

Zero: Decentralized Anonymous Payments from Bitcoin

(extended version)

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Abstract

Bitcoin is the first digital currency to see widespread adoption. Although payments are conducted between pseudonyms, Bitcoin cannot offer strong privacy guarantees: payment transactions are recorded in a public decentralized ledger, from which much information can be deduced. Zerocoin (Miers et al., IEEE S&P 2013) tackles some of these privacy issues by unlinking transactions from the payment’s origin. Yet it still reveals payment destinations and amounts, and is limited in functionality.

In this paper, we construct a full-fledged ledger-based digital currency with strong privacy guarantees. Our results leverage recent advances in *zero-knowledge Succinct Non-interactive Arguments of Knowledge* (zk-SNARKs).

We formulate and construct *decentralized anonymous payment schemes* (DAP schemes). A DAP scheme lets users pay each other directly and privately: the corresponding transaction hides the payment’s origin, destination, and amount. We provide formal definitions and proofs of the construction’s security.

We then build Zero, a practical instantiation of our DAP scheme construction. In Zero, transactions are less than 1 kB and take under 6 ms to verify — orders of magnitude more efficient than the less-anonymous Zerocoin and competitive with plain Bitcoin.

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1 Introduction

Bitcoin is the first digital currency to achieve widespread adoption. The currency owes its rise in part to the fact that, unlike traditional e-cash schemes [Cha82, CHL05, ST99], it requires no trusted parties. Instead of appointing a central bank, Bitcoin uses a distributed ledger known as the *block chain* to store transactions carried out between users. Because the block chain is massively replicated by mutually-distrustful peers, the information it contains is public.

While users may employ many identities (or *pseudonyms*) to enhance their privacy, an increasing body of research shows that anyone can *de-anonymize* Bitcoin by using information in the block chain [RM11, BBSU12, RS12, MPJ⁺13], such as the structure of the transaction graph as well as the value and dates of transactions. As a result, Bitcoin fails to offer even a modicum of the privacy provided by traditional payment systems, let alone the robust privacy of anonymous e-cash schemes.

While Bitcoin is not anonymous itself, those with sufficient motivation can obfuscate their transaction history with the help of *mixes* (also known as *laundries* or *tumblers*). A mix allows users to entrust a set of coins to a pool operated by a central party and then, after some interval, retrieve different coins (with the same total value) from the pool. However, mixes suffer from three limitations: (i) the delay to reclaim coins must be large to allow enough coins to be mixed in; (ii) the mix operator can trace coins; and (iii) the mix operator may steal coins.¹ For users with “something to hide”, these risks may be acceptable. But typical legitimate users (1) wish to keep their spending habits private from their peers, (2) are risk-averse and do not wish to expend continual effort in protecting their privacy, and (3) are often not sufficiently aware that their privacy has been compromised.

To protect their *privacy*, users thus need an instant, risk-free, and, most importantly, automatic guarantee that data revealing their spending habits and account balances is not publicly accessible by their neighbors, co-workers, and the merchants with whom they do business. Anonymous transactions also ensure that the market value of a coin is independent of its history, thus ensuring that legitimate users’ coins remain *fungible*.²

Zerocoin: a decentralized mix. Miers et al. [MGGR13] proposed Zerocoin, which extends Bitcoin to provide strong anonymity guarantees. Like many e-cash protocols (e.g., [CHL05]), Zerocoin employs zero-knowledge proofs to prevent transaction graph analyses. Unlike earlier practical e-cash protocols, however, Zerocoin does not rely on digital signatures to validate coins, nor does it require a central bank to prevent double spending. Instead, Zerocoin authenticates coins by proving, in zero-knowledge, that they belong to a public list of valid coins (which can be maintained on the block chain). Yet rather than a full-fledged anonymous currency, Zerocoin is a *decentralized mix*, where users may periodically “wash” their bitcoins via the Zerocoin protocol. Routine day-to-day transactions must be conducted via Bitcoin, due to reasons that we now review.

The first reason is performance. Redeeming zerocoins requires double-discrete-logarithm proofs of knowledge, which have size that exceeds 45 kB and require 450 ms to verify (at the 128-bit security level).³ These proofs must be broadcast through the network, verified by every node, and permanently stored in the ledger. The entailed costs are higher, by orders of magnitude, than those in Bitcoin and can seriously tax a Bitcoin network operating at normal scale.

¹CoinJoin [Max13], an alternative proposal, replaces the central party of a mix with multi-signature transactions that involve many collaborating Bitcoin users. CoinJoin can thus only mix small volumes of coins amongst users who are currently online, is prone to denial-of-service attacks by third parties, and requires effort to find mixing partners.

²While the methods we detail in this paper accomplish this, the same techniques open the door for privacy-preserving accountability and oversight (see Section 10).

³These published numbers [MGGR13] actually use a mix of parameters at both 128-bit and 80-bit security for different components of the construction. The cost is higher if all parameters are instantiated at 128-bit security.

The second reason is functionality. While Zerocoin constitutes a basic e-cash scheme, it lacks critical features required of full-fledged anonymous payments. First, Zerocoin uses coins of fixed denomination: it does not support payments of exact values, nor does it provide a means to give change following a transaction (i.e., divide coins). Second, Zerocoin has no mechanism for one user to pay another one directly in “zerocoins”. And third, while Zerocoin provides anonymity by unlinking a payment transaction from its origin address, it does not hide the amount or other metadata about transactions occurring on the network.

Our contribution. Addressing this challenge, this work offers two main contributions.

(1) We introduce the notion of a *decentralized anonymous payment scheme*, which formally captures the functionality and security guarantees of a full-fledged decentralized electronic currency with strong anonymity guarantees. We provide a construction of this primitive and prove its security under specific cryptographic assumptions. The construction leverages recent advances in the area of zero-knowledge proofs. Specifically, it uses *zero-knowledge Succinct Non-interactive ARGuments of Knowledge* (zk-SNARKs) [Gro10, Lip12, BCI⁺13, GGPR13, PGHR13, BCG⁺13, Lip13, BCTV14].

(2) We implement the above primitive, via a system that we call **Zero**. Our system (at 128bits of security):

- reduces the size of transactions spending a coin to under 1 kB (an improvement of over 97.7%);
- reduces the spend-transaction verification time to under 6 ms (an improvement of over 98.6%);
- allows for anonymous transactions of variable amounts;
- hides transaction amounts and the values of coins held by users; and
- allows for payments to be made directly to a user’s fixed address (without user interaction).

To validate our system, we measured its performance and established feasibility by conducting experiments in a test network of 1000 nodes (approximately $\frac{1}{16}$ of the unique IPs in the Bitcoin network and $\frac{1}{3}$ of the nodes reachable at any given time [DW13]). This inspires confidence that Zero can be deployed as a fork of Bitcoin and operate at the same scale. Thus, due to its substantially improved functionality and performance, Zero makes it possible to entirely replace traditional Bitcoin payments with anonymous alternatives.

Concurrent work. The idea of using zk-SNARKs in the Bitcoin setting was first presented by one of the authors at Bitcoin 2013 [Ben13]. In concurrent work, Danezis et al. [DFKP13] suggest using zk-SNARKs to reduce proof size and verification time in Zerocoin; see Section 9 for a comparison.

1.1 zk-SNARKs

A zk-SNARK is an efficient variant of a *zero-knowledge proof of knowledge* [GMR89], which we first informally describe via an example. Suppose Alice wishes to prove to Bob the statement “*I (Alice) own 30 bitcoins*”. A simple method for Alice to do so is to point to 30 coins on the block chain and, for each of them, sign a message (“hello, world”) using the secret key that controls that coin. Alas, this method *leaks knowledge* to Bob, by identifying which coins are Alice’s. A zero-knowledge proof of knowledge allows Alice to achieve the same goal, while revealing *no information* to Bob (beyond the fact that she *knows* some secret keys that control 30 coins). Crucially, such proofs can be obtained for any statement that can be verified to be true by use of an efficient computation involving auxiliary inputs such as trapdoors and passwords (such statements are called “NP statements”).

We now sketch in more technical terms the definition of a zk-SNARK; see Section 2 for more details. A zk-SNARK is a non-interactive zero-knowledge proof of knowledge that is *succinct*, i.e., for which proofs are very short and easy to verify. More precisely, let L be an NP language, and let C be a nondeterministic decision circuit for L on a given instance size n . A zk-SNARK can be used

to prove and verify membership in L , for instances of size n , as follows. After taking C as input, a trusted party conducts a one-time setup phase that results in two public keys: a proving key pk and a verification key vk . The proving key pk enables any (untrusted) prover to produce a proof π attesting to the fact that $x \in L$, for an instance x (of size n) of his choice. The non-interactive proof π is *zero knowledge* and a *proof of knowledge*. Anyone can use the verification key vk to verify the proof π ; in particular zk-SNARK proofs are publicly verifiable: anyone can verify π , without ever having to interact with the prover who generated π . Succinctness requires that (for a given security level) π has *constant size* and can be verified in time that is linear in $|x|$ (rather than linear in $|C|$).

1.2 Centralized anonymous payment systems

Before describing our new decentralized payment system, we put it in context by recalling two pre-Bitcoin payment schemes, both of which relied on a *bank*, acting as a central trusted party.

Anonymous e-cash. Chaum [Cha82] first obtained anonymous e-cash. In Chaum’s scheme, the minting of a coin involves both a user, Alice, and the bank: to mint a coin of a given value v , Alice first selects a random secret serial number SN (unknown to the bank); then, the bank, after deducting v from Alice’s balance, signs SN via a *blind signature*. Afterwards, if Alice wants to transfer her coin to Bob, she reveals SN to him and proves that SN was signed by the bank; during this transfer, Bob (or the bank) cannot deduce Alice’s identity from the revealed information. Double-spending is prevented because the bank will not honor a coin with a previously-seen serial number.

Unforgeable e-cash. One problem with Chaum’s scheme is that coins can be forged if the bank’s secret key is compromised. Sander and Ta-Shma [ST99] addressed this, as follows. The bank maintains a public Merkle tree of “coin commitments”, and users periodically retrieve its root rt ; in particular, the bank maintains no secrets. When Alice requests a coin (of unit value), she picks a random serial number SN and auxiliary string r , and then sends $cm := CRH(SN||r)$ to the bank, where CRH is a collision-resistant hash; the bank deducts the appropriate amount from Alice’s balance and then records cm as a leaf in the Merkle tree. Afterwards, to pay Bob, Alice sends him SN along with a zero-knowledge proof of knowledge π of the following NP statement: “*there exists r such that $CRH(SN||r)$ is a leaf in a Merkle tree with root rt* ”. In other words, Alice can convince Bob that SN is the serial number contained in *some* coin commitment in the Merkle tree; but the zero-knowledge property prevents Bob from learning information about which coin commitment is Alice’s, thereby protecting Alice’s identity. Later, Bob can “cash out” Alice’s coin by showing SN and π to the bank.⁴

Moving to a fungible anonymous decentralized system. In this paper, like [ST99], we hash a coin’s serial number and use Merkle trees to compactly represent the set of minted coins. Unlike [ST99], we also ensure the privacy of a coin’s value and support transactions that split and merge coins, thus achieving (and implementing) a new kind of fully-fungible and divisible payment scheme. As in Bitcoin (and in stark contrast to previous e-cash schemes), we do not rely on a trusted bank. Therefore, we require a new set of definitions and protocols, designed to protect Alice’s anonymity while preventing her from falsely increasing her balance under the veil of her boosted privacy. An informal description of our payment scheme follows.

1.3 Decentralized anonymous payment schemes

We construct a *decentralized anonymous payment (DAP) scheme*, which is a decentralized e-cash scheme that allows direct anonymous payments of any amount. See Section 3 for a formal definition.

⁴We omit details about how the bank can identify Alice in the event that she double spends her coin.

Here, we outline our construction in six incremental steps; the construction details are in Section 4.

Our construction functions on top of any ledger-based base currency, such as Bitcoin. At any given time, a unique valid snapshot of the currency's *ledger* is available to all users. The ledger is a sequence of *transactions* and is append-only. Transactions include both the underlying currency's transactions, as well as new transactions introduced by our construction. For concreteness, we focus the discussion below on Bitcoin (though later definitions and constructions are stated abstractly). We assume familiarity with Bitcoin [Nak09] and Zerocoin [MGGR13]; both are reviewed in Appendix A.

Step 1: user anonymity with fixed-value coins. We first describe a simplified construction, in which all coins have the same value of, e.g., 1 BTC. This construction, similar to the Zerocoin protocol, shows how to hide a payment's origin. In terms of tools, we make use of zk-SNARKs (recalled above) and a commitment scheme. Let COMM denote a statistically-hiding non-interactive commitment scheme (i.e., given randomness r and message m , the commitment is $c := \text{COMM}_r(m)$; subsequently, c is opened by revealing r and m , and one can verify that $\text{COMM}_r(m)$ equals c).

In the simplified construction, a new coin \mathbf{c} is minted as follows: a user u samples a random *serial number* sn and a *trapdoor* r , computes a *coin commitment* $\text{cm} := \text{COMM}_r(\text{sn})$, and sets $\mathbf{c} := (r, \text{sn}, \text{cm})$. A corresponding mint transaction tx_{Mint} , containing cm (but not sn or r), is sent to the ledger; tx_{Mint} is appended to the ledger only if u has paid 1 BTC to a backing escrow pool (e.g., the 1 BTC may be paid via plaintext information encoded in tx_{Mint}). Mint transactions are thus certificates of deposit, deriving their value from the backing pool.

Subsequently, letting CMList denote the list of all coin commitments on the ledger, u may spend \mathbf{c} by posting a spend transaction tx_{Spend} that contains (i) the coin's serial number sn ; and (ii) a zk-SNARK proof π of the NP statement "*I know r such that $\text{COMM}_r(\text{sn})$ appears in the list CMList of coin commitments*". Assuming that sn does not already appear on the ledger (as part of a past spend transaction), u can redeem the deposited amount of 1 BTC, which u can either keep, transfer to someone else, or mint a new coin. (If sn does already appear on the ledger, this is considered double spending, and the transaction is discarded.)

User anonymity is achieved because the proof π is zero-knowledge: while sn is revealed, no information about r is, and finding which of the numerous commitments in CMList corresponds to a particular spend transaction tx_{Spend} is equivalent to inverting $f(x) := \text{COMM}_x(\text{sn})$, which is assumed to be infeasible. Thus, the origin of the payment is anonymous.

Step 2: compressing the list of coin commitments. In the above NP statement, CMList is specified explicitly as a list of coin commitments. This naive representation severely limits scalability because the time and space complexity of most protocol algorithms (e.g., the proof verification algorithm) grow linearly with CMList . Moreover, coin commitments corresponding to already-spent coins cannot be dropped from CMList to reduce costs, since they cannot be identified (due to the same zero-knowledge property that provides anonymity).

As in [ST99], we rely on a collision-resistant function CRH to avoid an explicit representation of CMList . We maintain an efficiently-updatable append-only CRH -based Merkle tree $\text{Tree}(\text{CMList})$ over the (growing) list CMList and let rt denote the root of $\text{Tree}(\text{CMList})$. It is well-known that rt can be updated to account for the insertion of new leaves with time and space proportional to just the tree depth. Hence, the time and space complexity is reduced from linear in the size of CMList to logarithmic. With this in mind, we modify the NP statement to the following one: "*I know r such that $\text{COMM}_r(\text{sn})$ appears as a leaf in a CRH -based Merkle tree whose root is rt* ". Compared with the naive data structure for CMList , this modification increases exponentially the size of CMList that a given zk-SNARK implementation can support. (Concretely: using Merkle trees of depth 64, Zero supports 2^{64} coins.)

Step 3: extending coins for direct anonymous payments. So far, the coin commitment

cm of a coin \mathbf{c} is a commitment to the coin's serial number SN. However, this creates a problem when transferring \mathbf{c} to another user. Indeed, suppose that a user u_A created \mathbf{c} , and u_A sends \mathbf{c} to another user u_B . First, since u_A knows SN, the spending of \mathbf{c} by u_B is both non-anonymous (since u_A sees when \mathbf{c} is spent, by recognizing SN) and risky (since u_A could still spend \mathbf{c} first). Thus, u_B must immediately spend \mathbf{c} and mint a new coin \mathbf{c}' to protect himself. Second, if u_A in fact wants to transfer to u_B , e.g., 100 BTC, then doing so is both unwieldy (since it requires 100 transfers) and non-anonymous (since the amount of the transfer is leaked). And third, transfers in amounts that are not multiples of 1 BTC (the fixed value of a coin) are not supported. Thus, the simplified construction described is inadequate as a payment scheme.

We address this by modifying the derivation of a coin commitment, and using pseudorandom functions to target payments and to derive serial numbers, as follows. We use three pseudorandom functions (derived from a single one). For a seed x , these are denoted $\text{PRF}_x^{\text{addr}}(\cdot)$, $\text{PRF}_x^{\text{sn}}(\cdot)$, and $\text{PRF}_x^{\text{pk}}(\cdot)$. We assume that PRF^{sn} is moreover collision-resistant.

To provide targets for payments, we use *addresses*: each user u generates an address key pair $(a_{\text{pk}}, a_{\text{sk}})$, the *address public key* and *address private key* respectively. The coins of u contain the value a_{pk} and can be spent only with knowledge of a_{sk} . A key pair $(a_{\text{pk}}, a_{\text{sk}})$ is sampled by selecting a random seed a_{sk} and setting $a_{\text{pk}} := \text{PRF}_{a_{\text{sk}}}^{\text{addr}}(0)$. A user can generate and use any number of address key pairs.

Next, we redesign minting to allow for greater functionality. To mint a coin \mathbf{c} of a desired value v , the user u first samples ρ , which is a secret value that determines the coin's serial number as $\text{sn} := \text{PRF}_{a_{\text{sk}}}^{\text{sn}}(\rho)$. Then, u commits to the tuple (a_{pk}, v, ρ) in two phases: (a) u computes $k := \text{COMM}_r(a_{\text{pk}} \parallel \rho)$ for a random r ; and then (b) u computes $\text{cm} := \text{COMM}_s(v \parallel k)$ for a random s . The minting results in a coin $\mathbf{c} := (a_{\text{pk}}, v, \rho, r, s, \text{cm})$ and a mint transaction $\text{tx}_{\text{Mint}} := (v, k, s, \text{cm})$. Crucially, due to the nested commitment, anyone can verify that cm in tx_{Mint} is a coin commitment of a coin of value v (by checking that $\text{COMM}_s(v \parallel k)$ equals cm) but cannot discern the owner (by learning the address key a_{pk}) or serial number (derived from ρ) because these are hidden in k . As before, tx_{Mint} is accepted by the ledger only if u deposits the correct amount, in this case v BTC.

Coins are spent using the *pour* operation, which takes a set of input coins, to be consumed, and “pours” their value into a set of fresh output coins — such that the total value of output coins equals the total value of the input coins. Suppose that u , with address key pair $(a_{\text{pk}}^{\text{old}}, a_{\text{sk}}^{\text{old}})$, wishes to consume his coin $\mathbf{c}^{\text{old}} = (a_{\text{pk}}^{\text{old}}, v^{\text{old}}, \rho^{\text{old}}, r^{\text{old}}, s^{\text{old}}, \text{cm}^{\text{old}})$ and produce two new coins $\mathbf{c}_1^{\text{new}}$ and $\mathbf{c}_2^{\text{new}}$, with total value $v_1^{\text{new}} + v_2^{\text{new}} = v^{\text{old}}$, respectively targeted at address public keys $a_{\text{pk},1}^{\text{new}}$ and $a_{\text{pk},2}^{\text{new}}$. (The addresses $a_{\text{pk},1}^{\text{new}}$ and $a_{\text{pk},2}^{\text{new}}$ may belong to u or to some other user.) The user u , for each $i \in \{1, 2\}$, proceeds as follows: (i) u samples serial number randomness ρ_i^{new} ; (ii) u computes $k_i^{\text{new}} := \text{COMM}_{r_i^{\text{new}}}(a_{\text{pk},i}^{\text{new}} \parallel \rho_i^{\text{new}})$ for a random r_i^{new} ; and (iii) u computes $\text{cm}_i^{\text{new}} := \text{COMM}_{s_i^{\text{new}}}(v_i^{\text{new}} \parallel k_i^{\text{new}})$ for a random s_i^{new} . This yields the coins $\mathbf{c}_1^{\text{new}} := (a_{\text{pk},1}^{\text{new}}, v_1^{\text{new}}, \rho_1^{\text{new}}, r_1^{\text{new}}, s_1^{\text{new}}, \text{cm}_1^{\text{new}})$ and $\mathbf{c}_2^{\text{new}} := (a_{\text{pk},2}^{\text{new}}, v_2^{\text{new}}, \rho_2^{\text{new}}, r_2^{\text{new}}, s_2^{\text{new}}, \text{cm}_2^{\text{new}})$. Next, u produces a zk-SNARK proof π_{POUR} for the following NP statement, which we call POUR:

“Given the Merkle-tree root rt , serial number sn^{old} , and coin commitments $\text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}$, I know coins $\mathbf{c}^{\text{old}}, \mathbf{c}_1^{\text{new}}, \mathbf{c}_2^{\text{new}}$, and address secret key $a_{\text{sk}}^{\text{old}}$ such that:

- The coins are well-formed: for \mathbf{c}^{old} it holds that $k^{\text{old}} = \text{COMM}_{r^{\text{old}}}(a_{\text{pk}}^{\text{old}} \parallel \rho^{\text{old}})$ and $\text{cm}^{\text{old}} = \text{COMM}_{s^{\text{old}}}(v^{\text{old}} \parallel k^{\text{old}})$; and similarly for $\mathbf{c}_1^{\text{new}}$ and $\mathbf{c}_2^{\text{new}}$.
- The address secret key matches the public key: $a_{\text{pk}}^{\text{old}} = \text{PRF}_{a_{\text{sk}}^{\text{old}}}^{\text{addr}}(0)$.
- The serial number is computed correctly: $\text{sn}^{\text{old}} := \text{PRF}_{a_{\text{sk}}^{\text{old}}}^{\text{sn}}(a_{\text{sk}}^{\text{old}}(\rho^{\text{old}}))$.
- The coin commitment cm^{old} appears as a leaf of a Merkle-tree with root rt .
- The values add up: $v_1^{\text{new}} + v_2^{\text{new}} = v^{\text{old}}$.”

