public		

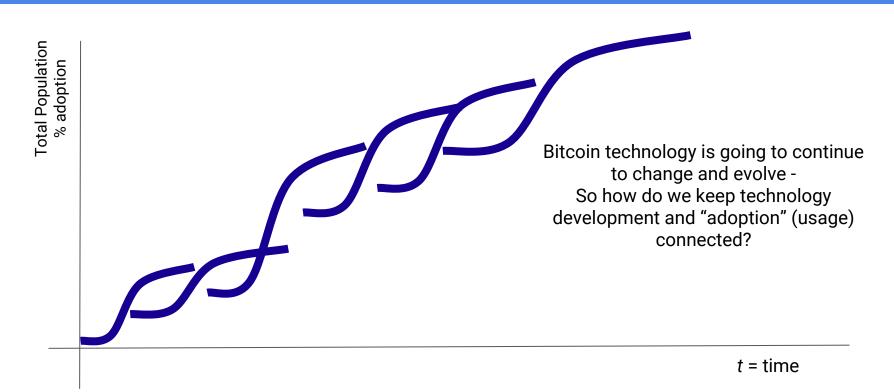






#### Stakeholders in Bitcoin Tomorrow

	Ability to Influence	Level of Interest
Bitcoin Core / Dev		
Miners		
Industry / Exchanges		
Industry / Wallets & Secuity		
Corporates		
Academics		
Policymakers		
HOLDERS / observers		
General Public		



# The Bitcoin Ecosystem is Fragmented

/r/bitcoin



#### Are we Our Own Worst Enemy?

Bitcoin is inherently social software - how do groups work?

- 1. Paradox of Groups "This is good and must be protected"
- 2. External enemies as a unifying cause group cohesion in common cause
- 3. Religious veneration nomination and worship of an icon

- We built the system, assumed certain user behaviors
- Users came on and exhibit different behaviors
- People running the system realize technological and social issues can't in fact be uncoupled
- But the conversational context of bitcoin development doesn't scale

So how could bitcoin scale beyond the "group within the group"?

# Beyond "the group within the group"

Knowledge	Exposure to or awareness of - knowledge is typically distributed through both formal and informal channels
Attitudes	The way people view bitcoin has been fairly negative, primarily due to the lack of knowledge and adoption
Adoption	The decision about whether or not to adopt bitcoin - here features, design, and user experience are key factors
Implementation	The ability to actually "implement" bitcoin and build bitcoin into other systems or products
Confirmation	Comparing and evaluating bitcoin against other technologies and determining if it is actually an elegant or efficient solution

#### **Attitudes**

- Misunderstanding of actual features of bitcoin misinformation
- Limited body of knowledge around non-technical areas of bitcoin
- Datasets to enable economic modeling / impact assessment for bitcoin adoption difficult to find, limited data available
- Contributing to bitcoin knowledge isn't required to participate

#### Adoption

- Feature set of bitcoin as implemented today limits use cases
- Bitcoin core development efforts working to resolve these challenges but limited resources and many dependencies
- Limited feedback loops on feature set

#### **Implementation**

- Implementing bitcoin or building with bitcoin is really difficult
- Hard to find talent who can actually build because implementing requires you to "get under the hood"
- Difficulty understanding how components of bitcoin infrastructure interact with one another and what it means for building bitcoin applications

# What Next?

Community Project Ideas

#### Project Ideas

#### Bitcoin Core

- 1. Separate dependencies like consensus, database, networking, etc and de-couple into separate units
- 2. Design interfaces to decouple them into separate units
- 3. Refactor / reimplement units

#### **Bitcoin Applications**

- 4. Expanding research and body of knowledge around non-technical bitcoin issues and opportunities
- Semi-annual infrastructure workshops for exchanges, wallets, etc. to manage technical projects more broadly across community
- 6. Build reference architecture for how bitcoin fits into enterprise / app infrastructure to ease "adoption" pains

Share anonymous comments, ideas, feedback at bit.ly/ScalingIdeas

# Technical Challenges

Points

#### **Process and Workflow**

Points

# Suggestions

Points

### Validation Engine (libconsensus)

Bitcoin Core Validation Logic

Commit: 2a0836f6d5e7c1d7e97bedb0e0ea33dcaf981f77

```
main.cpp:3732 ProcessNewBlock
     L main.cpp:3665 AcceptBlock
          L main.cpp:3617 AcceptBlockHeader
                L main.cpp:3359 CheckBlockHeader
                     L pow.cpp:77 CheckProofOfWork
                L Check that we have previous block and it is valid
                L main.cpp:3431 CheckIndexAgainstCheckpoint
                L main.cpp:3510 ContextualCheckBlockHeader
                     L Check nBits, timestamp, and block version
                L main.cpp:3188 AddToBlockIndex
```

### Validation Engine