A resulting pour transaction $\text{tx}_{\text{Pour}} := (\text{rt}, \text{sn}^{\text{old}}, \text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}, \pi_{\text{Pour}})$ is appended to the ledger. (As before, the transaction is rejected if the serial number SN appears in a previous transaction.)

Now suppose that u does not know, say, the address secret key $a_{\text{sk},1}^{\text{new}}$ that is associated with the public key $a_{\text{pk},1}^{\text{new}}$. Then, u cannot spend c_1^{new} because he cannot provide $a_{\text{sk},1}^{\text{new}}$ as part of the witness of a subsequent pour operation. Furthermore, when a user who knows $a_{\text{sk},1}^{\text{new}}$ does spend c_1^{new} , the user u cannot track it, because he knows no information about its revealed serial number, which is $\text{sn}_1^{\text{new}} := \text{PRF}_{a_{\text{sk},1}^{\text{new}}}(\rho_1)$.

Also observe that tx_{Pour} reveals no information about how the value of the consumed coin was divided among the two new fresh coins, nor which coin commitment corresponds to the consumed coin, nor the address public keys to which the two new fresh coins are targeted. The payment was conducted in full anonymity.

More generally, a user may pour $N^{\text{old}} \geq 0$ coins into $N^{\text{new}} \geq 0$ coins. For simplicity we consider the case $N^{\text{old}} = N^{\text{new}} = 2$, without loss of generality. Indeed, for $N^{\text{old}} < 2$, the user can mint a coin with value 0 and then provide it as a “null” input, and for $N^{\text{new}} < 2$, the user can create (and discard) a new coin with value 0. For $N^{\text{old}} > 2$ or $N^{\text{new}} > 2$, the user can compose $\log N^{\text{old}} + \log N^{\text{new}}$ of the 2-input/2-output pours.

Step 4: sending coins. Suppose that $a_{\text{pk},1}^{\text{new}}$ is the address public key of u_1 . In order to allow u_1 to actually spend the new coin c_1^{new} produced above, u must somehow send the secret values in c_1^{new} to u_1 . One way is for u to send u_1 a private message, but the requisite private communication channel necessitates additional infrastructure or assumptions. We avoid this “out-of-band” channel and instead build this capability directly into our construction by leveraging the ledger as follows.

We modify the structure of an address key pair. Each user now has a key pair $(\text{addr}_{\text{pk}}, \text{addr}_{\text{sk}})$, where $\text{addr}_{\text{pk}} = (a_{\text{pk}}, \text{pk}_{\text{enc}})$ and $\text{addr}_{\text{sk}} = (a_{\text{sk}}, \text{sk}_{\text{enc}})$. The values $(a_{\text{pk}}, a_{\text{sk}})$ are generated as before.

In addition, $(\text{pk}_{\text{enc}}, \text{sk}_{\text{enc}})$ is a key pair for a *key-private encryption scheme* [BBDP01]. Then, u computes the ciphertext \mathbf{C}_1 that is the encryption of the plaintext $(v_1^{\text{new}}, \rho_1^{\text{new}}, r_1^{\text{new}}, s_1^{\text{new}})$, under $\text{pk}_{\text{enc},1}^{\text{new}}$ (which is part of u_1 ’s address public key $\text{addr}_{\text{pk},1}^{\text{new}}$), and includes \mathbf{C}_1 in the pour transaction tx_{Pour} . The user u_1 can then find and decrypt this message (using his $\text{sk}_{\text{enc},1}^{\text{new}}$) by scanning the pour transactions on the public ledger. Again, note that adding \mathbf{C}_1 to tx_{Pour} leaks neither paid amounts, nor target addresses due to the key-private property of the encryption scheme. (The user u does the same with c_2^{new} and includes a corresponding ciphertext \mathbf{C}_2 in tx_{Pour} .)

Step 5: public outputs. The construction so far allows users to mint, merge, and split coins. But how can a user redeem one of his coins, i.e., convert it back to the base currency (Bitcoin)? For this, we modify the pour operation to include a *public output*. When spending a coin, the user u also specifies a nonnegative v_{pub} and a *transaction string* $\text{info} \in \{0, 1\}^*$. The balance equation in the NP statement POUR is changed accordingly: “ $v_1^{\text{new}} + v_2^{\text{new}} + v_{\text{pub}} = v^{\text{old}}$ ”. Thus, of the input value v^{old} , a part v_{pub} is publicly declared, and its target is specified, somehow, by the string info . The string info can be used to specify the destination of these redeemed funds (e.g., a Bitcoin wallet public key).⁵ Both v_{pub} and info are now included in the resulting pour transaction tx_{Pour} . (The public output is optional, as the user u can set $v_{\text{pub}} = 0$.)

Step 6: non-malleability. To prevent malleability attacks on a pour transaction tx_{Pour} (e.g., embezzlement by re-targeting the public output of the pour by modifying info), we further modify the NP statement POUR and use digital signatures. Specifically, during the pour operation, the user u (i) samples a key pair $(\text{pk}_{\text{sig}}, \text{sk}_{\text{sig}})$ for a one-time signature scheme; (ii) computes $h_{\text{sig}} := \text{CRH}(\text{pk}_{\text{sig}})$; (iii) computes the two values $h_1 := \text{PRF}_{a_{\text{sk},1}^{\text{old}}}(h_{\text{sig}})$ and $h_2 := \text{PRF}_{a_{\text{sk},2}^{\text{old}}}(h_{\text{sig}})$, which act as MACs to

⁵These public outputs can be considered as an “input” to a Bitcoin-style transaction, where the string info contains the Bitcoin output scripts. This mechanism also allows us to support Bitcoin’s public transaction fees.

“tie” h_{Sig} to both address secret keys; (iv) modifies POUR to include the three values h_{Sig}, h_1, h_2 and prove that the latter two are computed correctly; and (v) uses sk_{Sig} to sign every value associated with the pour operation, thus obtaining a signature σ , which is included, along with pk_{Sig} , in tx_{Pour} . Since the $a_{\text{sk},i}^{\text{old}}$ are secret, and with high probability h_{Sig} changes for each pour transaction, the values h_1, h_2 are unpredictable. Moreover, the signature on the NP statement (and other values) binds all of these together, as argued in more detail in Appendix C and Appendix D.

This ends the outline of the construction, which is summarized in part in Figure 1. We conclude by noting that, due to the zk-SNARK, our construction requires a one-time trusted setup of public parameters. The soundness of the proofs depends on this trust, though anonymity continues to hold even if the setup is corrupted by a malicious party.

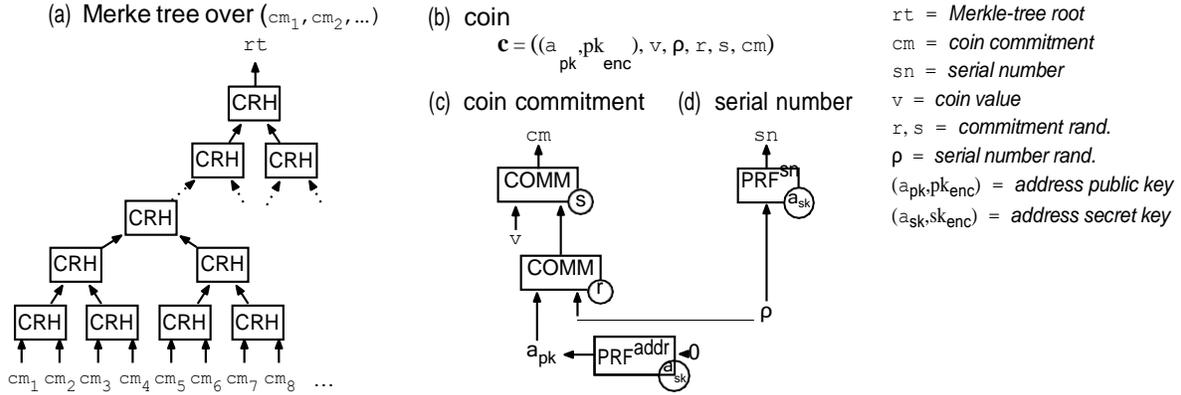


Figure 1: (a) Illustration of the CRH-based Merkle tree over the list CMList of coin commitments. (b) A coin \mathbf{c} . (c) Illustration of the structure of a coin commitment cm . (d) Illustration of the structure of a coin serial number sn .

1.4 Zero

We outline Zero, a concrete implementation, at 128 bits of security, of our DAP scheme construction; see Section 5 for details. Zero entails carefully instantiating the cryptographic ingredients of the construction to ensure that the zk-SNARK, the “heaviest” component, is efficient enough in practice. In the construction, the zk-SNARK is used to prove/verify a specific NP statement: POUR. While zk-SNARKs are asymptotically efficient, their concrete efficiency depends on the arithmetic circuit C that is used to decide the NP statement. Thus, we seek instantiations for which we can design a relatively small arithmetic circuit C_{POUR} for verifying the NP statement POUR.

Our approach is to instantiate all of the necessary cryptographic ingredients (commitment schemes, pseudorandom functions, and collision-resistant hashing) based on SHA256. We first design a hand-optimized circuit for verifying SHA256 computations (or, more precisely, its compression function, which suffices for our purposes).⁶ Then, we use this circuit to construct C_{POUR} , which verifies all the necessary checks for satisfying the NP statement C_{POUR} .

This, along with judicious parameter choices, and a state-of-the-art implementation of a zk-SNARK for arithmetic circuits [BCTV14] (see Section 2.4), results in a zk-SNARK prover

⁶Alternatively, we could have opted to rely on the circuit generators [PGHR13, BCG⁺13, BCTV14], which support various classes of C programs, by writing C code expressing the POUR checks. However, as discussed later, these generic approaches are more expensive than our hand-optimized construction.

running time of a few minutes and zk-SNARK verifier running time of a few milliseconds. This allows the DAP scheme implementation to be practical for deployment, as our experiments show.

Zero can be integrated into Bitcoin or forks of it (commonly referred to as “altcoins”); we later describe how this is done.

1.5 Paper organization

The remainder of this paper is organized as follows. Section 2 provides background on zk-SNARKs. We define DAP schemes in Section 3, and our construction thereof in Section 4. Section 5 discusses the concrete instantiation in Zero. Section 6 describes the integration of Zero into existing ledger-based currencies. Section 7 provides microbenchmarks for our prototype implementation, as well as results based on full-network simulations. Section 8 describes optimizations. We discuss concurrent work in Section 9 and summarize our contributions and future directions in Section 10.

2 Background on zk-SNARKs

The main cryptographic primitive used in this paper is a special kind of *Succinct Non-interactive ARgument of Knowledge* (SNARK). Concretely, we use a *publicly-verifiable preprocessing zero-knowledge* SNARK, or zk-SNARK for short. In this section we provide basic background on zk-SNARKs, provide an informal definition, compare zk-SNARKs with the more familiar notion of NIZKs, and recall known constructions and implementations.

2.1 Informal definition

We informally define zk-SNARKs for arithmetic circuit satisfiability. We refer the reader to, e.g., [BCI⁺13] for a formal definition.

For a field F , an *F-arithmetic circuit* takes inputs that are elements in F , and its gates output elements in F . We naturally associate a circuit with the function it computes. To model nondeterminism we consider circuits that have an *input* $x \in F^n$ and an auxiliary input $a \in F^h$, called a *witness*. The circuits we consider only have *bilinear gates*. Arithmetic circuit satisfiability is defined analogously to the boolean case, as follows.

Definition 2.1. The *arithmetic circuit satisfiability problem* of an F -arithmetic circuit $C : F^n \times F^h \rightarrow F^l$ is captured by the relation $R_C = \{(x, a) \in F^n \times F^h : C(x, a) = 0\}$; its language is $L_C = \{x \in F^n : \exists a \in F^h \text{ s.t. } C(x, a) = 0\}$.

Given a field F , a (publicly-verifiable preprocessing) **zk-SNARK** for F -arithmetic circuit satisfiability is a triple of polynomial-time algorithms (KeyGen, Prove, Verify):

- $\text{KeyGen}(1^\lambda, C) \rightarrow (\text{pk}, \text{vk})$. On input a security parameter λ (presented in unary) and an F -arithmetic circuit C , the *key generator* KeyGen probabilistically samples a *proving key* pk and a *verification key* vk . Both keys are published as public parameters and can be used, any number of times, to prove/verify membership in L_C .
- $\text{Prove}(\text{pk}, x, a) \rightarrow \pi$. On input a proving key pk and any $(x, a) \in R_C$, the *prover* Prove outputs a non-interactive proof π for the statement $x \in L_C$.

⁷A gate with inputs $y_1, \dots, y_m \in F$ is *bilinear* if the output is $\langle \mathfrak{a}, (1, y_1, \dots, y_m) \rangle \cdot \langle \mathfrak{b}, (1, y_1, \dots, y_m) \rangle$ for some $\mathfrak{a}, \mathfrak{b} \in F^{m+1}$. These include addition, multiplication, negation, and constant gates.

- $\text{Verify}(\text{vk}, x, \pi) \rightarrow b$. On input a verification key vk , an input x , and a proof π , the *verifier* Verify outputs $b = 1$ if he is convinced that $x \in L_C$.

A zk-SNARK satisfies the following properties.

Completeness. For every security parameter λ , any F-arithmetic circuit C , and any $(x, a) \in R_C$, the honest prover can convince the verifier. Namely, $b = 1$ with probability $1 - \text{negl}(\lambda)$ in the following experiment: $(\text{pk}, \text{vk}) \leftarrow \text{KeyGen}(1^\lambda, C)$; $\pi \leftarrow \text{Prove}(\text{pk}, x, a)$; $b \leftarrow \text{Verify}(\text{vk}, x, \pi)$.

Succinctness. An honestly-generated proof π has $O_\lambda(1)$ bits and $\text{Verify}(\text{vk}, x, \pi)$ runs in time $O_\lambda(|x|)$. (Here, O_λ hides a fixed polynomial factor in λ .)

Proof of knowledge (and soundness). If the verifier accepts a proof output by a bounded prover, then the prover “knows” a witness for the given instance. (In particular, soundness holds against bounded provers.) Namely, for every $\text{poly}(\lambda)$ -size adversary A , there is a $\text{poly}(\lambda)$ -size extractor E such that $\text{Verify}(\text{vk}, x, \pi) = 1$ and $(x, a) \notin R_C$ with probability $\text{negl}(\lambda)$ in the following experiment: $(\text{pk}, \text{vk}) \leftarrow \text{KeyGen}(1^\lambda, C)$; $(x, \pi) \leftarrow A(\text{pk}, \text{vk})$; $a \leftarrow E(\text{pk}, \text{vk})$.

Perfect zero knowledge. An honestly-generated proof is perfect zero knowledge.⁸ Namely, there is a polynomial-time simulator Sim such that for all stateful distinguishers D the following two probabilities are equal:

$$\Pr_{\square} \left[\begin{array}{l} (x, a) \in R_C \\ D(\pi) = 1 \end{array} \middle| \begin{array}{l} (\text{pk}, \text{vk}) \leftarrow \text{KeyGen}(1^\lambda, C) \\ (x, a) \leftarrow D(\text{pk}, \text{vk}) \\ \pi \leftarrow \text{Prove}(\text{pk}, x, a) \end{array} \right] \quad \text{and} \quad \Pr_{\square} \left[\begin{array}{l} (x, a) \in R_C \\ D(\pi) = 1 \end{array} \middle| \begin{array}{l} (\text{pk}, \text{vk}, \text{trap}) \leftarrow \text{Sim}(1^\lambda, C) \\ (x, a) \leftarrow D(\text{pk}, \text{vk}) \\ \pi \leftarrow \text{Sim}(\text{trap}, x) \end{array} \right].$$

(the probability that $D(\pi) = 1$ on an honest proof)

(the probability that $D(\pi) = 1$ on a simulated proof)

Remark. Both proof of knowledge and zero knowledge are essential to the use of zk-SNARKs in this paper. Indeed, we consider circuits C that verify assertions about cryptographic primitives (such as using a knowledge of SHA256 pre-image as a binding commitment). Thus it *does not suffice* to merely know that, for a given input x , a witness for $x \in L_C$ *exists*. Instead, proof of knowledge ensures that a witness can be efficiently found (by extracting it from the prover) whenever the verifier accepts a proof. As for zero knowledge, it ensures that a proof leaks no information about the witness, beyond the fact that $x \in L_C$.

Remark. In the security proofs (see Appendix D), we deal with provers producing a vector of inputs \star together with a vector of corresponding proofs $\#$. In such cases, it is convenient to use an extractor that can extract a vector of witnesses $\#$ containing a valid witness for each valid proof. This “multi-instance” extraction follows from the “single-instance” one described above [BCCT12, BCCT13]. Namely, if $(\text{KeyGen}, \text{Prove}, \text{Verify})$ is a zk-SNARK, then for any $\text{poly}(\lambda)$ -size prover adversary A there exists a $\text{poly}(\lambda)$ -size extractor E such that

$$\Pr_{\square} \left[\exists i \text{ s.t. } \begin{array}{l} \text{Verify}(\text{vk}, x_i, \pi_i) = 1 \\ (x_i, a_i) \notin R_C \end{array} \middle| \begin{array}{l} (\text{pk}, \text{vk}) \leftarrow \text{KeyGen}(1^\lambda, C) \\ (\star, \#) \leftarrow A(\text{pk}, \text{vk}) \\ \# \leftarrow E(\text{pk}, \text{vk}) \end{array} \right] \leq \text{negl}(\lambda).$$

2.2 Comparison with NIZKs

zk-SNARKs are related to a familiar cryptographic primitive: *non-interactive zero-knowledge proofs of knowledge* (NIZKs). Both zk-SNARKs and NIZKs require a one-time trusted setup of public

⁸While most zk-SNARK descriptions in the literature only mention statistical zero knowledge, all zk-SNARK constructions can be made perfect zero knowledge by allowing for a negligible error probability in completeness.

parameters (proving and verification keys for zk-SNARKs, and a common reference string for NIZKs). Both provide the same guarantees of completeness, proof of knowledge, and zero knowledge. The difference lies in efficiency guarantees. In a NIZK, the proof length and verification time depend on the NP language being proved. For instance, for the language of circuit satisfiability, the proof length and verification time in [GOS06b, GOS06a] are linear in the circuit size. Conversely, in a zk-SNARK, proof length depends only on the security parameter, and verification time depends only on the instance size (and security parameter) but not on the circuit or witness size.

Thus, zk-SNARKs can be thought of as “succinct NIZKs”, having short proofs and fast verification times. Succinctness comes with a caveat: known zk-SNARK constructions rely on stronger assumptions than NIZKs do (see below).

2.3 Known constructions and security

There are many zk-SNARK constructions in the literature [Gro10, Lip12, BCI⁺13, GGPR13, PGHR13, BCG⁺13, Lip13, BCTV14]. We are interested in zk-SNARKs for arithmetic circuit satisfiability, and the most efficient ones for this language are based on *quadratic arithmetic programs* [GGPR13, BCI⁺13, PGHR13, BCG⁺13, BCTV14]; such constructions provide a linear-time KeyGen, quasilinear-time Prove, and linear-time Verify.

Security of zk-SNARKs is based on knowledge-of-exponent assumptions and variants of Diffie–Hellman assumptions in bilinear groups [Gro10, BB04, Gen04]. While knowledge-of-exponent assumptions are fairly strong, there is evidence that such assumptions may be inherent for constructing zk-SNARKs [GW11, BCCT12].

Remark (fully-succinct zk-SNARKs). The key generator KeyGen takes a circuit C as input. Thus, KeyGen’s running time is at least linear in the size of the circuit C . One could require KeyGen to *not* have to take C as input, and have its output keys work for *all* (polynomial-size) circuits C . In such a case, KeyGen’s running time would be independent of C . A zk-SNARK satisfying this stronger property is *fully succinct*. Theoretical constructions of fully-succinct zk-SNARKs are known, based on various cryptographic assumptions [Mic00, Val08, BCCT13]. Despite achieving essentially-optimal asymptotics [BFLS91, BGH⁺05, BCGT13b, BCGT13a, BCCT13] no implementations of them have been reported in the literature to date.

2.4 zk-SNARK implementations

There are three published implementations of zk-SNARKs: (i) Parno et al. [PGHR13] present an implementation of zk-SNARKs for programs having no data dependencies;⁹ (ii) Ben-Sasson et al. [BCG⁺13] present an implementation of zk-SNARKs for arbitrary programs (with data dependencies); and (iii) Ben-Sasson et al. [BCTV14] present an implementation of zk-SNARKs that supports programs that modify their own code (e.g., for runtime code generation); their implementation also reduces costs for programs of larger size and allows for universal key pairs.

Each of the works above also achieves zk-SNARKs for arithmetic circuit satisfiability as a stepping stone towards their respective higher-level efforts. In this paper we are only interested in a zk-SNARK for arithmetic circuit satisfiability, and we rely on the implementation of [BCTV14] for such a zk-SNARK.¹⁰ The implementation in [BCTV14] is itself based on the protocol of Parno et al. [PGHR13]. We thus refer the interested reader to [PGHR13] for details of the protocol, its

⁹They only support programs where array indices are restricted to be known compile-time constants; similarly, loop iteration counts (or at least upper bounds to these) must be known at compile time.

¹⁰In [BCTV14], one optimization to the verifier’s runtime requires preprocessing the verification key vk ; for simplicity, we do not use this optimization.

intuition, and its proof of security; and to [BCTV14] for the implementation and its performance. In terms of concrete parameters, the implementation of [BCTV14] provides 128 bits of security, and the field F is of a 256-bit prime order p .

3 Definition of a decentralized anonymous payment scheme

We introduce the notion of a *decentralized anonymous payment scheme* (DAP scheme), extending the notion of *decentralized e-cash* [MGGR13]. Later, in Section 4, we provide a construction.

3.1 Data structures

We begin by describing, and giving intuition about, the data structures used by a DAP scheme. The algorithms that use and produce these data structures are introduced in Section 3.2.

Basecoin ledger. Our protocol is applied on top of a ledger-based base currency such as Bitcoin; for generality we refer to this base currency as *Basecoin*. At any given time T , all users have access to L_T , the *ledger* at time T , which is a sequence of *transactions*. The ledger is append-only (i.e., $T < T'$ implies that L_T is a prefix of $L_{T'}$).¹¹ The transactions in the ledger include both Basecoin transactions as well as two new transaction types described below.

Public parameters. A list of *public parameters* pp is available to all users in the system. These are generated by a trusted party at the “start of time” and are used by the system’s algorithms.

Addresses. Each user generates at least one *address key pair* $(addr_{pk}, addr_{sk})$. The public key $addr_{pk}$ is published and enables others to direct payments to the user. The secret key $addr_{sk}$ is used to receive payments sent to $addr_{pk}$. A user may generate any number of address key pairs.

Coins. A *coin* is a data object c , to which we associate the following.

- A *coin commitment*, denoted $cm(c)$: a string that appears on the ledger once c is *minted*.
- A *coin value*, denoted $v(c)$: the denomination of c , as measured in basecoins, as an integer between 0 and a maximum value v_{max} (which is a system parameter).
- A *coin serial number*, denoted $sn(c)$: a unique string associated with c , used to prevent double spending.
- A *coin address*, denoted $addr_{pk}(c)$: an address public key, representing who owns c .

Any other quantities associated with a coin c (e.g., various trapdoors) are implementation details.

New transactions. Besides Basecoin transactions, there are two new types of transactions.

- *Mint transactions.* A mint transaction tx_{Mint} is a tuple $(cm, v, *)$, where cm is a coin commitment, v is a coin value, and $*$ denotes other (implementation-dependent) information. The transaction tx_{Mint} records that a coin c with coin commitment cm and value v has been minted.
- *Pour transactions.* A pour transaction tx_{Pour} is a tuple $(rt, sn_1^{old}, sn_2^{old}, cm_1^{new}, cm_2^{new}, v_{pub}, info, *)$, where rt is a root of a Merkle tree, sn_1^{old}, sn_2^{old} are two coin serial numbers, cm_1^{new}, cm_2^{new} are two coin commitments, v_{pub} is a coin value, $info$ is an arbitrary string, and $*$ denotes other (implementation-dependent) information. The transaction tx_{Pour} records the pouring of two input (and now consumed) coins c_1^{old}, c_2^{old} , with respective serial numbers sn_1^{old}, sn_2^{old} , into two new output coins c_1^{new}, c_2^{new} , with respective coin commitments cm_1^{new}, cm_2^{new} , as well as a public output v_{pub} (which may be zero). Furthermore, tx_{Pour} also records an information string $info$ (perhaps containing information on who is the recipient of v_{pub} basecoins) and that, when this transaction was made, the root of the Merkle tree over coin commitments was rt (see below).

¹¹In reality, the Basecoin ledger (such as the one of Bitcoin) is not perfect and may incur temporary inconsistencies. In this respect our construction is as good as the underlying ledger. We discuss the effects of this on anonymity and mitigations in Section 6.4.

Commitments of minted coins and serial numbers of spent coins. For any given time T ,

- CMList_T denotes the list of all coin commitments appearing in mint and pour transactions in L_T ;
- SNList_T denotes the list of all serial numbers appearing in pour transactions in L_T .

While both of these lists can be deduced from L_T , it will be convenient to think about them as separate (as, in practice, these may be separately maintained for efficiency reasons; cf. Section 8.3).

Merkle tree over commitments. For any given time T , Tree_T denotes a Merkle tree over CMList_T and rt_T its root. Moreover, the function $\text{Path}_T(\text{cm})$ gives the authentication path from a coin commitment cm appearing in CMList_T to the root of Tree_T .¹² For convenience, we assume that L_T also stores $\text{rt}_{T'}$ for all $T' \leq T$ (i.e., it stores all past Merkle tree roots).

3.2 Algorithms

A DAP scheme Π is a tuple of polynomial-time algorithms

(Setup, CreateAddress, Mint, Pour, VerifyTransaction, Receive)

with the following syntax and semantics.

System setup. The algorithm Setup generates a list of public parameters:

Setup

- INPUTS: security parameter λ
- OUTPUTS: public parameters pp

The algorithm Setup is executed by a trusted party. The resulting public parameters pp are published and made available to all parties (e.g., by embedding them into the protocol's implementation). The setup is done *only once*; afterwards, no trusted party is needed, and no global secrets or trapdoors are kept.

Creating payment addresses. The algorithm CreateAddress generates a new address key pair:

CreateAddress

- INPUTS: public parameters pp
- OUTPUTS: address key pair $(\text{addr}_{\text{pk}}, \text{addr}_{\text{sk}})$

Each user generates at least one address key pair $(\text{addr}_{\text{pk}}, \text{addr}_{\text{sk}})$ in order to receive coins. The public key addr_{pk} is published, while the secret key addr_{sk} is used to redeem coins sent to addr_{pk} . A user may generate any number of address key pairs; doing so does not require any interaction.

Minting coins. The algorithm Mint generates a coin (of a given value) and a mint transaction:

Mint

- INPUTS:
 - public parameters pp
 - coin value $v \in \{0, 1, \dots, v_{\text{max}}\}$
 - destination address public key addr_{pk}
- OUTPUTS: coin \mathbf{c} and mint transaction tx_{Mint}

A system parameter, v_{max} , caps the value of any single coin. The output coin \mathbf{c} has value v and coin address addr_{pk} ; the output mint transaction tx_{Mint} equals $(\text{cm}, v, *)$, where cm is the coin commitment of \mathbf{c} .

¹²While we refer to Merkle trees for simplicity, it is straightforward to extend the definition to allow other data structures representing sets with fast insertion and efficient proofs of membership.

Pouring coins. The Pour algorithm transfers value from input coins into new output coins, marking the input coins as consumed. Moreover, a fraction of the input value may be publicly revealed. Pouring allows users to subdivide coins into smaller denominations, merge coins, and transfer ownership of anonymous coins, or make public payments.¹³

- Pour**

 - INPUTS:
 - public parameters pp
 - the Merkle root rt
 - old coins c_1^{old}, c_2^{old}
 - old addresses secret keys $addr_{sk,1}^{old}, addr_{sk,2}^{old}$
 - authentication path $path_1$ from commitment $cm(c_1^{old})$ to root rt , authentication path $path_2$ from commitment $cm(c_2^{old})$ to root rt
 - new values v_1^{new}, v_2^{new}
 - new addresses public keys $addr_{pk,1}^{new}, addr_{pk,2}^{new}$
 - public value v_{pub}
 - transaction string $info$
 - OUTPUTS: new coins c_1^{new}, c_2^{new} and pour transaction tx_{Pour}

Thus, the Pour algorithm takes as input two distinct input coins c_1^{old}, c_2^{old} , along with corresponding address secret keys $addr_{sk,1}^{old}, addr_{sk,2}^{old}$ (required to redeem the two input coins). To ensure that c_1^{old}, c_2^{old} have been previously minted, the Pour algorithm also takes as input the Merkle root rt (allegedly, equal to the root of Merkle tree over all coin commitments so far), along with two authentication paths $path_1, path_2$ for the two coin commitments $cm(c_1^{old}), cm(c_2^{old})$. Two input values v_1^{new}, v_2^{new} specify the values of two new anonymous coins c_1^{new}, c_2^{new} to be generated, and two input address public keys $addr_{pk,1}^{new}, addr_{pk,2}^{new}$ specify the recipients of c_1^{new}, c_2^{new} . A third value, v_{pub} , specifies the amount to be publicly spent (e.g., to redeem coins or pay transaction fees). The sum of output values $v_1^{new} + v_2^{new} + v_{pub}$ must be equal to the sum of the values of the input coins (and cannot exceed v_{max}). Finally, the Pour algorithm also receives an arbitrary string $info$, which is bound into the output pour transaction tx_{Pour} .

The Pour algorithm outputs two new coins c_1^{new}, c_2^{new} and a pour transaction tx_{Pour} . The transaction tx_{Pour} equals $(rt, sn_1^{old}, sn_2^{old}, cm_1^{new}, cm_2^{new}, v_{pub}, info, *)$, where cm_1^{new}, cm_2^{new} are the two coin commitments of the two output coins, and $*$ denotes other (implementation-dependent) information. Crucially, tx_{Pour} reveals only one value, the public value v_{pub} (which may be zero); it does not reveal the payment addresses or values of the old or new coins.

Verifying transactions. The algorithm `VerifyTransaction` checks the validity of a transaction:

- VerifyTransaction**

 - INPUTS:
 - public parameters pp
 - a (mint or pour) transaction tx
 - the current ledger L
 - OUTPUTS: bit b , equals 1 iff the transaction is valid

Both mint and pour transactions must be verified before being considered well-formed. In practice, transactions can be verified by the nodes in the distributed system maintaining the ledger, as well

¹³We consider pours with 2 inputs and 2 outputs, for simplicity and (as discussed in Section 1.3) without loss of generality.

as by users who rely on these transactions.

Receiving coins. The algorithm `Receive` scans the ledger and retrieves unspent coins paid to a particular user address:

```
Receive
• INPUTS:
  - recipient address key pair ( $\text{addr}_{\text{pk}}, \text{addr}_{\text{sk}}$ )
  - the current ledger  $L$ 
• OUTPUTS: set of (unspent) received coins
```

When a user with address key pair ($\text{addr}_{\text{pk}}, \text{addr}_{\text{sk}}$) wishes to receive payments sent to addr_{pk} , he uses the `Receive` algorithm to scan the ledger. For each payment to addr_{pk} appearing in the ledger, `Receive` outputs the corresponding coins whose serial numbers do not appear on the ledger L . Coins received in this way may be spent, just like minted coins, using the `Pour` algorithm. (We only require `Receive` to detect coins paid to addr_{pk} via the `Pour` algorithm and not also detect coins minted by the user himself.)

Next, we describe completeness (Section 3.3) and security (Section 3.4).

3.3 Completeness

Completeness of a DAP scheme requires that unspent coins can be spent. More precisely, consider a *ledger sampler* S outputting a ledger L . If \mathbf{c}_1 and \mathbf{c}_2 are two coins whose coin commitments appear in (valid) transactions on L , but their serial numbers do not appear in L , then \mathbf{c}_1 and \mathbf{c}_2 can be spent using `Pour`. Namely, running `Pour` results in a pour transaction tx_{Pour} that `VerifyTransaction` accepts, and the new coins can be received by the intended recipients (by using `Receive`); moreover, tx_{Pour} correctly records the intended v_{pub} and transaction string info. This property is formalized via an *incompleteness experiment* `INCOMP`.

Definition 3.1. A DAP scheme $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$ is **complete** if no polynomial-size ledger sampler S wins `INCOMP` with more than negligible probability. (See Appendix B for details.)

3.4 Security

Security of a DAP scheme is characterized by three properties, which we call *ledger indistinguishability*, *transaction non-malleability*, and *balance*.

Definition 3.2. A DAP scheme $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$ is **secure** if it satisfies ledger indistinguishability, transaction non-malleability, and balance.

Below, we provide an informal overview of each property, and defer formal definitions to Appendix C.

Each property is formalized as a game between an adversary A and a challenger C . In each game, the behavior of honest parties is realized via a DAP scheme oracle O^{DAP} , which maintains a ledger L and provides an interface for executing `CreateAddress`, `Mint`, `Pour` and `Receive` algorithms for honest parties. To elicit behavior from honest parties, A passes a query to C , which (after sanity checks) proxies the query to O^{DAP} . For each query that requests an honest party to perform an action, A specifies identities of previous transactions and the input values, and learns the resulting transaction, but not any of the secrets or trapdoors involved in producing that transaction. The oracle O^{DAP} also provides an **Insert** query that allows A to directly add arbitrary transactions to the ledger L .

Ledger indistinguishability. This property captures the requirement that the ledger reveals no new information to the adversary beyond the publicly-revealed information (values of minted coins, public values, information strings, total number of transactions, etc.), even when the adversary can adaptively induce honest parties to perform DAP operations of his choice. That is, no bounded adversary A can distinguish between two ledgers L_0 and L_1 , constructed by A using queries to two DAP scheme oracles, when the queries to the two oracles are *publicly consistent*: they have matching type and are identical in terms of publicly-revealed information and the information related to addresses controlled by A .

Ledger indistinguishability is formalized by an experiment L-IND that proceeds as follows. First, a challenger samples a random bit b and initializes two DAP scheme oracles O_0^{DAP} and O_1^{DAP} , maintaining ledgers L_0 and L_1 . Throughout, the challenger allows A to issue queries to O_0^{DAP} and O_1^{DAP} , thus controlling the behavior of honest parties on L_0 and L_1 . The challenger provides the adversary with the view of both ledgers, but in randomized order: $L_{\text{Left}} := L_b$ and $L_{\text{Right}} := L_{1-b}$. The adversary's goal is to distinguish whether the view he sees corresponds to $(L_{\text{Left}}, L_{\text{Right}}) = (L_0, L_1)$, i.e. $b = 0$, or to $(L_{\text{Left}}, L_{\text{Right}}) = (L_1, L_0)$, i.e. $b = 1$.

At each round of the experiment, the adversary issues queries in pairs Q, Q' of matching query type. If the query type is **CreateAddress**, then the same address is generated at both oracles. If it is to **Mint**, **Pour** or **Receive**, then Q is forwarded to L_0 and Q' to L_1 ; for **Insert** queries, query Q is forwarded to L_{Left} and Q' is forwarded to L_{Right} . The adversary's queries are restricted in the sense that they must maintain the *public consistency* of the two ledgers. For example, the public values for **Pour** queries must be the same, as well as minted amounts for **Mint** queries.

At the conclusion of the experiment, A outputs a guess b' , and wins when $b = b'$. Ledger indistinguishability requires that A wins L-IND with probability at most negligibly greater than $1/2$.

Transaction non-malleability. This property requires that no bounded adversary A can alter any of the data stored within a (valid) pour transaction tx_{Pour} . This *transaction non-malleability* prevents malicious attackers from modifying others' transactions before they are added to the ledger (e.g., by re-targeting the Basecoin public output of a pour transaction).

Transaction non-malleability is formalized by an experiment TR-NM, in which A adaptively interacts with a DAP scheme oracle O^{DAP} and then outputs a pour transaction tx^* . Letting T denote the set of pour transactions returned by O^{DAP} , and L denote the final ledger, A wins the game if there exists $\text{tx} \in T$, such that (i) $\text{tx}^* \neq \text{tx}$; (ii) tx^* reveals a serial number contained in tx ; and (iii) both tx and tx^* are valid with respect to the ledger L containing all transactions preceding tx on L . In other words, A wins the game if tx^* manages to modify some previous pour transaction to spend the same coin in a different way.

Transaction non-malleability requires that A wins TR-NM with only negligible probability. (Note that A can of course produce valid pour transactions that are unrelated to those in T ; the condition that tx^* reveals a serial number of a previously-spent coin captures non-malleability.)

Balance. This property requires that no bounded adversary A can own more money than what he minted or received via payments from others.

Balance is formalized by an experiment BAL, in which A adaptively interacts with a DAP scheme oracle O^{DAP} and then outputs a set of coins S_{Coin} . Letting ADDR be set of addresses returned by **CreateAddress** queries (i.e., addresses of "honest" users), A wins the game if the total value he can spend or has spent (either as coins or Basecoin public outputs) is greater than the value he has minted or received. That is, A wins if $v_{\text{Unspent}} + v_{\text{Basecoin}} + v_{A \rightarrow \text{ADDR}} > v_{\text{Mint}} + v_{\text{ADDR} \rightarrow A}$ where: (i) v_{Unspent} is the total value of unspent coins in S_{Coin} ; (ii) v_{Basecoin} is the total value of public outputs placed by A on the ledger; (iii) v_{Mint} is the total value of A 's mint transactions; (iv) $v_{\text{ADDR} \rightarrow A}$ is the total value of payments received by A from addresses in ADDR; (v) $v_{A \rightarrow \text{ADDR}}$ is the total value

of payments sent by A to addresses in $ADDR$.

Balance requires that A wins BAL with only negligible probability.

4 Construction of a decentralized anonymous payment scheme

We show how to construct a DAP scheme (introduced in Section 3) using zk-SNARKs and other building blocks. Later, in Section 5, we give a concrete instantiation of this construction.

4.1 Cryptographic building blocks

We first introduce notation for the standard cryptographic building blocks that we use. We assume familiarity with the definitions of these building blocks; for more details, see, e.g., [KL07]. Throughout, λ denotes the security parameter.

Collision-resistant hashing. We use a collision-resistant hash function $CRH: \{0, 1\}^* \rightarrow \{0, 1\}^{O(\lambda)}$.

Pseudorandom functions. We use a pseudorandom function family $PRF = \{PRF_x: \{0, 1\}^* \rightarrow \{0, 1\}^{O(\lambda)}\}_x$ where x denotes the seed. From PRF_x , we derive three “non-overlapping” pseudorandom functions, chosen arbitrarily as $PRF_x^{addr}(z) := PRF_x(00\|z)$, $PRF_x^{sn}(z) := PRF_x(01\|z)$, $PRF_x^{pk}(z) := PRF_x(10\|z)$. Furthermore, we assume that PRF_x^{sn} is also collision resistant, in the sense that it is infeasible to find $(x, z) \neq (x', z')$ such that $PRF_x^{sn}(z) = PRF_{x'}^{sn}(z')$.

Statistically-hiding commitments. We use a commitment scheme $COMM$ where the binding property holds computationally, while the hiding property holds statistically. It is denoted $\{COMM_x: \{0, 1\}^* \rightarrow \{0, 1\}^{O(\lambda)}\}_x$ where x denotes the commitment trapdoor. Namely, to reveal a commitment cm to a value z , it suffices to provide z and the trapdoor x ; then one can check that $cm = COMM_x(z)$.

One-time strongly-unforgeable digital signatures. We use a digital signature scheme $Sig = (G_{sig}, K_{sig}, S_{sig}, V_{sig})$ that works as follows.

- $G_{sig}(1^\lambda) \rightarrow pp_{sig}$. Given a security parameter λ (presented in unary), G_{sig} samples public parameters pp_{sig} for the encryption scheme.
- $K_{sig}(pp_{sig}) \rightarrow (pk_{sig}, sk_{sig})$. Given public parameters pp_{sig} , K_{sig} samples a public key and a secret key for a single user.
- $S_{sig}(sk_{sig}, m) \rightarrow \sigma$. Given a secret key sk_{sig} and a message m , S_{sig} signs m to obtain a signature σ .
- $V_{sig}(pk_{sig}, m, \sigma) \rightarrow b$. Given a public key pk_{sig} , message m , and signature σ , V_{sig} outputs $b = 1$ if the signature σ is valid for message m ; else it outputs $b = 0$.

The signature scheme Sig satisfies the security property of *one-time strong unforgeability against chosen-message attacks* (SUF-1CMA security).

Key-private public-key encryption. We use a public-key encryption scheme $Enc = (G_{enc}, K_{enc}, E_{enc}, D_{enc})$ that works as follows.

- $G_{enc}(1^\lambda) \rightarrow pp_{enc}$. Given a security parameter λ (presented in unary), G_{enc} samples public parameters pp_{enc} for the encryption scheme.
- $K_{enc}(pp_{enc}) \rightarrow (pk_{enc}, sk_{enc})$. Given public parameters pp_{enc} , K_{enc} samples a public key and a secret key for a single user.
- $E_{enc}(pk_{enc}, m) \rightarrow c$. Given a public key pk_{enc} and a message m , E_{enc} encrypts m to obtain a ciphertext c .
- $D_{enc}(sk_{enc}, c) \rightarrow m$. Given a secret key sk_{enc} and a ciphertext c , D_{enc} decrypts c to produce a message m (or \perp if decryption fails).

The encryption scheme Enc satisfies two security properties: (i) *ciphertext indistinguishability under chosen-ciphertext attack* (IND-CCA security); and (ii) *key indistinguishability under chosen-ciphertext*

attack (IK-CCA security). While the first property is standard, the second is less known; informally, IK-CCA requires that ciphertexts cannot be linked to the public key used to encrypt them, or to other ciphertexts encrypted with the same public key. For definitions, we refer the reader to [BBDP01].

4.2 zk-SNARKs for pouring coins

As outlined in Section 1.3, our construction invokes a zk-SNARK for a specific NP statement, POUR, which we now define. We first recall the context motivating POUR. When a user u pours “old” coins $\mathbf{c}_1^{\text{old}}, \mathbf{c}_2^{\text{old}}$ into new coins $\mathbf{c}_1^{\text{new}}, \mathbf{c}_2^{\text{new}}$, a corresponding pour transaction

$$\text{tx}_{\text{Pour}} = (\text{rt}, \text{sn}_1^{\text{old}}, \text{sn}_2^{\text{old}}, \text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}, v_{\text{pub}}, \text{info}, *)$$

is generated. In our construction, we need to provide evidence in “*” that various conditions were respected by the pour operation. Concretely, tx_{Pour} should demonstrate that (i) u owns $\mathbf{c}_1^{\text{old}}, \mathbf{c}_2^{\text{old}}$; (ii) coin commitments for $\mathbf{c}_1^{\text{old}}, \mathbf{c}_2^{\text{old}}$ appear somewhere on the ledger; (iii) the revealed serial numbers $\text{sn}_1^{\text{old}}, \text{sn}_2^{\text{old}}$ are of $\mathbf{c}_1^{\text{old}}, \mathbf{c}_2^{\text{old}}$; (iv) the revealed coin commitments $\text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}$ are of $\mathbf{c}_1^{\text{new}}, \mathbf{c}_2^{\text{new}}$; (v) balance is preserved. Our construction achieves this by including a zk-SNARK proof π_{Pour} for the statement POUR which checks the above invariants (as well as others needed for non-malleability).

The statement POUR. Concretely, the NP statement POUR is defined as follows.

- Instances are of the form $x = (\text{rt}, \text{sn}_1^{\text{old}}, \text{sn}_2^{\text{old}}, \text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}, v_{\text{pub}}, h_{\text{Sig}}, h_1, h_2)$. Thus, an instance x specifies a root rt for a CRH-based Merkle tree (over the list of commitments so far), the two serial numbers of the consumed coins, two coin commitments for the two new coins, a public value, and fields h_{Sig}, h_1, h_2 used for non-malleability.
- Witnesses are of the form $a = (\text{path}_1, \text{path}_2, \mathbf{c}_1^{\text{old}}, \mathbf{c}_2^{\text{old}}, \text{addr}_{\text{sk},1}^{\text{old}}, \text{addr}_{\text{sk},2}^{\text{old}}, \mathbf{c}_1^{\text{new}}, \mathbf{c}_2^{\text{new}})$ where, for each $i \in \{1, 2\}$:

$$\begin{aligned} \mathbf{c}_i^{\text{old}} &= (\text{addr}_{\text{pk},i}^{\text{old}}, v_i^{\text{old}}, \rho_i^{\text{old}}, r_i^{\text{old}}, s_i^{\text{old}}, \text{cm}_i^{\text{old}}), \\ \mathbf{c}_i^{\text{new}} &= (\text{addr}_{\text{pk},i}^{\text{new}}, v_i^{\text{new}}, \rho_i^{\text{new}}, r_i^{\text{new}}, s_i^{\text{new}}, \text{cm}_i^{\text{new}}) \text{ for the same } \text{cm}_i^{\text{new}} \text{ as in } x, \\ \text{addr}_{\text{pk},i}^{\text{old}} &= (a_i^{\text{old}}, \text{pk}_{\text{pk},i}^{\text{old}}), \\ \text{addr}_{\text{pk},i}^{\text{new}} &= (a_i^{\text{new}}, \text{pk}_{\text{pk},i}^{\text{new}}), \\ \text{addr}_{\text{sk},i}^{\text{old}} &= (a_i^{\text{old}}, \text{sk}_{\text{sk},i}^{\text{old}}). \end{aligned}$$

Thus, a witness a specifies authentication paths for the two new coin commitments, the entirety of coin information about both the old and new coins, and address secret keys for the old coins.

Given a POUR instance x , a witness a is valid for x if the following holds:

1. For each $i \in \{1, 2\}$:
 - (a) The coin commitment cm_i^{old} of $\mathbf{c}_i^{\text{old}}$ appears on the ledger, i.e., path_i is a valid authentication path for leaf cm_i^{old} with respect to root rt , in a CRH-based Merkle tree.
 - (b) The address secret key $a_{\text{sk},i}^{\text{old}}$ matches the address public key of $\mathbf{c}_i^{\text{old}}$, i.e., $a_{\text{sk},i}^{\text{old}} = \text{PRF}^{\text{addr}}(\mathbf{0})$.
 - (c) The serial number sn_i^{old} of $\mathbf{c}_i^{\text{old}}$ is computed correctly, i.e., $\text{sn}_i^{\text{old}} = \text{PRF}^{\text{sn}}(\rho_i^{\text{old}})$.
 - (d) The coin $\mathbf{c}_i^{\text{old}}$ is well-formed, i.e., $\text{cm}_i^{\text{old}} = \text{COMM}_{\rho_i^{\text{old}}}(\text{COMM}_{\rho_i^{\text{old}}}(\text{pk}_{\text{pk},i}^{\text{old}} \| a_{\text{sk},i}^{\text{old}}) \| v_i^{\text{old}})$.
 - (e) The coin $\mathbf{c}_i^{\text{new}}$ is well-formed, i.e., $\text{cm}_i^{\text{new}} = \text{COMM}_{\rho_i^{\text{new}}}(\text{COMM}_{\rho_i^{\text{new}}}(\text{pk}_{\text{pk},i}^{\text{new}} \| a_{\text{sk},i}^{\text{new}}) \| v_i^{\text{new}})$.
 - (f) The address secret key $a_{\text{sk},i}^{\text{old}}$ ties h_{Sig} to h_i , i.e., $h_i = \text{PRF}_{a_{\text{sk},i}^{\text{old}}}^{\text{pk}}(i \| h_{\text{Sig}})$.

2. Balance is preserved: $v_1^{\text{new}} + v_2^{\text{new}} + v_{\text{pub}} = v_1^{\text{old}} + v_2^{\text{old}}$ (with $v_1^{\text{old}}, v_2^{\text{old}} \geq 0$ and $v_1^{\text{old}} + v_2^{\text{old}} \leq v_{\text{max}}$).

Recall that in this paper zk-SNARKs are relative to the language of arithmetic circuit satisfiability (see Section 2); thus, we express the checks in POUR via an arithmetic circuit, denoted C_{POUR} . In particular, the depth d_{tree} of the Merkle tree needs to be hardcoded in C_{POUR} , and we thus make it a parameter of our construction (see below); the maximum number of supported coins is then $2^{d_{\text{tree}}}$.

4.3 Algorithm constructions

We proceed to describe the construction of the DAP scheme $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$ whose intuition was given in Section 1.3. Figure 2 gives the pseudocode for each one of the six algorithms in Π , in terms of the building blocks introduced in Section 4.1 and Section 4.2. In the construction, we hardcode two quantities: the maximum value of a coin, v_{max} , and the depth of the Merkle tree, d_{tree} .

4.4 Completeness and security

Our main theorem states that the above construction is indeed a DAP scheme.

Theorem 4.1. The tuple $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$, as defined in Section 4.3, is a complete (cf. Definition 3.1) and secure (cf. Definition 3.2) DAP scheme.

We provide a proof of Theorem 4.1 in Appendix D. We note that our construction can be modified to yield statistical (i.e., everlasting) anonymity; see the discussion in Section 8.1.

Remark (trusted setup). Security of Π relies on a trusted party running **Setup** to generate the public parameters (once and for all). This trust is needed for the transaction non-malleability and balance properties but not for ledger indistinguishability. Thus, even if a powerful espionage agency were to corrupt the setup, anonymity will *still* be maintained. Moreover, if one wishes to mitigate the trust requirements of this step, one can conduct the computation of **Setup** using secure multiparty computation techniques; we leave this to future work.

Remark (use of pp). According to the definition of a DAP scheme (see Section 3), the public parameters pp are given as input to each one of the six algorithms; this is also how we presented our construction in Figure 2. However, in our construction, the public parameters pp equal a tuple $(\text{pk}_{\text{POUR}}, \text{vk}_{\text{POUR}}, \text{pp}_{\text{enc}}, \text{pp}_{\text{sig}})$, and not every algorithm needs every component of pp . Concretely, **CreateAddress** only needs pp_{enc} ; **Mint** only the security parameter λ ; **Pour** only pk_{POUR} and pp_{sig} ; **VerifyTransaction** only vk_{POUR} ; and **Receive** only λ . In particular, since we rely on zk-SNARKs to prove/verify POUR, pk_{POUR} is of constant, but large, size, and is only required by **Pour**. All other components of pp are of small constant size.

Remark (checking received coins in ledger). The algorithm **Receive** tests whether the serial number of a received coin already appears on the ledger, in order not to output coins that the user has already received and spent by himself. Other users are, in any case, unable to spend coins addressed to this user.

5 Zero

We describe a concrete instantiation of a DAP scheme; this instantiation forms the basis of Zero. Later, in Section 6, we discuss how Zero can be integrated with existing ledger-based currencies.

Setup

- INPUTS: security parameter λ
 - OUTPUTS: public parameters pp
1. Construct C_{POUR} for POUR at security λ .
 2. Compute $(pk_{POUR}, vk_{POUR}) := \text{KeyGen}(1^\lambda, C_{POUR})$.
 3. Compute $pp_{enc} := G_{enc}(1^\lambda)$.
 4. Compute $pp_{sig} := G_{sig}(1^\lambda)$.
 5. Set $pp := (pk_{POUR}, vk_{POUR}, pp_{enc}, pp_{sig})$.
 6. Output pp .

CreateAddress

- INPUTS: public parameters pp
 - OUTPUTS: address key pair $(addr_{pk}, addr_{sk})$
1. Compute $(pk_{enc}, sk_{enc}) := K_{enc}(pp_{enc})$.
 2. Randomly sample a PRF_{addr} seed a_{sk}
 3. Compute $a_{pk} = \text{PRF}_{addr}(0)$.
 4. Set $addr_{pk} := (a_{pk}, pk_{enc})$.
 5. Set $addr_{sk} := (a_{sk}, sk_{enc})$.
 6. Output $(addr_{pk}, addr_{sk})$.

Mint

- INPUTS:
 - public parameters pp
 - coin value $v \in \{0, 1, \dots, v_{max}\}$
 - destination address public key $addr_{pk}$
 - OUTPUTS: coin c and mint transaction tx_{Mint}
1. Parse $addr_{pk}$ as (a_{pk}, pk_{enc}) .
 2. Randomly sample a PRF seed ρ .
 3. Randomly sample two COMM trapdoors r, s .
 4. Compute $k := \text{COMM}_s(a_{pk} \parallel \rho)$.
 5. Compute $cm := \text{COMM}_s(v \parallel k)$.
 6. Set $c := (addr_{pk}, v, \rho, r, s, cm)$.
 7. Set $tx_{Mint} := (cm, v, *)$, where $* := (k, s)$.
 8. Output c and tx_{Mint} .

VerifyTransaction

- INPUTS:
 - public parameters pp
 - a (mint or pour) transaction tx
 - the current ledger L
 - OUTPUTS: bit b , equals 1 iff the transaction is valid
1. If given a mint transaction $tx = tx_{Mint}$:
 - (a) Parse tx_{Mint} as $(cm, v, *)$, and $*$ as (k, s) .
 - (b) Set $cm' := \text{COMM}_s(v \parallel k)$.
 - (c) Output $b := 1$ if $cm = cm'$, else output $b := 0$.
 2. If given a pour transaction $tx = tx_{Pour}$:
 - (a) Parse tx_{Pour} as $(rt, sn_1^{old}, sn_2^{old}, cm_1^{new}, cm_2^{new}, v_{pub}, \text{info}, *)$, and $*$ as $(pk_{sig}, h_1, h_2, \pi_{POUR}, C_1, C_2, \sigma)$.
 - (b) If sn_1^{old} or sn_2^{old} appears on L (or $sn_1^{old} = sn_2^{old}$), output $b := 0$.
 - (c) If the Merkle root rt does not appear on L , output $b := 0$.
 - (d) Compute $h_{Sig} := \text{CRH}(pk_{sig})$.
 - (e) Set $x := (rt, sn_1^{old}, sn_2^{old}, cm_1^{new}, cm_2^{new}, v_{pub}, h_{Sig}, h_1, h_2)$.
 - (f) Set $m := (x, \pi_{POUR}, \text{info}, C_1, C_2)$.
 - (g) Compute $b := V_{sig}(pk_{sig}, m, \sigma)$.
 - (h) Compute $b' := \text{Verify}(vk_{POUR}, x, \pi_{POUR})$, and output $b \wedge b'$.

Pour

- INPUTS:
 - public parameters pp
 - the Merkle root rt
 - old coins c_1^{old}, c_2^{old}
 - old addresses secret keys $addr_{sk,1}, addr_{sk,2}$
 - path $path_1^{old}$ from commitment $cm(c_1^{old})$ to root rt ,
 - path $path_2^{old}$ from commitment $cm(c_2^{old})$ to root rt
 - new values v_1, v_2
 - new addresses public keys $addr_{pk,1}^{new}, addr_{pk,2}^{new}$
 - public value v_{pub}
 - transaction string info
 - OUTPUTS: new coins c_1^{new}, c_2^{new} and pour transaction tx_{Pour}
1. For each $i \in \{1, 2\}$:
 - (a) Parse c_i^{old} as $(addr_i^{old}, v_i^{old}, \rho_i^{old}, r_i^{old}, s_i^{old}, cm_i^{old})$.
 - (b) Parse $addr_i^{old}$ as $(a_{pk,i}^{old}, sk_{enc,i}^{old})$.
 - (c) Compute $sn_i^{old} := \text{PRF}_{sk,i}^{sk_{enc,i}^{old}}(\rho_i^{old})$.
 - (d) Parse $addr_{pk,i}^{new}$ as $(a_{pk,i}^{new}, pk_{enc,i}^{new})$.
 - (e) Randomly sample a PRF_{sn} seed ρ_i^{new} .
 - (f) Randomly sample two COMM trapdoors r_i^{new}, s_i^{new} .
 - (g) Compute $k_i^{new} := \text{COMM}_{r_i^{new}}(a_{pk,i}^{new} \parallel \rho_i^{new})$.
 - (h) Compute $cm_i^{new} := \text{COMM}_{s_i^{new}}(v_i^{new} \parallel k_i^{new})$.
 - (i) Set $c_i^{new} := (addr_{pk,i}^{new}, v_i^{new}, \rho_i^{new}, r_i^{new}, s_i^{new}, cm_i^{new})$.
 - (j) Set $C_i := E_{enc}(pk_{enc,i}^{new}, (v_i^{new}, \rho_i^{new}, r_i^{new}, s_i^{new}))$.
 2. Generate $(pk_{sig}, sk_{sig}) := K_{sig}(pp_{sig})$.
 3. Compute $h_{Sig} := \text{CRH}(pk_{sig})$.
 4. Compute $h_1 := \text{PRF}_{pk_{old}}^{pk_{old}}(1 \parallel h_{Sig})$ and $h_2 := \text{PRF}_{pk_{old}}^{pk_{old}}(2 \parallel h_{Sig})$.
 5. Set $x := (rt, sn_1^{old}, sn_2^{old}, cm_1^{new}, cm_2^{new}, v_{pub}, h_{Sig}, h_1, h_2)$.
 6. Set $a := (path_1^{old}, path_2^{old}, c_1^{old}, c_2^{old}, addr_{sk,1}^{old}, addr_{sk,2}^{old}, c_1^{new}, c_2^{new})$.
 7. Compute $\pi_{POUR} := \text{Prove}(pk_{POUR}, x, a)$.
 8. Set $m := (x, \pi_{POUR}, \text{info}, C_1, C_2)$.
 9. Compute $\sigma := S_{sig}(sk_{sig}, m)$.
 10. Set $tx_{Pour} := (rt, sn_1^{old}, sn_2^{old}, cm_1^{new}, cm_2^{new}, v_{pub}, \text{info}, *)$, where $* := (pk_{sig}, h_1, h_2, \pi_{POUR}, C_1, C_2, \sigma)$.
 11. Output c_1^{new}, c_2^{new} and tx_{Pour} .

Receive

- INPUTS:
 - public parameters pp
 - recipient address key pair $(addr_{pk}, addr_{sk})$
 - the current ledger L
 - OUTPUTS: set of received coins
1. Parse $addr_{pk}$ as (a_{pk}, pk_{enc}) .
 2. Parse $addr_{sk}$ as (a_{sk}, sk_{enc}) .
 3. For each Pour transaction tx_{Pour} on the ledger:
 - (a) Parse tx_{Pour} as $(rt, sn_1^{old}, sn_2^{old}, cm_1^{new}, cm_2^{new}, v_{pub}, \text{info}, *)$, and $*$ as $(pk_{sig}, h_1, h_2, \pi_{POUR}, C_1, C_2, \sigma)$.
 - (b) For each $i \in \{1, 2\}$:
 - i. Compute $(v_i, \rho_i, r_i, s_i) := D_{enc}(sk_{enc}, C_i)$.
 - ii. If D_{enc} 's output is not \perp , verify that:
 - cm_i^{new} equals $\text{COMM}_{s_i}(v_i \parallel \text{COMM}_{r_i}(a_{pk} \parallel \rho_i))$;
 - $sn_i := \text{PRF}_{a_{sk}}^{sn}(\rho_i)$ does not appear on L .
 - iii. If both checks succeed, output $c_i := (addr_{pk}, v_i, \rho_i, r_i, s_i, cm_i^{new})$.

Figure 2: Construction of a DAP scheme using zk-SNARKs and other ingredients.

5.1 Instantiation of building blocks

We instantiate the DAP scheme construction from Section 4 (see Figure 2), aiming at a level of security of 128 bits. Doing so requires concrete choices, described next.

CRH, PRF, COMM from SHA256. Let H be the SHA256 compression function, which maps a 512-bit input to a 256-bit output. We mostly rely on H , rather than the “full” hash, since this suffices for our fixed-size single-block inputs, and it simplifies the construction of C_{POUR} (see Section 5.2). We instantiate CRH, PRF, COMM via H (under suitable assumptions on H).

First, we instantiate the collision-resistant function CRH as $H(z)$ for $z \in \{0, 1\}^{512}$; this function compresses “two-to-one”, so it can be used to construct binary Merkle trees.¹⁴

Next, we instantiate the pseudorandom function $\text{PRF}_x(z)$ as $H(x\|z)$, with $x \in \{0, 1\}^{256}$ as the seed, and $z \in \{0, 1\}^{256}$ as the input.¹⁵ Thus, the derived functions are:

$$\text{PRF}_x^{\text{addr}}(z) := H(x\|00\|z), \quad \text{PRF}_x^{\text{sn}}(z) := H(x\|01\|z), \quad \text{PRF}_x^{\text{pk}}(z) := H(x\|10\|z),$$

with $x \in \{0, 1\}^{256}$ and $z \in \{0, 1\}^{254}$.

As for the commitment scheme COMM, we only use it in the following pattern:

$$\begin{aligned} k &:= \text{COMM}_r(a_{\text{pk}}\|\rho), \\ \text{cm} &:= \text{COMM}_s(v\|k). \end{aligned}$$

Due to our instantiation of PRF, a_{pk} is 256 bits. So we can set ρ also to 256 bits and r to $256 + 128 = 384$ bits; then we can compute

$$k := \text{COMM}_r(a_{\text{pk}}\|\rho) \text{ as } H(r\|[H(a_{\text{pk}}\|\rho)]_{128}).$$

Above, $[\cdot]_{128}$ denotes that we are truncating the 256-bit string to 128 bits (say, by dropping least-significant bits, as in our implementation). Heuristically, for any string $z \in \{0, 1\}^{128}$, the distribution induced by $H(r\|z)$ is 2^{-128} -close to uniform, and this forms the basis of the statistically-hiding property. For computing cm , we set coin values to be 64-bit integers (so that, in particular, $v_{\text{max}} = 2^{64} - 1$ in our implementation), and then compute

$$\text{cm} := \text{COMM}_s(v\|k) \text{ as } H(k\|0^{192}\|v).$$

Noticeably, above we are *ignoring* the commitment randomness s . The reason is that we already know that k , being the output of a statistically-hiding commitment, can serve as randomness for the next commitment scheme.

Instantiating the NP statement POUR. The above choices imply a concrete instantiation of the NP statement POUR (see Section 4.2). Specifically, in our implementation, POUR checks that the following holds, for each $i \in \{1, 2\}$:

- path_i is an authentication path for leaf cm_i^{old} with respect to root rt , in a CRH-based Merkle tree;
- $a_{\text{pk},i}^{\text{old}} = H(a_{\text{SK},i}^{\text{old}}\|0^{256})$;
- $\text{sn}_i^{\text{old}} = H(a_{\text{SK},i}^{\text{old}}\|01\|[\rho_i^{\text{old}}]_{254})$;
- $\text{cm}_i^{\text{old}} = H(H(r_i^{\text{old}}\|[H(a_{\text{pk},i}^{\text{old}}\|\rho^{\text{old}})]_{128})\|0^{192}\|v_i^{\text{old}})$;

¹⁴A single exception: we still compute h_{Sig} according to the full hash SHA256, rather than its compression function, because there is no need for this computation to be verified by C_{POUR} .

¹⁵This assumption is reminiscent of previous works analyzing the security of hash-based constructions (e.g., [Bel06]). However in this work we assume that a portion of the compression function is the *seed* for the pseudorandom function, rather than using the chaining variable as in [Bel06].

- $cm_i^{new} = H(H(r_i^{new} \| [H(a_{pk,i}^{new} \| \rho_i^{new})]_{128}) \| 0^{192} \| v_i^{new})$; and
- $h_i = H(a_{sk,i}^{old} \| 10 \| b_i \| [h_{Sig}]_{253})$ where $b_1 := 0$ and $b_2 := 1$.

Moreover, POUR checks that $v_i^{new} + v_{pub} = v_1^{old} + v_2^{old}$, with $v_1^{old}, v_2^{old} \geq 0$ and $v_1^{old} + v_2^{old} < 2^{64}$.

Finally, as mentioned, in order for C_{POUR} to be well-defined, we need to fix a Merkle-tree depth d_{tree} . In our implementation, we fix $d_{tree} = 64$, and thus support up to 2^{64} coins.

Instantiating Sig. For the signature scheme Sig, we use ECDSA to retain consistency and compatibility with the existing bitcoind source code. However, standard ECDSA is malleable: both (r, s) and $(r, -s)$ verify as valid signatures. We use a non-malleable variant, where s is restricted to the “lower half” of field elements. While we are not aware of a formal SUF-1CMA proof for this variant, its use is consistent with proposals to resolve Bitcoin transaction malleability [Wui14].¹⁶

Instantiating Enc. For the encryption scheme Enc, we use the key-private Elliptic-Curve Integrated Encryption Scheme (ECIES) [Cer00]; it is one of the few standardized key-private encryption schemes with available implementations.

5.2 Arithmetic circuit for pouring coins

Our DAP scheme construction from Section 4 (see Figure 2) also requires zk-SNARKs relative to the NP statement POUR. These are obtained by invoking a zk-SNARK for arithmetic circuit satisfiability (see Section 2.4) on an arithmetic circuit C_{POUR} , which verifies the NP statement POUR. In our instantiation, we rely on the implementation of [BCTV14] for the basic zk-SNARK (see Section 2.4), and apply it to the circuit C_{POUR} whose construction is described next.

5.2.1 An arithmetic circuit for verifying SHA256’s compression function

The vast majority of the “verification work” in POUR is verifying computations of H , the compression function of SHA256 (see Section 5.1). Thus, we begin by discussing our construction of an arithmetic circuit C_H for verifying SHA256 computations. Later, in Section 5.2.2, we discuss the construction of C_{POUR} , given the circuit C_H .

We wish to construct an arithmetic circuit C_H such that, for every 256-bit digest h and 512-bit input z , $(h, z) \in R_{C_H}$ if and only if $h = H(z)$. Naturally, our goal is to minimize the size of C_H . Our high-level strategy is to construct C_H , piece by piece, by closely following the SHA256 official specification [Nat12]. For each subcomputation of SHA256, we use nondeterminism and field operations to verify the subcomputation using as few gates as possible.

Overview of SHA256’s compression function. The primitive unit in SHA256 is a 32-bit *word*. All subcomputations are simple word operations: three bitwise operations (and, or, xor), shift-right, rotate-right, and addition modulo 2^{32} . The compression function internally has a *state* of 8 words, initialized to a fixed value, and then transformed in 64 successive rounds by following the 64-word *message schedule* (deduced from the input z). The 256-bit output is the concatenation of the 8 words of the final state.

Representing a state. We find that, for each word operation (except for addition modulo 2^{32}), it is more efficient to verify the operation when its inputs are represented as separate wires, each carrying a bit. Thus, C_H maintains the 8-word state as 256 individual wires, and the 64-word message schedule as $64 \cdot 32$ wires.

Addition modulo 2^{32} . To verify addition modulo 2^{32} we use techniques employed in previous work [PGHR13, BCG⁺13, BCTV14]. Given two words A and B , we compute $\alpha := \sum_{i=0}^{31} 2^i (A_i + B_i)$.

¹⁶In practice, one might replace this ECDSA variant with an EC-Schnorr signature satisfying SUF-1CMA security with proper encoding of EC group elements; the performance would be similar.

Because F has characteristic larger than 2^{33} , there is no wrap around; thus, field addition coincides with integer addition. We then make a non-deterministic guess for the 33 bits α_i of α (including carry), and enforce consistency by requiring that $\alpha_i = \sum_{j=0}^{32} 2^j \alpha_j$. To ensure that each $\alpha_i \in \{0, 1\}$, we use a 33-gate subcircuit computing $\alpha_i(\alpha_i - 1)$, all of which must be 0 for the subcircuit to be satisfiable. Overall, verifying addition modulo 2^{32} only requires 34 gates. This approach extends in a straightforward way to summation of more than two terms.

Verifying the SHA256 message schedule. The first 16 words W_i of the message schedule are the 16 words of the 512-bit input z . The remaining 48 words are computed as $W_t := \sigma_1(W_{t-2}) + W_{t-7} + \sigma_0(W_{t-15}) + W_{t-16}$, where $\sigma_0(W) := \text{rotr}_7(W) \oplus \text{rotr}_{18}(W) \oplus \text{shr}_3(W)$ and σ_1 has the same structure but different rotation and shift constants.

The rotation and shift amounts are constants, so rotates and shifts can be achieved by suitable wiring to previously computed bits (or the constant 0 for high-order bits in shr). Thus, since the XOR of 3 bits can be computed using 2 gates, both σ_0 and σ_1 can be computed in 64 gates. We then compute (or more precisely, guess and verify) the addition modulo 2^{32} of the four terms.

Verifying the SHA256 round function. The round function modifies the 8-word state by changing two of its words and then permuting the 8-word result.

Each of the two modified words is a sum modulo 2^{32} of (i) round-specific constant words K_t ; (ii) message schedule words W_t ; and (iii) words obtained by applying simple functions to state words. Two of those functions are bitwise *majority* ($\text{Maj}(A, B, C)_i = 0$ if $A_i + B_i + C_i \leq 1$ else 1) and bitwise *choice* ($\text{Ch}(A, B, C)_i = B_i$ if $A_i = 1$, else C_i). We verify correct computation of Maj using 2 gates per output bit, and Ch with 1.

Then, instead of copying 6 unchanged state words to obtain the permuted result, we make the permutation implicit in the circuit’s wiring, by using output wires of previous sub-computations (sometimes reaching 4 round functions back) as input wires to the current sub-computation.

Performance. Overall, we obtain an arithmetic circuit C_H for verifying SHA256’s compression function with less than 30 000 arithmetic gates. See Figure 3 for a breakdown of gate counts.

Gate count for C_H	
Message schedule	8032
All rounds	19 584
1 round (of 64)	306
Finalize	288
Total	27 904

Figure 3: Size of circuit C_H for SHA256’s compression function.

Comparison with generic approaches. We constructed the circuit C_H from scratch. We could have instead opted for more generic approaches: implement SHA256’s compression function in a higher-level language, and use a circuit generator to obtain a corresponding circuit. However, generic approaches are significantly more expensive for our application, as we now explain.

Starting from the SHA256 implementation in PolarSSL (a popular cryptographic library) [Pol13], it is fairly straightforward to write a C program for computing H . We wrote such a program, and gave it as input to the circuit generator of [PGHR13]. The output circuit had 58160 gates, more than twice larger than our hand-optimized circuit.

Alternatively, we also compiled the same C program to TinyRAM, which is the architecture supported in [BCG⁺13]; we obtained a 5371-instruction assembly code that takes 5704 cycles to execute on TinyRAM. We could then invoke the circuit generator in [BCG⁺13] when given this TinyRAM program and time bound. However, each TinyRAM cycle costs ≈ 1000 gates, so the resulting circuit would have at least $5.7 \cdot 10^6$ gates, i.e., over 190 times larger than our circuit. A

similar computation holds for the circuit generator in [BCTV14], which supports an even more flexible architecture.

Thus, overall, we are indeed much better off constructing C_H from scratch. Of course, this is not surprising, because a SHA256 computation is almost a “circuit computation”: it does not make use of complex program flow, accesses to memory, and so on. Thus, relying on machinery developed to support much richer classes of programs does not pay off.

5.2.2 Arithmetic circuit for POUR

The NP statement POUR requires verifying membership in a Merkle tree based on H , a few additional invocations of H , and integer addition and comparison. We construct the circuit C_{POUR} for POUR by combining various subcircuits verifying each of these. There remains to discuss the subcircuits for verifying membership in a Merkle tree (using the aforementioned subcircuit C_H for verifying invocations of H), and integer addition and comparison.

Merkle tree membership. We need to construct an arithmetic circuit that, given a root rt , authentication path $path$, and coin commitment cm , is satisfied if and only if $path$ is a valid authentication path for the leaf cm with respect to the root rt . The authentication path $path$ includes, for each layer i , an auxiliary hash value h_i and a bit r_i specifying whether h_i was the left ($r_i = 0$) or the right ($r_i = 1$) child of the parent node. We then check membership in the Merkle tree by verifying invocations of H , bottom-up. Namely, for $d = 64$, we set $k_{d-1} = cm$; then, for each $i = d - 1, \dots, 1$, we set $B_i = h_i || k_i$ if $r_i = 0$ else $k_i || h_i$, and compute $k_{i-1} = H(B_i)$. Finally we check that the root k_0 matches the given root rt .

Integer addition. We need to construct an arithmetic circuit that, given 64-bit integers A, B, C (presented as binary strings), is satisfied if and only if $C = A + B$ over the integers. Again relying on the fact that F ’s characteristic is sufficiently large, we do so by checking that $\sum_{i=0}^{63} 2^i c_i = \sum_{i=0}^{63} 2^i (b_i + a_i)$ over F ; this is enough, because there is no wrap around.

Integer comparison. We need to construct an arithmetic circuit that, given two 64-bit integers A, B (represented in binary), is satisfied if and only if $A + B$ fits in 64 bits (i.e. $A + B < 2^{64}$). We do so by checking that $\sum_{i=0}^{63} 2^i (b_i + a_i) = \sum_{i=0}^{63} c_i$ for some $c_i \in \{0, 1\}$. Indeed, if $A + B < 2^{64}$ then it suffices to take c_i as the binary representation of $A + B$. However, if $A + B \geq 2^{64}$ then no choice of c_i can satisfy the constraint as $\sum_{i=0}^{63} c_i \leq 2^{64} - 1$. Overall, this requires 65 gates (1 gate for the equality check, and 64 gates for ensuring that c_0, \dots, c_{63} are boolean).

Overall circuit sizes. See Figure 4 for the size of C_{POUR} . More than 99% of the gates are devoted to verifying invocations of H .

Gate count for C_{POUR}	
Ensure cm_1^{old} is in Merkle tree (1 layer out of 64)	1 802 304 (28 161)
Ensure cm_2^{old} is in Merkle tree (1 layer out of 64)	1 802 304 (28 161)
Check computation of $sn_1^{\text{old}}, sn_2^{\text{old}}$	$2 \times 27\,904$
Check computation of $\sigma_1^{\text{old}}, \sigma_2^{\text{old}}$	$2 \times 27\,904$
Check computation of $cm_1^{\text{old}}, cm_2^{\text{old}}, cm_1^{\text{new}}, cm_2^{\text{new}}$	$4 \times 83\,712$
Check computation of h_1, h_2	$2 \times 27\,904$
Ensure that $v_1^{\text{new}} + v_2^{\text{new}} + v_{\text{pub}} = v_1^{\text{old}} + v_2^{\text{old}}$	1
Ensure that $v_1^{\text{old}} + v_2^{\text{old}} < 2^{64}$	65
Miscellaneous	2384
Total	4 109 330

Figure 4: Size of the circuit C_{POUR} , which verifies the statement POUR.

6 Integration with existing ledger-based currencies

Zero can be deployed atop any ledger (even one maintained by a central bank). Here, we briefly detail integration with the Bitcoin protocol. Unless explicitly stated otherwise, in the following section when referring to *Bitcoin*, and its unit of account *bitcoin* (plural bitcoins), we mean the underlying protocol and software, not the currency system. (The discussion holds, with little or no modification, for many forks of Bitcoin, also known as “altcoins”, such as Litecoin.)

By introducing new transaction types and payment semantics, Zero breaks compatibility with the Bitcoin network. While Zero could be integrated into Bitcoin (the actual currency and its supporting software) via a “flag day” where a super-majority of Bitcoin miners simultaneously adopt the new software, we neither expect nor advise such integration in the near future and suggest using Zero in a separate altcoin.

Integrating Zero into Bitcoin consists of adding a new transaction type, Zero transactions, and modifying the protocol and software to invoke Zero’s DAP interface to create and verify these transactions. There are at least two possible approaches to this integration. The first approach replaces all bitcoins with zerocoins, making all transactions anonymous at the cost of losing any additional Bitcoin functionality provided by, e.g., the Bitcoin scripting language (see Section 6.1). The second approach maintains this functionality, adding a *parallel* Zero currency, *zerocoin*, which can be converted to and from bitcoin at a one-to-one rate (see Section 6.2). Options for protocol-level modifications for the later approach are discussed in Section 6.3; the former can be readily inferred. In Section 6.4 we discuss anonymizing the network layer of Bitcoin and anonymity safeguards.

6.1 Integration by replacing the base currency

One approach is to alter the underlying system so that all monetary transactions are done using Zero, i.e., by invoking the DAP interface and writing/reading the associated transactions in the distributed ledger.

As seen in Section 3, this suffices to offer the core functionality of payments, minting, merging, splitting, etc., while assuring users that all transactions using this currency are anonymous. However, this has several drawbacks: (1) All pour transactions incur the cost of generating a zk-SNARK proof. (2) If Bitcoin supports additional features, such as a scripting language for specifying conditions for claiming bitcoins (as in Bitcoin), then these features are lost.¹⁷ (3) Bitcoin allows the flexibility of spending unconfirmed transactions; instead, with a Zero-only Bitcoin, this flexibility is lost: transactions must be confirmed before they can be spent. (And this imposes a minimal delay between receiving funds and spending them.)

6.2 Integration by hybrid currency

A different approach is to extend Bitcoin with a parallel, anonymized currency of “zerocoins”, existing alongside bitcoins, using the same ledger, and with the ability to convert freely between the two. The behavior and functionality of regular bitcoins is unaltered; in particular, they may support functionality such as scripting.

In this approach, the Bitcoin ledger consists of Bitcoin-style transactions, containing inputs and outputs [Nak09]. Each input is either a pointer to an output of a previous transaction (as in plain Bitcoin), or a Zero pour transaction (which contributes its *public* value, v_{pub} , of bitcoins to this transaction). Outputs are either an amount and destination public address/script (as in plain

¹⁷However, in principle POUR could be extended to include a scripting language interpreter.

Bitcoin), or a Zero mint transaction (which consumes the input bitcoins to produce zerocoins). The usual invariant over bitcoins is maintained and checked in plain view: the sum of bitcoin inputs (including pours' v_{pub}) must be at least the sum of bitcoin outputs (including mints' v), and any difference is offered as a transaction fee. However, the accounting for zerocoins consumed and produced is done separately and implicitly by the DAP scheme.

The life cycle of a zerocoin is as follows.

Creating new zerocoins. A mint transaction consumes v worth of bitcoins as inputs, and outputs coin commitment worth v zerocoins. The v bitcoins are effectively destroyed, in exchange for the newly-minted zerocoins.

Spending zerocoins. Zerocoins can then be transferred, split, and merged into other zerocoins arbitrarily, via pour transactions which, instead of explicit inputs, include zero-knowledge proofs that such inputs exist. Pour transactions may optionally reveal a non-zero public output v_{pub} . This is either left unclaimed as a transaction fee,¹⁸ placed into a standard Bitcoin transaction output (e.g., one paying to a public key) or consumed by a mint transaction. Thus, v_{pub} bitcoins are created ex nihilo (similarly to how coinbase transactions produce bitcoin outputs as mining reward), in exchange for destroying that amount of zerocoins. The Bitcoin outputs must be included in the transaction string `info`, which is included as part of a pour transaction; transaction non-malleability ensures that all this information is bound together.

Spending multiple zerocoins. To allow for pours to span more than two input and output coins, `tx_Pour` structures may be chained together within one transaction by marking some output coin commitments as intermediates and having subsequent pours in the same transaction constructed relative to an ephemeral Merkle tree consisting of only the intermediates commitments. For example, a transaction might accept four input coins, with the first two Pour operations combining two of the inputs to produce an intermediate commitment each and a final Pour combining the two intermediate commitments into a final output new coin. Since the intermediate results are consumed instantly within the transaction, they need not be recorded in the global Merkle tree or have their serial numbers marked as spent.

Transaction fees. Collecting transaction fees is done as usual, via a coinbase transaction added to each block, which pays as mining reward the difference between the total inputs (bitcoin and pours' v_{pub}) and total outputs (bitcoin and mints' v) in this block. Payment is either in bitcoins or in newly-minted zerocoins (via a Mint).

Validation and block generation. All transactions are verified via `VerifyTransaction` when they are received by a node. Any plain Bitcoin inputs and outputs are processed as usual, and any Zero inputs and outputs are checked using `VerifyTransaction` with the entire Bitcoin transaction fed in as `info` for authentication. Once these transactions are assembled into a candidate block, each transaction needs to be verified again to ensure its serial number has not become spent or its Merkle root invalid. If these checks pass, the set of new coin commitments and spent serial numbers output by the included transactions are added to the global sets, and the new Merkle root and a digest of the serial number list is stored in the new block.¹⁹ Embedding this data simplifies statekeeping and allows nodes to readily verify they have the correct coin list and serial number list. Upon receiving a candidate block, nodes validate the block is formed correctly with respect to the above procedure.

Receiving payments. In order to receive payments to an address, users may scan the block chain by running the `Receive` on every pour transaction. Alternatively they may receive coin information

¹⁸Since transaction fees may potentially be claimed by any node in the network, they represent the sole zerocoin output that cannot be hidden from public view even in a Zero-only system.

¹⁹This can be stored in the coinbase transaction, as certain other data currently is, or in a new field in the block header.

via some out-of-band mechanism (e.g., via encrypted email). The former process is nearly identical to the one proposed for “stealth addresses” for Bitcoin. In the worst case, scanning the block chain requires a trial decryption of every ciphertext C . We expect many scenarios to provide explicit notification, e.g., in interactive purchases where a communication channel already exists from the payer to the payee. (Implementations may opt to drop the receive mechanism entirely, and require out-of-band notification, in order to avoid storing the ciphertexts in the block chain.)

6.3 Extending the Bitcoin protocol to support the combined semantics

While the section above describes the life-cycle of a zerocoin and semantics of the system, there remains the question of how transactions acquire the above necessary semantics. Two implementation approaches are possible, with different engineering tradeoffs.

The first approach is to extend the protocol and its implementation with hard-coded validation of Zero transactions, reading them from new, designated fields in transactions and running `VerifyTransaction`. In this case the zk-SNARK itself effectively replaces the scripting language for Zero transactions.

The second approach is to extend Bitcoin’s scripting language by adding an opcode that invokes `VerifyTransaction`, with the requisite arguments embeded alongside the opcode script. Such transactions must be exempt from the requirement they reference an input (as they are Zero transactions are self-contained), and, like coinbase transactions, be able to create bitcoins ex nihilo (to account for v_{pub}). Moreover, while `VerifyTransaction` is run at the standard point in the Bitcoin transaction processing flow for evaluating scripts, the coin commitments and spent serial numbers are not actually added to `CMList` (resp., `SNList`) until their containing block is accepted (i.e., merely verifying a transaction does not have side effects).

6.4 Additional anonymity considerations

Zero only anonymizes the transaction ledger. Network traffic used to announce transactions, retrieve blocks, and contact merchants still leaks identifying information (e.g., IP addresses). Thus users need some anonymity network to safely use Zero. The most obvious way to do this is via Tor [DMS04]. Given that Zero transactions are not low latency themselves, Mixnets (e.g., Mixminion [DDM03]) are also a viable way to add anonymity (and one that, unlike Tor, is not as vulnerable to traffic analysis). Using mixnets that provide email-like functionality has the added benefit of providing an out-of-band notification mechanism that can replace `Receive`.

Additionally, although in theory all users have a single view of the block chain, a powerful attacker could potentially fabricate an additional block *solely* for a targeted user. Spending any coins with respect to the updated Merkle tree in this “poison-pill” block will uniquely identify the targeted user. To mitigate such attacks, users should check with trusted peers their view of the block chain and, for sensitive transactions, only spend coins relative to blocks further back in the ledger (since creating the illusion for multiple blocks is far harder).

7 Experiments

To measure the performance of Zero, we ran several experiments. First, we benchmarked the performance of the zk-SNARK for the NP statement POUR (Section 7.1) and of the six DAP scheme algorithms (Section 7.2). Second, we studied the impact of a higher block verification time via a simulation of a Bitcoin network (Section 7.3).

7.1 Performance of zk-SNARKs for pouring coins

Our zk-SNARK for the NP statement POUR is obtained by constructing an arithmetic circuit C_{POUR} for verifying POUR, and then invoking the generic implementation of zk-SNARK for arithmetic circuit satisfiability of [BCTV14] (see Section 2.4). The arithmetic circuit C_{POUR} is built from scratch and hand-optimized to exploit nondeterministic verification and the large field characteristic (see Section 5.2) .

Figure 5 reports performance characteristics of the resulting zk-SNARK for POUR. This includes three settings: single-thread performance on a laptop machine; and single-thread and multi-thread performance on a desktop machine. (The time measurements are the average of 10 runs, with standard deviation under 2.5%.) For instance, with single-thread code on the laptop machine, we obtain that:

- Key generation takes 7 min 48 s, and results in a proving key pk_{POUR} of 896 MiB and a verification key vk_{POUR} of 749 B. This is performed only once, as part of the Setup algorithm.
- Producing a proof π_{POUR} requires about 3 minutes; proofs have a constant size of 288 B. Proof generation is a subroutine of the Pour algorithm, and the resulting proof is included in the corresponding pour transaction.
- A proof π_{POUR} can be verified in only 8.5 ms. Proof verification is a subroutine of the VerifyTransaction algorithm, when it is given as input a pour transaction to verify.

		Intel Core i7-2620M @ 2.70GHz 12GB of RAM	Intel Core i7-4770 @ 3.40GHz 16GB of RAM	
		1 thread	1 thread	4 threads
KeyGen	Time	7 min 48 s	5 min 11 s	1 min 47 s
	Proving key	896 MiB		
	Verification key	749 B		
Prove	Time	2 min 55 s	1 min 59 s	46 s
	Proof	288 B		
Verify	Time	8.5 ms	5.4 ms	

Figure 5: Performance of our zk-SNARK for the NP statement POUR. ($N = 10$, $\sigma \leq 2.5\%$)

7.2 Performance of Zero algorithms

In Figure 6 we report performance characteristics for each of the six DAP scheme algorithms in our implementation (single-thread on our desktop machine). For VerifyTransaction, we separately report the cost of verifying mint and pour transactions and, in the latter case, we exclude the cost of scanning L (e.g., to check if a serial number is duplicate);²⁰ for the case of Receive, we report the cost to process a given pour transaction in L .

We obtain that:

- Setup takes about 5 minutes to run; its running time is dominated by the running time of KeyGen on C_{POUR} . (Either way, Setup is run only once.) The size of the resulting public parameters pp is dominated by the size of pk_{POUR} .
- CreateAddress takes 326.0 ms to run. The size of the resulting address key pair is just a few hundred bytes.

²⁰Naturally, if SNList has 2^{64} serial numbers (the maximum possible in our implementation), then scanning is very expensive! However, we do not expect that a system like Zero will grow to 2^{64} transactions. Still, such a system may grow to the point that scanning SNList is too expensive. We detail possible mitigations to this in Section 8.3.2.

- Mint takes $23 \mu\text{s}$ to run. It results in a coin of size 463 B and mint transaction of size 72 B.
- Pour takes about 2 minutes to run. Besides Setup, it is the only “expensive” algorithm to run; as expected, its running time is dominated by the running time of Prove. For a transaction string `info`, it results in (two new coins and) a pour transaction of size $996 \text{ B} + |\text{info}|$.
- VerifyTransaction takes $8.3 \mu\text{s}$ to verify a mint transaction and 5.7 ms to verify a pour transaction; the latter’s time is dominated by that of Verify, which checks the zk-SNARK proof π_{POUR} .
- Receive takes 1.6 ms per pour transaction.

Note that the above numbers do not include the costs of maintaining the Merkle tree because doing so is not the responsibility of the DAP scheme algorithms. Nevertheless, these additional costs are not large: (i) each update of the root of the CRH-based Merkle tree only requires d_{tree} invocations of CRH, and (ii) an authentication path consists of only d_{tree} digests of CRH. In our implementation, where $\text{CRH} = \text{H}$ (the SHA256 compression function) and $d_{\text{tree}} = 64$, each update requires 64 invocations of H and an authentication path requires $64 \cdot 32 \text{ B} = 2 \text{ KiB}$ of storage.

Remark. If one does not want to rely on the ledger to communicate coins, via the ciphertexts \mathbf{C}_1 , \mathbf{C}_2 , and instead rely instead on some out-of-band mechanism (e.g., encrypted email), then the Receive algorithm is not needed, and moreover, many of the aforementioned sizes decrease because some pieces of data are not needed anymore; we denoted these pieces of data with “*” in Figure 6. (E.g., the size of an address key pair is reduced to only 64 B, and the size of a coin to only 120 B.)

7.3 Large-scale network simulation

Because Bitcoin mining typically takes place on dedicated GPUs or ASICs, the CPU resources to execute the DAP scheme algorithms are often of minimal consequence to network performance. There is one potential exception to this rule: the VerifyTransaction algorithm must be run by all of the network nodes in the course of routine transaction validation. The time it takes to perform this verification may have significant impact on network performance.

In the Zero implementation (as in Bitcoin), every Zero transaction is verified at each hop as it is forwarded through the network and, potentially, again when blocks containing the transaction are verified. Verifying a block consists of checking the proof of work and validating the contained transactions. Thus Zero transactions may take longer to spread through the network and blocks containing Zero transactions may take longer to verify. While we are concerned with the first issue, the potential impact of the second issue is cause for greater concern. This is because Zero transactions cannot be spent until they make it onto the ledger.

Because blocks are also verified at each hop before they are forwarded through the network, delays in block verification slow down the propagation of new blocks through the network. This causes nodes to waste CPU-cycles mining on out-of-date blocks, reducing the computational power of the network and making it easier to mount a “51% attack” (dishonest majority of miners) on the distributed ledger.

It is a priori unclear whether this potential issue is a real concern. Bitcoin caches transaction verifications, so a transaction that was already verified when it propagated through the network need not be verified again when it is seen in a block. The unknown is what percentage of transactions in a block are actually in any given node’s cache. We thus conduct a simulation of the Bitcoin network to investigate both the time it takes Zero transactions to make it onto the ledger and establish the effects of Zero transactions on block verification and propagation. We find that Zero transactions can be spent reasonably quickly and that the effects of increased block validation time are minimal.

		Intel Core i7-4770 @ 3.40GHz 16GB of RAM 1 thread	
Setup	Time	5 min 17 s	
	Size of pp size of pk_{POUR} size of vk_{POUR} \wedge size of pp_{enc} size of pp_{sig}	896 MiB 896 MiB 749 B 0 B 0 B	
CreateAddress	Time	326.0 ms	
	Size of $addr_{pk}$ size of a_{pk} \wedge size of pk_{enc}	343 B 32 B 311 B	
	Size of $addr_{sk}$ size of a_{sk} \wedge size of sk_{enc}	319 B 32 B 287 B	
Mint	Time	23 μ s	
	Size of coin c size of $addr_{pk}$ size of v size of p size of r size of s size of cm	463 B 343 B 8 B 32 B 48 B 0 B 32 B	
	Size of tx_{Mint} size of cm size of v size of k size of s	72 B 32 B 8 B 32 B 0 B	
Pour	Time	2 min 2.01 s	
	Size of tx_{POUR} size of rt size of sn^{old}, sn^{old} size of cm_1^{new}, cm_2^{new} size of v_{pub} size of info size of pk_{sig} size of h_1, h_2 size of π_{POUR} \wedge size of C_1, C_2 size of σ	996 B + info 32 B 2×32 B 2×32 B 8 B info 66 B 2×32 B 288 B 2×173 B 64 B	
	Time for mint tx	8.3 μ s	
	Time for pour tx (excludes L scan)	5.7 ms	
	Receive	Time (per pour tx)	1.6 ms

Figure 6: Performance of Zero algorithms. Above, we report the sizes of pp_{enc} and pp_{sig} as 0 B, because these parameters are “hardcoded” in the libraries we rely on for Enc and Sig. ($N = 10$ with $\sigma \leq 2.5\%$ for all except that, due to variability at short timescales, $\sigma(\text{Mint}) \leq 3.3 \mu\text{s}$ and $\sigma(\text{VerifyTransaction}) \leq 1.9 \mu\text{s}$)

Simulation design. Because Zero requires breaking changes to the Bitcoin protocol, we cannot test our protocol in the live Bitcoin network or even in the dedicated testnet. We must run our own private testnet. For efficiency and cost reasons, we would like to run as many Bitcoin nodes as possible on the least amount of hardware. This raises two issues. First, reducing the proof of work to practical levels while still preserving a realistic rate of new blocks is difficult (especially on

virtualized hardware with variable performance). Second, the overhead of zk-SNARK verification prevents us from running many Bitcoin nodes on one virtualized server.

The frequency of new blocks can be modeled as a Poisson process with a mean of Λ_{block} seconds.²¹ To generate blocks stochastically, we modify bitcoind to fix its block difficulty at a trivial level²² and run a Poisson process, on the simulation control server, which trivially mines a block on a randomly selected node. This preserves the distribution of blocks, without the computational overhead of a real proof of work. Another Poisson process triggering mechanism, with a different mean Λ_{tx} , introduces new transactions at random network nodes.

To differentiate which transactions represent normal Bitcoin expenditures versus which contain Zero pour transactions, simulated Zero transactions pay a unique amount of bitcoins (we set this value arbitrarily at 7 BTC). If a transaction’s output matches this preset value, and it is not in verification cache, then our modified Bitcoin client inserts a 10 ms delay simulating the runtime of `VerifyTransaction`.²³ Otherwise transactions are processed as specified by the Bitcoin protocol. We vary the amount of simulated Zero traffic by varying the number of transactions with this particular output amount. This minimizes code changes and estimates only the generic impact of verification delays and not of any specific implementation choice.

Methodology. Recent research [DW13] suggests that the Bitcoin network contains 16,000 distinct nodes though most are likely no longer participating: approximately 3,500 are reachable at any given time. Each node has an average of 32 open connections to randomly selected peers. As of November 2013, the peak observed transaction rate for Bitcoin is slightly under one transaction per second [Lee13].

In our simulation, we use a 1000-node network in which each node has an average of 32 peers, transactions are generated with a mean of $\Lambda_{\text{tx}} = 1$ s, a duration of 1 hour, and a variable percentage ϵ of Zero traffic. To allow for faster experiments, instead of generating a block every 10 minutes as in Bitcoin, we create blocks at an average of every $\Lambda_{\text{block}} = 150$ s (as in Litecoin, a popular altcoin).

We run our simulation for different traffic mixes, where ϵ indicates the percentage of Zero transactions and $\epsilon \in \{0\%, 25\%, 50\%, 75\%, 100\%\}$. Each simulation is run on 200 Amazon EC2 general-purpose m1.medium instances, in one region on a 10.10./16 private network. On each instance, we deploy 5 instances of bitcoind.²⁴

Results. Transactions are triggered by a blocking function call on the simulation control node that must connect to a random node and wait for it to complete sending a transaction. Because the Poisson process modeling transactions generates delays between such calls and not between the exact points when the node actually sends the transactions, the actual transaction rate is skewed. In our experiments the real transaction rate shifts away from our target of one per second to an average of one every 1.4 seconds.

In Figure 7 we plot three metrics for $\epsilon \in \{0\%, 25\%, 50\%, 75\%, 100\%\}$. Each is the average defined over the data from the entire run of the simulation for a given ϵ (i.e., they include multiple transactions and blocks).²⁵ *Transaction latency* is the interval between a transaction’s creation and

²¹Since computational power is added to the Bitcoin network faster than the 2-week difficulty adjustment period, the frequency of block generation is actually skewed. As our experiments run for at most an hour, we ignore this.

²²These code modifications have been rendered moot by the subsequent inclusion of a “regtest” mode in Bitcoin 0.9 that allows for precisely this type of behavior and block generation on command. At the time of our experiments, this feature was not available in a stable release. Future work should use this feature.

²³We used a generous delay of 10 ms (higher than the time reported in Figure 6) to leave room for machines slower than our desktop machine.

²⁴Higher densities of nodes per VM resulted in issues initializing all of the bitcoind instances on boot.

²⁵Because our simulated Bitcoin nodes ran on shared EC2 instances, they were subject to variable external load,

its inclusion in a block. *Block propagation time* comes in two flavors: (1) the average time for a new block to reach a node computed over the times for all nodes, and (2) the same average computed over only the last node to see the block.

Block verification time is the average time, over all nodes, required to verify a block. If verification caching was not effective, we would expect to see a marked increase in both block verification time and propagation time. Since blocks occur on average every 150 s, and we expect approximately one transaction each second, we should see $150 \times 10 \text{ ms} = 1500 \text{ ms}$ of delay if all transactions were non-cached Zero transactions. Instead, we see worst case 80 ms and conclude caching is effective. This results in a negligible effect on block propagation (likely because network operations dominate). The time needed for a transaction to be confirmed, and hence spendable, is roughly 190 s. For slower block generation rates (e.g., Bitcoin’s block every 10 minutes) this should mean users must wait only one block before spending received transactions.

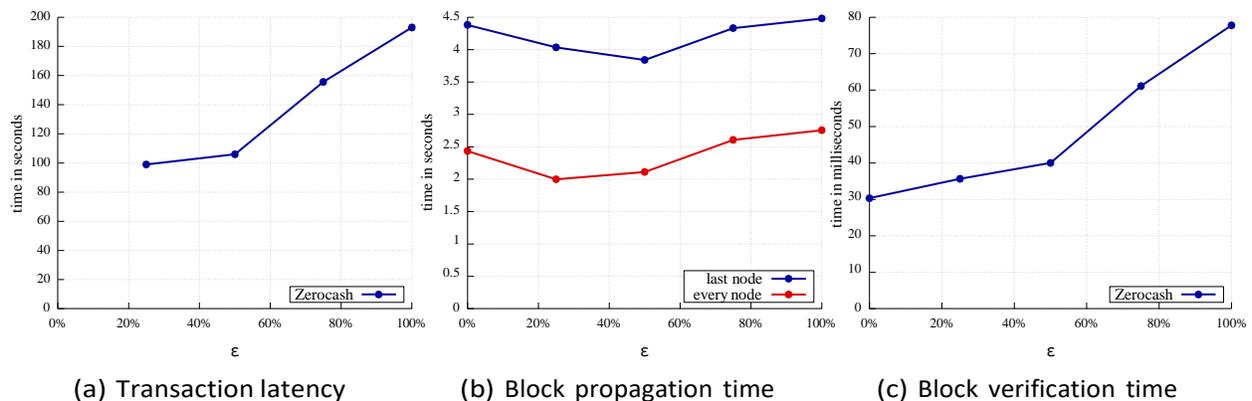


Figure 7: The average values of the three metrics we study, as a function of g , the percentage of transactions that are Zero transactions. Note that, in (a), latency is undefined when $g = 0$ and hence omitted.

8 Optimizations and extensions

We outline several optimizations and extensions to Zero: everlasting anonymity (Section 8.1), faster block propagation (Section 8.2), and improved storage requirements (Section 8.3).

8.1 Everlasting anonymity

Since transactions may persist virtually forever on the ledger, users may wish to ensure the anonymity of their transactions also lasts forever, even if particular primitives are eventually broken (by cryptanalytic breakthrough, engineering progress, or quantum computers). As we now explain, the DAP scheme construction described in Section 4 is only computationally private, but can be modified to achieve *everlasting anonymity*.

Recall that every POUR operation publishes a pour transaction $\text{tx}_{\text{Pour}} = (rt, \text{sn}_i^{\text{old}}, \text{sn}_i^{\text{old}}, \text{cm}_i^{\text{new}}, \text{cm}_i^{\text{new}}, v_{\text{pub}}, \text{info}, *)$, where $*$ = $(\text{pk}_{\text{sig}}, h_1, h_2, \pi_{\text{POUR}}, \mathbf{C}_1, \mathbf{C}_2, \sigma)$ and $\mathbf{C}_i = \text{E}_{\text{enc},i}(\text{pk}_{\text{enc},i}^{\text{new}}, (v_i^{\text{new}}, \rho_i^{\text{new}}, r_i^{\text{new}}, s_i^{\text{new}}))$.

Observe that:

limiting the benchmark precision. Still, it clearly demonstrates that the mild additional delay does not cause catastrophic network effects.

- Since $h_{\text{Sig}} = \text{CRH}(\text{pk}_{\text{Sig}})$ and $h_i = \text{PRF}_{\text{sk}_i}^{\text{pk}}(h_{\text{Sig}})$, an unbounded adversary A can iterate over all x until $\text{PRF}_x^{\text{pk}}(h_{\text{Sig}})$ equals h_i ; with overwhelming probability, there is only one such x , in which case it equals $a_{\text{sk}_i}^{\text{old}}$. Thus, A learns $a_{\text{sk}_i}^{\text{old}}$, and hence $a_{\text{pk}_i}^{\text{old}} := \text{PRF}_{a_{\text{sk}_i}^{\text{old}}}^{\text{addr}}(0)$. This identifies the sender.
- An unbounded A can also decrypt \mathbf{C}_i , so to learn $(v_i^{\text{new}}, \rho_i^{\text{new}}, r_i^{\text{new}}, s_i^{\text{new}})$; then, A can try all possible x until $\text{COMM}_{s_i^{\text{new}}}(v_i^{\text{new}} \parallel \text{COMM}_{r_i^{\text{new}}}(\text{PRF}_x^{\text{addr}}(0) \parallel \rho_i^{\text{new}}))$ equals cm_i^{new} ; with overwhelming probability, there is only one such x , in which case it equals $a_{\text{sk}_i}^{\text{new}}$. This identifies the recipient.

The above attacks can be prevented as follows. First, every sender must use any given address *only once* (for receiving or sending coins): after receiving a coin \mathbf{c} , a user u should immediately generate a new address and pour \mathbf{c} into a fresh one \mathbf{c}' relative to the new address; only afterwards can u spend the coin. Second, a user should not put any data in a ciphertext \mathbf{C}_i to communicate a coin's information, but must instead use some (informationally-secure) out-of-band channel to do so. With these modifications (and recalling that COMM is statistically hiding and π_{POUR} is a perfect-zero-knowledge proof), one can verify that the pour transaction tx_{Pour} is statistically hiding, i.e., leaks no information even to unbounded adversaries.²⁶

8.2 Fast block propagation

As mentioned in Section 7.3, the higher block-verification time of Zero compared to, e.g., Bitcoin does not affect much block propagation. Even so, we note a simple modification that further mitigates concerns. Upon receiving a block, a node validates the proof of work and (optionally) transactions other than mint and pour, and then forward the block right away. Only afterwards, the node executes `VerifyTransaction` on any mint/pour transactions, before accepting it for use in transacting. Thus, blocks are still validated by every node (so the security properties are unhampered), and propagation delays in the broadcast of blocks are reduced.

In principle, this opens the possibility of a denial-of-service attack, in which the network is spammed with invalid blocks which pass the proof-of-work check but contain invalid mint or pour transactions. However, this attack appears unrealistic given the enormous (by design) cost of creating blocks passing the proof-of-work check.

8.3 Improved storage requirements

Beyond the ledger L , users need to maintain two lists: `CMList`, the list of all coin commitments, and `SNList`, the list of all serial numbers of spent coins (see Section 3.1). In our construction, `CMList` is required to deduce authentication paths to create new pour transactions (via `Pour`), while `SNList` is used to verify pour transactions (via `VerifyTransaction`). As the ledger grows, both `CMList` and `SNList` grow in size, and can eventually impose substantial storage requirements (though both are derived from, and smaller than, the block chain per se). We now explain how these storage requirements can be mitigated, by relying on smaller representations of `CMList` and `SNList` that suffice within our construction.

8.3.1 Supporting many coin commitments

To execute the `Pour` algorithm to spend a coin \mathbf{c} , a user u needs to provide an authentication path from \mathbf{c} 's coin commitment to rt , the Merkle-tree root over `CMList`. If we make the following protocol modifications, u does not need all of `CMList` to compute this authentication path.

²⁶As for mint transactions, one can verify that they are already statistically hiding, without any modifications.

In each block B of transactions, we store the Merkle-tree path path_B from the first coin commitment in B to the root rt_B of the Merkle tree over CMList when the last block in the ledger is B . (In Zero, the additional per-block storage cost to store this information is only 2 KiB.)

Note that, given a block B and its successor block B' , the corresponding authentication paths path_B and $\text{path}_{B'}$ can be easily checked for consistency as follows. Let CMList_B and $\text{CMList}_{B'}$ be the two lists of coin commitments corresponding to the two ledgers ending in block B and B' respectively; since CMList_B (i.e., coin commitments to “to the left” of path_B) is a prefix of $\text{CMList}_{B'}$, $\text{path}_{B'}$ can be computed from path_B and B in time $O(|B|d_{\text{tree}})$, where d_{tree} is the tree depth.

When the user u first receives (or mints) the coin c , and its coin commitment is included in a block B , u immediately computes path_B , by using the predecessor block and its authentication path. Afterwards, each time a new block is added to the ledger, u obtains a new path for c by using the new block and the old path for c . Thus, u only needs to act each time a new block is added, and each such update costs $O(d_{\text{tree}})$ per transaction in the block.

Overall, u incurs a storage requirement of only $O(d_{\text{tree}})$ for each coin he owns, and does not need to store CMList anymore.

8.3.2 Supporting many spent serial numbers

To execute the `VerifyTransaction` algorithm on a pour transaction tx_{Pour} , a user u needs access to SNList (in order to check for duplicate serial numbers). Note, in Bitcoin, nodes need to maintain only the list of unspent transaction outputs, which is pruned as outputs are spent. In a DAP scheme, in contrast, nodes have to maintain SNList, which is a list that *always grows*. We now explain how to mitigate this storage requirement, in three incremental steps.

Step 1. The first step is to build a Merkle tree over SNList so to allow easy-to-verify non-membership proofs for SNList; this can be done by letting the leaves of the Merkle tree be the intervals of unspent serial numbers. Then, given the root rt of such tree, a serial number SN claimed to be unspent, and an authentication path path for an interval I , the user can check that path is valid for rt and that SN lies in I ; the root rt and path path would be part of the pour transaction tx_{Pour} to be verified. The problem with this approach, however, is that generating path (and also updating rt) requires knowledge of all of SNList.

Step 2. Next, instead of maintaining SNList in a single Merkle tree, we divide SNList, maintaining its chronological order, into sublists of serial numbers $\text{SNList}_0, \text{SNList}_1, \dots$ and build a Merkle tree over the intervals induced by each sublist (i.e., apply Step 1 to each sublist). This modification implies a corresponding modification for the auxiliary information stored in a pour transaction that allows `VerifyTransaction` to check it. Now, however, producing such auxiliary information is less expensive. Indeed, a user with a coin c should maintain a list of authentication paths $\text{path}_{c,0}, \text{path}_{c,1}, \dots$ (one for each sublist). Only the last path, corresponding to the active sublist, needs to be updated when a serial number is added; the other sublists and authentication paths remain unchanged (and these old sublists can in fact be discarded). When the user spends the coin, he can simply include these paths in the pour transaction. While updating these paths is an efficient operation, computing the initial paths for c is not, as it still requires the full set of sublists.

Step 3. To enable users to avoid the initial cost of computing paths for a new coin, we proceed as follows. First, a coin c is extended to contain a time stamp T_c corresponding to when c is created (minted or poured into); the coin’s commitment is modified to depend on the timestamp, and the timestamp is included in the clear within the transaction that creates the coin. Then, a user, upon spending c , produces a zk-SNARK for the following NP statement: “for each Merkle-tree root created (or updated) after T_c there is an interval and an authentication path for that interval

such that the serial number of c is in that interval". Depending on the number of Merkle trees in such an NP statement, such proofs may already be more efficient to produce, compared to the naive (Step 1) solution, using existing zk-SNARK implementations.

9 Concurrent work

Danezis et al. [DFKP13] suggest using zk-SNARKs to reduce proof size and verification time in Zerocoin. Our work differs from [DFKP13] in both supported functionality and scalability.

First, [DFKP13]'s protocol, like Zerocoin, only supports fixed-value coins, and is best viewed as a decentralized mix. Instead, we define, construct, and implement a full-fledged decentralized electronic currency, which provides anonymous payments of any amount.

Second, in [DFKP13], the complexity of the zk-SNARK generator, prover, and verifier all scale superlinearly in the number of coins, because their arithmetic circuit computes, *explicitly*, a product over all coins. In particular, the number of coins "mixed together" for anonymity cannot be large. Instead, in our construction, the respective complexities are polylogarithmic, polylogarithmic, and constant in the number of coins; our approach supports a practically-unbounded number of coins.

While we do not rely on Pedersen commitments, our approach also yields statistical (i.e., everlasting) anonymity; see the discussion in Section 8.1.

10 Conclusion

Decentralized currencies should ensure a user's privacy from his peers when conducting legitimate financial transactions. Zero provides such privacy protection, by hiding user identities, transaction amounts, and account balances from public view. This, however, may be criticized for hampering accountability, regulation, and oversight. Yet Zero need not be limited to enforcing the basic monetary invariants of a currency system. The underlying zk-SNARK cryptographic proof machinery is flexible enough to support a wide range of policies. It can, for example, let a user prove that he paid his due taxes on all transactions *without* revealing those transactions, their amounts, or even the amount of taxes paid. As long as the policy can be specified by efficient nondeterministic computation using NP statements, it can (in principle) be enforced using zk-SNARKs, and added to Zero. This can enable automated, privacy-preserving verification and enforcement of a wide range of compliance and regulatory policies that would otherwise be invasive to check directly or might be bypassed by corrupt authorities. This raises research, policy, and engineering questions regarding which such policies are desirable and practically realizable.

Another research question is what new functionality can be realized by augmenting the capabilities already present in Bitcoin's scripting language with zk-SNARKs that allow fast verification of expressive statements.

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A Overview of Bitcoin and Zerocoin

We provide an overview of the Bitcoin and Zerocoin protocols. For more details, we refer the reader to Nakamoto [Nak09] and Miers et al. [MGGR13] respectively.

A.1 Bitcoin

Bitcoin [Nak09] is a decentralized currency operated by a collection of mutually-distrusting peers. It consists of three basic components: (i) a peer-to-peer network for broadcasting new transactions; (ii) semantics for identifying and validating new transactions; and (iii) a protocol for maintaining a decentralized ledger, known as the *block chain*, that stores the history of all valid transactions so far.

Identities in Bitcoin are represented via ECDSA public keys. Each user u generates an ECDSA key pair (vk_u, sk_u) and, to receive payments, publishes the verification key vk_u (or its hash) as an address. (In fact, there is no limit to the number of addresses that an individual user may possess.)

Transactions. A *transaction* tx represents a payment from a list of input transactions to a list of output recipients. More precisely, tx is specified by a list $\{I_j\}$ of inputs and a list $\{O_j\}$ of outputs. Each output O_j specifies a value v_j , denominated in *Satoshi* (10^9 Satoshi amounts to 1 bitcoin), and a recipient specification r_j , called *ScriptPubKey*. The specification r_j is given in *Bitcoin script*, a stack-based non-Turing-complete language similar to Forth, and specifies the identity of the recipient of the v_j Satoshi. Each input I_j references an output of a previous transaction tx_j : the reference is specified by a tuple (h_j, k_j, σ_j) , where h_j is the hash of tx_j , k_j is an index specifying which output of tx_j is referenced, and σ_j , called *ScriptSig*, is an input satisfying the *ScriptPubKey* of the k_j -th output of tx_j . Typically, the *ScriptPubKey* specifies a public key that must sign the transaction spending the output and σ_j contains such a signature, hence their names. Inputs can only be claimed by one transaction to prevent double spending.

The total number of bitcoins output by a transaction, $\sum_j v_j$, cannot exceed the total value of the referenced outputs. Any difference between these two quantities is claimed as a *transaction fee* (see below). Thus, any unspent inputs to a transaction become a fee, and transactions typically have at least two outputs: one to the payment's recipient and one back to the sender as "change".

The block chain. Transactions are broadcast in the Bitcoin peer-to-peer network, but are considered valid only once they have been added to the the block chain. To assemble the block chain, *miners* (usually but not necessarily, network nodes) collect transactions from the Bitcoin network and bundle them into *blocks*. Miners then compete for the opportunity to append their own candidate block B to the block chain by searching for a string s such that the integer specified by $SHA256(SHA256(B||s))$ is below some threshold. To incentivize block creation, miners receive a protocol-specified reward (currently 25 BTC) for adding a new block and, moreover, receive per-transaction fees (whose value is specified by the transaction's creator).

The proof of work protects a block against tampering and also ensures that meaningful computational resources were devoted to finding it. This prevents a sybil attack since all the sybils share the same total computational resources (e.g., the server they are virtualized on). Bitcoin assumes that provided more than half the computational work is held by honest nodes, the block-chain is secure. (Though recent work [ES13] has suggested that the threshold may be larger than 50%.)

A.2 Zerocoin

Zerocoin extends Bitcoin by creating two new transaction types: *mint* and *spend*. A mint transaction allows a user to exchange a quantity of bitcoins for the right to mint a new *zerocoin*. Each zerocoin consists of a digital commitment cm to a random serial number sn . At a later point, a (potentially

different) user may issue a spend transaction containing a destination identity, the serial number sn , and a non-interactive zero-knowledge proof for the NP statement “I know secret cm and r such that (i) cm can be opened to sn with commitment randomness r , and (ii) cm was previously minted at some point in the past”. Crucially, the proof, being zero knowledge, *does not link the spend transaction to any particular mint transaction* (among all mint transactions so far). If the proof verifies correctly and the serial number has not been spent previously, the protocol semantics transfer a corresponding amount of bitcoins to the destination address. In this fashion, Zerocoin functions as a decentralized mix.

Zerocoin uses Pedersen commitments over a prime field F_p , i.e., $cm := g^{sn}h^r$, for random generators g, h of a subgroup of F_p^* . The corresponding zero-knowledge proofs are constructed by first *accumulating* (via the Strong-RSA accumulator of [CL01]) the set of commitments of all minted zerocoins, and then proving knowledge of the corresponding commitment randomness and membership in this set. For technical reasons, the proof requires a double-discrete-logarithm (DDL) Fiat–Shamir proof of size $\approx |p|\lambda$, where λ is the security parameter. In practice, the size of these proofs exceeds 45 kB at the 128-bit security level, and require 450 ms or more to verify.

Also note that, in Zerocoin, computing the witness for the accumulator requires access to the *entire* set of commitments so far (though the witness can be incrementally updated for each insertion). This technique supports an unlimited number of coins. In contrast, our construction places a cap N on the number of coins (in our implementation, $N = 2^{64}$) but needs only $\log N$ updates to issue N new coins (and these updates can be efficiently batched, cf. Section 8.3.1).

B Completeness of DAP schemes

A DAP scheme $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$ is **complete** if no polynomial-size ledger sampler S can win the incompleteness experiment with more than negligible probability. In Section 3.4 we informally described this property; we now formally define it.

Definition B.1. Let $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$ be a (candidate) DAP scheme. We say that Π is **complete** if, for every $\text{poly}(\lambda)$ -size ledger sampler S and sufficiently large λ ,

$$\text{Adv}_{\Pi, S}^{\text{INCOMP}}(\lambda) < \text{negl}(\lambda) ,$$

where $\text{Adv}_{\Pi, S}^{\text{INCOMP}}(\lambda) := \Pr[\text{INCOMP}(\Pi, S, \lambda) = 1]$ is S 's advantage in the incompleteness experiment.

We now describe the incompleteness experiment mentioned above. Given a (candidate) DAP scheme Π , a ledger sampler S , and a security parameter λ , the (probabilistic) experiment $\text{INCOMP}(\Pi, S, \lambda)$ consists of an interaction between S and a challenger C , terminating with a binary output by C .

At the beginning of the experiment, C samples $pp \leftarrow \text{Setup}(1^\lambda)$ and sends pp to S . Then, S sends C a ledger, two coins to be spent, and parameters for a pour transaction; more precisely, S sends (1) a ledger L ; (2) two coins $c_1^{\text{old}}, c_2^{\text{old}}$; (3) two address secret keys $\text{addr}_1^{\text{old}}, \text{addr}_2^{\text{old}}$; (4) two values $v_1^{\text{new}}, v_2^{\text{new}}$; (5) new address key pairs $(\text{addr}_1^{\text{new}}, \text{addr}_1^{\text{new}}), (\text{addr}_2^{\text{new}}, \text{addr}_2^{\text{new}})$; (6) a public value v_{pub} ; and (7) a transaction string info . Afterwards, C performs various checks on S 's message.

Concretely, C first checks that c_1^{old} and c_2^{old} are valid unspent coins, i.e., checks that: (i) c_1^{old} and c_2^{old} are well-formed; (ii) their coin commitments cm_1^{old} and cm_2^{old} appear in (valid) transactions on L ; (iii) their serial numbers sn_1^{old} and sn_2^{old} do *not* appear in (valid) transactions on L . Next, C checks that $v_1^{\text{new}} + v_2^{\text{new}} + v_{\text{pub}} = v_1^{\text{old}} + v_2^{\text{old}}$ (i.e., the values suggested by S preserve balance) and $v_1^{\text{old}} + v_2^{\text{old}} \leq v_{\text{max}}$ (i.e., the maximum value is not exceeded). If any of these checks fail, C aborts and outputs 0.

Otherwise, C computes rt , the Merkle-tree root over all coin commitments in L (appearing in valid transactions), and, for $i \in \{1, 2\}$, $path_i$, the authentication path from commitment cm_i^{old} to the root rt . Then, C attempts to spend c_1^{old}, c_2^{old} as instructed by S :

$$(c_1^{new}, c_2^{new}, tx_{Pour}) \leftarrow \text{Pour}(pp, rt, c_1^{old}, c_2^{old}, addr_{sk,1}^{old}, addr_{sk,2}^{old}, path_1, path_2, v_1^{new}, v_2^{new}, addr_{pk,1}^{new}, addr_{pk,2}^{new}, v_{pub}, info) .$$

- Finally, C outputs 1 if and only if any of the following conditions hold:
- $tx_{Pour} \neq (rt, sn_1^{old}, sn_2^{old}, cm_1^{new}, cm_2^{new}, v_{pub}, info, *)$, where cm_1^{new}, cm_2^{new} are the coin commitments of c_1^{new}, c_2^{new} ; OR
 - tx_{Pour} is not valid, i.e., $\text{VerifyTransaction}(pp, tx_{Pour}, L)$ outputs 0; OR
 - for some $i \in \{1, 2\}$, the coin c_i^{new} is not returned by $\text{Receive}(pp, (addr_{pk,i}^{new}, addr_{sk,i}^{new}), L)$, where L is the ledger obtained by appending tx_{Pour} to L .

Remark. There is no need for the challenger C check that, in turn, both c_1^{new} and c_2^{new} are spendable, because this follows by induction. Namely, if c_1^{new}, c_2^{new} were not spendable, a different sampler S^I (that simulates S and then computes and outputs c_1^{new} and c_2^{new}) would provide a counterexample to the above definition.

C Security of DAP schemes

A DAP scheme $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$ is *secure* if it satisfies ledger indistinguishability, transaction non-malleability, and balance. (See Definition 3.2.) In Section 3.4 we informally described these three properties; we now formally define them.

Each of the definitions employs an experiment involving a (stateful) *DAP oracle* O^{DAP} that receives and answers queries from an adversary A (proxied via a challenger C , which performs the experiment-specific sanity checks). Below, we first describe how O^{DAP} works.

The oracle O^{DAP} is initialized by a list of public parameters pp and maintains state. Internally, O^{DAP} stores: (i) L , a ledger; (ii) ADDR , a set of address key pairs; (iii) COIN , a set of coins. All of L , ADDR , COIN start out empty. The oracle O^{DAP} accepts different types of queries, and each query causes different updates to L , ADDR , COIN and outputs. We now describe each type of query Q .

- $Q = (\text{CreateAddress})$

1. Compute $(addr_{pk}, addr_{sk}) := \text{CreateAddress}(pp)$.
2. Add the address key pair $(addr_{pk}, addr_{sk})$ to ADDR .
3. Output the address public key $addr_{pk}$.

The ledger L and coin set COIN remain unchanged.

- $Q = (\text{Mint}, v, addr_{pk})$

1. Compute $(c, tx_{\text{Mint}}) := \text{Mint}(pp, v, addr_{pk})$.
2. Add the coin c to COIN .
3. Add the mint transaction tx_{Mint} to L .
4. Output \perp .

The address set ADDR remains unchanged.

- $Q = (\text{Pour}, idx_1^{old}, idx_2^{old}, addr_{pk,1}^{old}, addr_{pk,2}^{old}, info, v_1^{new}, v_2^{new}, addr_{pk,1}^{new}, addr_{pk,2}^{new}, v_{pub})$

1. Compute rt , the root of a Merkle tree over all coin commitments in L .
2. For each $i \in \{1, 2\}$:
 - (a) Let cm_i^{old} be the idx_i^{old} -th coin commitment in L .

- (b) Let tx_i be the mint/pour transaction in L that contains cm_i^{old} .
 - (c) Let \mathbf{c}^{old} be the first coin in COIN with coin commitment cm_i^{old} .
 - (d) Let $(\text{addr}_{\text{pk},i}^{\text{old}}, \text{addr}_{\text{sk},i}^{\text{old}})$ be the first key pair in ADDR with $\text{addr}_{\text{pk},i}^{\text{old}}$ being $\mathbf{c}_i^{\text{old}}$'s address.
 - (e) Compute path_i , the authentication path from cm_i^{old} to rt .
3. Compute $(\mathbf{c}_1^{\text{new}}, \mathbf{c}_2^{\text{new}}, \text{tx}_{\text{Pour}}) := \text{Pour}(\text{pp}, \text{rt}, \mathbf{c}_1^{\text{old}}, \mathbf{c}_2^{\text{old}}, \text{addr}_{\text{sk},1}^{\text{old}}, \text{addr}_{\text{sk},2}^{\text{old}}, \text{path}_1, \text{path}_2, v_1^{\text{new}}, v_2^{\text{new}}, \text{addr}_{\text{pk},1}^{\text{new}}, \text{addr}_{\text{pk},2}^{\text{new}}, v_{\text{pub}}, \text{info})$.
 4. Verify that $\text{VerifyTransaction}(\text{pp}, \text{tx}_{\text{Pour}}, L)$ outputs 1.
 5. Add the coin $\mathbf{c}_1^{\text{new}}$ to COIN.
 6. Add the coin $\mathbf{c}_2^{\text{new}}$ to COIN.
 7. Add the pour transaction tx_{Pour} to L .
 8. Output \perp .

If any of the above operations fail, the output is \perp (and L , ADDR, COIN remain unchanged).

- $Q = (\text{Receive}, \text{addr}_{\text{pk}})$

1. Look up $(\text{addr}_{\text{pk}}, \text{addr}_{\text{sk}})$ in ADDR. (If no such key pair is found, abort.)
2. Compute $(\mathbf{c}_1, \dots, \mathbf{c}_n) \leftarrow \text{Receive}(\text{pp}, (\text{addr}_{\text{pk}}, \text{addr}_{\text{sk}}), L)$.
3. Add $\mathbf{c}_1, \dots, \mathbf{c}_n$ to COIN.
4. Output $(\text{cm}_1, \dots, \text{cm}_n)$, the corresponding coin commitments.

The ledger L and address set ADDR remain unchanged.

- $Q = (\text{Insert}, \text{tx})$

1. Verify that $\text{VerifyTransaction}(\text{pp}, \text{tx}, L)$ outputs 1. (Else, abort.)
2. Add the mint/pour transaction tx to L .
3. Run **Receive** for all addresses addr_{pk} in ADDR; this updates the COIN with any coins that might have been sent to honest parties via tx .
4. Output \perp .

The address set ADDR remains unchanged.

Remark. The oracle \mathcal{O}^{DAP} provides A with two ways to cause a pour transaction to be added to L . If A has already obtained address public keys $\text{addr}_{\text{pk},1}$ and $\text{addr}_{\text{pk},2}$ (via previous **CreateAddress** queries), then A can use a **Pour** query to elicit a pour transaction tx_{Pour} (despite not knowing address secret keys $\text{addr}_{\text{sk},1}, \text{addr}_{\text{sk},2}$ corresponding to $\text{addr}_{\text{pk},1}, \text{addr}_{\text{pk},2}$). Alternatively, if A has himself generated both address public keys, then A knows corresponding address secret keys, and can invoke **Pour** “in his head” to obtain a pour transaction tx_{Pour} , which he can add to L by using an **Insert** query. In the first case, both addresses belong to honest users; in the second, both to A .

But what about pour transactions where one address belongs to an honest user and one to A ? Such pour transactions might arise from MPC computations (e.g., to make matching donations). The ledger oracle \mathcal{O}^{DAP} , as defined above, does not support such queries. While extending the definition is straightforward, for simplicity we leave handling such queries to future work.

C.1 Ledger indistinguishability

Ledger indistinguishability is characterized by an experiment L-IND, which involves a polynomial-size adversary A attempting to break a given (candidate) DAP scheme.

Definition C.1. Let $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$ be a (candidate) DAP scheme. We say that Π is L-IND **secure** if, for every $\text{poly}(\lambda)$ -size adversary A and sufficiently large λ ,

$$\text{Adv}_{\Pi, A}^{\text{L-IND}}(\lambda) < \text{negl}(\lambda) ,$$

where $\text{Adv}_{\Pi, A}^{\text{L-IND}}(\lambda) := 2 \cdot \Pr[\text{L-IND}(\Pi, A, \lambda) = 1] - 1$ is A 's advantage in the L-IND experiment.

We now describe the L-IND experiment mentioned above. Given a (candidate) DAP scheme Π , adversary A , and security parameter λ , the (probabilistic) experiment $\text{L-IND}(\Pi, A, \lambda)$ consists of an interaction between A and a challenger C , terminating with a binary output by C .

At the beginning of the experiment, C samples $b \in \{0, 1\}$ at random, samples $\text{pp} \leftarrow \text{Setup}(1^\lambda)$, and sends pp to A ; next, C initializes (using pp) two separate DAP oracles O_0^{DAP} and O_1^{DAP} (i.e., the two oracles have separate ledgers and internal tables).

The experiment proceeds in steps and, at each step, C provides to A two ledgers ($L_{\text{Left}}, L_{\text{Right}}$), where $L_{\text{Left}} := L_b$ is the current ledger in O_b^{DAP} and $L_{\text{Right}} := L_{1-b}$ the one in O_{1-b}^{DAP} ; then A sends

to C a pair of queries (Q, Q') , which must be of the *same* type (i.e., one of **CreateAddress**, **Mint**, **Pour**, **Receive**, **Insert**). The challenger C acts differently depending on the query type, as follows.

- If the query type is **Insert**, C forwards Q to O_b^{DAP} , and Q' to O_{1-b}^{DAP} . This allows A to insert his own transactions directly in L_{Left} and L_{Right} .
- For any other query type, C first ensures that Q, Q' are *publicly consistent* (see below) and then forwards Q to O_0^{DAP} , and Q' to O_1^{DAP} ; letting (a_0, a_1) be the two oracle answers, C replies to A with (a_b, a_{1-b}) . This allows A to elicit behavior from honest users. However note that A does not know the bit b , and hence the mapping between $(L_{\text{Left}}, L_{\text{Right}})$ and (L_0, L_1) ; in other words, A does not know if he elicits behavior on (L_0, L_1) or on (L_1, L_0) .

At the end of the experiment, A sends C a guess $b' \in \{0, 1\}$. If $b = b'$, C outputs 1; else, C outputs 0.

Public consistency. As mentioned above, A sends C pairs of queries (Q, Q') , which must be of the same type and publicly consistent, a property that we now define. If Q, Q' are both of type **CreateAddress** or **Receive**, then they are always publicly consistent. In the special case of **CreateAddress** we require that both oracles generate the same address. If they are both of type **Mint**, then the minted value in Q must equal that in Q' . Finally, if they are both of type **Pour**, the following restrictions apply.

First, Q, Q' must be individually well-formed; namely, (i) the coin commitments referenced by Q (via the two indices $\text{idx}_1^{\text{old}}, \text{idx}_2^{\text{old}}$) must correspond to coins $c_1^{\text{old}}, c_2^{\text{old}}$ that appear in the ledger oracle's coin table COIN; (ii) the two coins $c_1^{\text{old}}, c_2^{\text{old}}$ must be unspent (i.e. their serial numbers must not appear in a valid pour transactions on the corresponding oracle's ledger); (iii) the address public keys specified in Q must match those in $c_1^{\text{old}}, c_2^{\text{old}}$; and (iv) the balance equation must hold (i.e., $v_1^{\text{new}} + v_2^{\text{new}} + v_{\text{pub}} = v_1^{\text{old}} + v_2^{\text{old}}$).

Furthermore, Q, Q' must be jointly consistent with respect to public information and A 's view; namely: (i) the public values in Q and Q' must equal; (ii) the transaction strings in Q and Q' must equal; (iii) for each $i \in \{1, 2\}$, if the i -th recipient addresses in Q is not in ADDR (i.e., belongs to A) then v_i^{new} in *both* Q and Q' must equal (and vice versa for Q'); and (iv) for each $i \in \{1, 2\}$, if the i -th index in Q references (in L_0) a coin commitment contained in a transaction that was posted via an **Insert** query, then the corresponding index in Q' must reference (in L_1) a coin commitment that also appears in a transaction posted via an **Insert** query and, moreover, v_i^{old} in *both* Q and Q' must equal (and vice versa for Q'). The challenger C learns v_i^{old} by looking-up the corresponding coin c_i^{old} in the oracle's coin set COIN. (v) for each $i \in \{1, 2\}$ if the i -th index in Q must not reference a coin that has previously been spent.

C.2 Transaction non-malleability

Transaction non-malleability is characterized by an experiment TR-NM, which involves a polynomial-size adversary A attempting to break a given (candidate) DAP scheme.

Definition C.2. Let $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$ be a (candidate) DAP scheme. We say that Π is **TR-NM secure** if, for every poly(λ)-size adversary A and sufficiently large λ ,

$$\text{Adv}_{\Pi, A}^{\text{TR-NM}}(\lambda) < \text{negl}(\lambda) ,$$

where $\text{Adv}_{\Pi, A}^{\text{TR-NM}}(\lambda) := \Pr[\text{TR-NM}(\Pi, A, \lambda) = 1]$ is A 's advantage in the TR-NM experiment.

We now describe the TR-NM experiment mentioned above. Given a (candidate) DAP scheme Π , adversary A , and security parameter λ , the (probabilistic) experiment $\text{TR-NM}(\Pi, A, \lambda)$ consists of an interaction between A and a challenger C , terminating with a binary output by C .

At the beginning of the experiment, C samples $\text{pp} \leftarrow \text{Setup}(1^\lambda)$ and sends pp to A ; next, C initializes a DAP oracle O^{DAP} with pp and allows A to issue queries to O^{DAP} . At the end of the experiment, A sends C a pour transaction tx^* , and C outputs 1 if and only if the following conditions hold. Letting T be the set of pour transactions generated by O^{DAP} in response to **Pour** queries, there exists $\text{tx} \in T$ such that: (i) $\text{tx}^* = \text{tx}$; (ii) $\text{VerifyTransaction}(\text{pp}, \text{tx}^*, L') = 1$, where L' is the portion of the ledger preceding tx ,²⁷ and (iii) a serial number revealed in tx^* is also revealed in tx .

C.3 Balance

Balance is characterized by an experiment **BAL**, which involves a polynomial-size adversary A attempting to break a given (candidate) DAP scheme.

Definition C.3. Let $\Pi = (\text{Setup}, \text{CreateAddress}, \text{Mint}, \text{Pour}, \text{VerifyTransaction}, \text{Receive})$ be a (candidate) DAP scheme. We say that Π is **BAL secure** if, for every poly(λ)-size adversary A and sufficiently large λ ,

$$\text{Adv}_{\Pi, A}^{\text{BAL}}(\lambda) < \text{negl}(\lambda) ,$$

where $\text{Adv}_{\Pi, A}^{\text{BAL}}(\lambda) := \Pr[\text{BAL}(\Pi, A, \lambda) = 1]$ is A 's advantage in the BAL experiment.

We now describe the BAL experiment mentioned above. Given a (candidate) DAP scheme Π , adversary A , and security parameter λ , the (probabilistic) experiment $\text{BAL}(\Pi, A, \lambda)$ consists of an interaction between A and a challenger C , terminating with a binary output by C .

At the beginning of the experiment, C samples $\text{pp} \leftarrow \text{Setup}(1^\lambda)$, and sends pp to A ; next, C (using pp) initializes a DAP oracle O^{DAP} and allows A to issue queries to O^{DAP} . At the conclusion of the experiment, A sends C a set of coins S_{coin} . Recalling that **ADDR** is the set of addresses returned by **CreateAddress** queries (i.e., addresses of “honest” users), C computes the following five quantities.

- v_{Unspent} , the total value of all spendable coins in S_{coin} . The challenger C can check if a coin $\mathbf{c} \in S_{\text{coin}}$ is spendable as follows: mint a fresh coin \mathbf{c}' of value 0 (via a **Mint** query) and check if a corresponding **Pour** query consuming \mathbf{c}, \mathbf{c}' yields a pour transaction tx_{Pour} that is valid.
- v_{Mint} , the total value of all coins minted by A . To compute v_{Mint} , the challenger C sums up the values of all coins that (i) were minted via **Mint** queries using addresses not in **ADDR**, or (ii) whose mint transactions were directly placed on the ledger via **Insert** queries.
- $v_{\text{ADDR} \rightarrow A}$, the total value payments received by A from addresses in **ADDR**. To compute $v_{\text{ADDR} \rightarrow A}$, the challenger C looks up all pour transactions placed on the ledger via **Pour** queries and sums up the values that were transferred to addresses not in **ADDR**.

²⁷That is, L' is the longest ledger prefix that can be used to spend at least one of the coins spent in tx .

- $v_{A \rightarrow \text{ADDR}}$, the total value of payments sent by A to addresses in ADDR . To compute $v_{A \rightarrow \text{ADDR}}$, the challenger C first deduces the set $S \subseteq \text{COIN}$ of all coins received by honest parties and then sums up the values of coins in S . (Note that C can compute S by selecting all coins in COIN that are both tied to an address in ADDR and arose from transactions placed on the ledger by **Insert** queries.)
- v_{Basecoin} , the total value of public outputs placed by A on the ledger. To compute v_{Basecoin} , the challenger C looks up all pour transactions placed on the ledger by **Insert** and sums up the corresponding v_{pub} values.

At the end of the experiment, C outputs 1 if $v_{\text{Unspent}} + v_{\text{Basecoin}} + v_{A \rightarrow \text{ADDR}} > v_{\text{Mint}} + v_{\text{ADDR} \rightarrow A}$; else, C outputs 0.

Remark. There are two methods for A to spend more public-output money than he owns: (i) by directly inserting transactions on the ledger, and (ii) by asking honest parties to create such transactions. The first method is accounted for in the computation of v_{Basecoin} , while the second method is accounted for in the computation of $v_{A \rightarrow \text{ADDR}}$ (since A must first pay the honest party).

D Proof of Theorem 4.1

We prove Theorem 4.1. We omit a formal proof of the completeness claim; one can verify that the DAP scheme's completeness follows, in a straightforward way, from the completeness of the construction's building blocks. Next, we argue security via three separate proofs, respectively showing that our construction satisfies (i) ledger indistinguishability, (ii) transaction non-malleability, and (iii) balance.

D.1 Proof of ledger indistinguishability

We describe a simulation $\mathfrak{Z}_{\text{sim}}$ in which the adversary A interacts with a challenger C , as in the L-IND experiment. However $\mathfrak{Z}_{\text{sim}}$ differs from the L-IND experiment in a critical way: all answers sent to A are computed *independently* of the bit b , so that A 's advantage in $\mathfrak{Z}_{\text{sim}}$ is 0. The remainder of the proof is devoted to showing that $\text{Adv}_{\Pi, A}^{\text{L-IND}}(\lambda)$ (i.e., A 's advantage in the L-IND experiment) is at most negligibly different than A 's advantage in $\mathfrak{Z}_{\text{sim}}$.

The simulation. The simulation $\mathfrak{Z}_{\text{sim}}$ works as follows. First, after sampling $b \in \{0, 1\}$ at random, C samples $\text{pp} \leftarrow \text{Setup}(1^\lambda)$, with the following modification: the zk-SNARK keys are generated as $(\text{pk}_{\text{POUR}}, \text{vk}_{\text{POUR}}, \text{trap}) \leftarrow \text{Sim}(1^\lambda, C_{\text{POUR}})$, to obtain the zero-knowledge trapdoor trap . Then, as in the L-IND experiment, C sends pp to A , and then initializes two separate DAP oracles $\mathcal{O}_0^{\text{DAP}}$ and $\mathcal{O}_1^{\text{DAP}}$.

Afterwards, as in L-IND, $\mathfrak{Z}_{\text{sim}}$ proceeds in steps and, at each step, C provides to A two ledgers $(L_{\text{Left}}, L_{\text{Right}})$, where $L_{\text{Left}} := L_b$ is the current ledger in $\mathcal{O}_b^{\text{DAP}}$ and $L_{\text{Right}} := L_{1-b}$ the one in $\mathcal{O}_{1-b}^{\text{DAP}}$; then A sends to C a message (Q, Q') , which consist of two (publicly-consistent) queries of the same type. The challenger C acts differently depending on the query type, as follows.

- **Answering CreateAddress queries.** In this case, $Q = Q' = \text{CreateAddress}$.

To answer Q , C behaves as in L-IND, except for the following modification: after obtaining $(\text{addr}_{\text{pk}}, \text{addr}_{\text{sk}}) \leftarrow \text{CreateAddress}(\text{pp})$, C replaces a_{pk} in addr_{pk} with a random string of the appropriate length; then, C stores addr_{sk} in a table and returns addr_{pk} to A .

Afterwards, C does the same for Q' .

- **Answering Mint queries.** In this case, $Q = (\mathbf{Mint}, v, \text{addr}_{pk})$ and $Q^i = (\mathbf{Mint}, v, \text{addr}_{pk}^i)$.

To answer Q , C behaves as in L-IND, except for the following modification: the Mint algorithm computes the commitment k as $\text{COMM}_r(\tau \parallel \rho)$, for a random string τ of the appropriate length, instead of as $\text{COMM}_r(a_{pk} \parallel \rho)$, where a_{pk} is the value specified in addr_{pk} .

Afterwards, C does the same for Q^i .

- **Answering Pour queries.** In this case, Q and Q^i both have the form $(\mathbf{Pour}, \text{cm}_1^{\text{old}}, \text{cm}_2^{\text{old}}, \text{addr}_{pk,1}^{\text{old}}, \text{addr}_{pk,2}^{\text{old}}, \text{info}, v_1^{\text{new}}, v_2^{\text{new}}, \text{addr}_{pk,1}^{\text{new}}, \text{addr}_{pk,2}^{\text{new}}, v_{\text{pub}}^{\text{new}})$.

To answer Q , C modifies the way some values are computed:

1. Compute rt_i by accumulating all of the valid coin commitments on L_i .
2. Set v_{pub} and info to the corresponding input values.
3. For each $j \in \{1, 2\}$:
 - (a) Sample a uniformly random sn_j^{old} .
 - (b) If $\text{addr}_{pk,j}^{\text{new}}$ is an address generated by a previous query to **CreateAddress**, (i) sample a coin commitment cm_j^{new} on a random input, (ii) run $K_{\text{enc}}(\text{pp}_{\text{enc}}) \rightarrow (\text{pk}_{\text{enc}}, \text{sk}_{\text{enc}})$ and compute $\text{c}_j^{\text{new}} := E_{\text{enc}}(\text{pk}_{\text{enc}}, r)$ for a random r of suitable length.
 - (c) Otherwise, calculate $(\text{cm}_i^{\text{new}}, \text{c}_i^{\text{new}})$ as in the Pour algorithm.²⁸
4. Set h_1 and h_2 to be random strings of the appropriate length.
5. Compute all remaining values as in the Pour algorithm
6. The pour proof is computed as $\pi_{\text{POUR}} := \text{Sim}(\text{trap}, x)$, where $x := (\text{rt}, \text{sn}_1^{\text{old}}, \text{sn}_2^{\text{old}}, \text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}, v_{\text{pub}}, h_1, h_2)$.

Afterwards, C does the same for Q^i .

- **Answering Receive queries.** In this case, $Q = (\mathbf{Receive}, \text{addr}_{pk})$ and $Q^i = (\mathbf{Receive}, \text{addr}_{pk}^i)$. The answer to each query proceeds as in the L-IND experiment.
- **Answering Insert queries.** In this case, $Q = (\mathbf{Insert}, \text{tx})$ and $Q^i = (\mathbf{Insert}, \text{tx}^i)$. The answer to each query proceeds as in the L-IND experiment.

In each of the above cases, the response to A is computed independently of the bit b . Thus, when A outputs a guess b^i , it must be the case that $\Pr[b = b^i] = 1/2$, i.e., A 's advantage in \mathcal{Z}_{sim} is 0.

Proof that the simulation is indistinguishable from the real experiment. We now describe a sequence of hybrid experiments $(\mathcal{Z}_{\text{real}}, \mathcal{Z}_1, \mathcal{Z}_2, \mathcal{Z}_3, \mathcal{Z}_{\text{sim}})$ in each of which a challenger C conducts a modification of the L-IND experiment with A . We define $\mathcal{Z}_{\text{real}}$ to be the original L-IND experiment, and \mathcal{Z}_{sim} to be the simulation described above.

With a slight abuse of notation, given experiment \mathcal{Z} , we define $\text{Adv}^{\mathcal{Z}}$ to be the absolute value of the difference between (i) the L-IND advantage of A in \mathcal{Z} and (ii) the L-IND advantage of A in $\mathcal{Z}_{\text{real}}$. Also, let

- q_{CA} be the total number of **CreateAddress** queries issued by A ,
- q_{P} be the total number of **Pour** queries issued by A , and
- q_{M} be the total number of **Mint** queries issued by A .

Finally, define Adv^{Enc} to be A 's advantage in Enc's IND-CCA and IK-CCA experiments, Adv^{PRF} to be A 's advantage in distinguishing the pseudorandom function PRF from a random one, and Adv^{COMM} to be A 's advantage against the hiding property of COMM.

We now describe each of the hybrid experiments.

²⁸Note that by the restrictions of the experiment, the value v_i^{new} is identical between Q_{Left} and Q_{Right} .

• **Experiment \mathcal{Z}_1 .** The experiment \mathcal{Z}_1 modifies $\mathcal{Z}_{\text{real}}$ by simulating the zk-SNARKs. More precisely, we modify $\mathcal{Z}_{\text{real}}$ so that \mathcal{C} simulates each zk-SNARK proof, as follows. At the beginning of the experiment, instead of invoking $\text{KeyGen}(1^\lambda, C_{\text{POUR}})$, \mathcal{C} invokes $\text{Sim}(1^\lambda, C_{\text{POUR}})$ and obtains $(pk_{\text{POUR}}, vk_{\text{POUR}}, \text{trap})$. At each subsequent invocation of the **Pour** algorithm, \mathcal{C} computes $\pi_{\text{POUR}} \leftarrow \text{Sim}(\text{trap}, x)$, without using any witnesses, instead of using **Prove**. Since the zk-SNARK system is perfect zero knowledge, the distribution of the simulated π_{POUR} is identical to that of the proofs computed in $\mathcal{Z}_{\text{real}}$. Hence $\text{Adv}^{\mathcal{Z}_1} = 0$.

• **Experiment \mathcal{Z}_2 .** The experiment \mathcal{Z}_2 modifies \mathcal{Z}_1 by replacing the ciphertexts in a **pour** transaction by encryptions of random strings. More precisely, we modify \mathcal{Z}_1 so that, each time \mathcal{A} issues a **Pour** query where one of the output addresses ($\text{addr}_{pk,1}^{\text{new}}, \text{addr}_{pk,2}^{\text{new}}$) is in the set of addresses previously generated by a **CreateAddress** query, the two ciphertexts $\mathbf{c}_1^{\text{new}}, \mathbf{c}_2^{\text{new}}$ are generated as follows: (i) $(pk_{\text{enc}}^{\text{new}}, sk_{\text{enc}}^{\text{new}}) \leftarrow \text{K}_{\text{enc}}(pp_{\text{enc}})$; (ii) for each $j \in \{1, 2\}$, $\mathbf{c}_j^{\text{new}} := \text{E}_{\text{enc}}(pk_{\text{enc},j}^{\text{new}}, r)$ where r is a message sampled uniformly from the plaintext space of the encryption scheme. By Lemma D.1 (see below), $|\text{Adv}^{\mathcal{Z}_2} - \text{Adv}^{\mathcal{Z}_1}| \leq 4 \cdot q_{\mathcal{P}} \cdot \text{Adv}^{\text{Enc}}$.

• **Experiment \mathcal{Z}_3 .** The experiment \mathcal{Z}_3 modifies \mathcal{Z}_2 by replacing all PRF-generated values with random strings. More precisely, we modify \mathcal{Z}_2 so that:

- each time \mathcal{A} issues a **CreateAddress** query, the value a_{pk} within the returned addr_{pk} is substituted with a random string of the same length;
- each time \mathcal{A} issues a **Pour** query, each of the serial numbers $sn_1^{\text{old}}, sn_2^{\text{old}}$ in tx_{Pour} is substituted with a random string of the same length, and h_{info} with a random string of the same length.

By Lemma D.2 (see below), $|\text{Adv}^{\mathcal{Z}_3} - \text{Adv}^{\mathcal{Z}_2}| \leq q_{\mathcal{CA}} \cdot \text{Adv}^{\text{PRF}}$.

• **Experiment \mathcal{Z}_{sim} .** The experiment \mathcal{Z}_{sim} is already described above. For comparison, we explain how it differs from \mathcal{Z}_3 : the coin commitments are replaced with commitments to random inputs. More precisely, we modify \mathcal{Z}_3 so that:

- each time \mathcal{A} issues a **Mint** query, the coin commitment cm in tx_{Mint} is substituted with a commitment to a random input; and
- each time \mathcal{A} issues a **Pour** query, then, for each $j \in \{1, 2\}$, if the output address $\text{addr}_{pk,j}^{\text{new}}$ is in the set of addresses previously generated by an **CreateAddress** query, cm_j^{new} is substituted with a commitment to a random input.

By Lemma D.3 (see below), $|\text{Adv}^{\mathcal{Z}_{\text{sim}}} - \text{Adv}^{\mathcal{Z}_3}| \leq (q_{\mathcal{M}} + 4 \cdot q_{\mathcal{P}}) \cdot \text{Adv}^{\text{COMM}}$.

As argued above, the responses provided to \mathcal{A} in \mathcal{Z}_{sim} are independent of the bit b , so that $\text{Adv}^{\mathcal{Z}_{\text{sim}}} = 0$. Then, by summing over \mathcal{A} 's advantages in the hybrid experiments, we can bound \mathcal{A} 's advantage in $\mathcal{Z}_{\text{real}}$ by

$$\text{Adv}_{\mathcal{H}, \mathcal{A}}^{\text{IND}}(\lambda) \leq 4 \cdot q_{\mathcal{P}} \cdot \text{Adv}^{\text{Enc}} + q_{\mathcal{CA}} \cdot \text{Adv}^{\text{PRF}} + (q_{\mathcal{M}} + 4 \cdot q_{\mathcal{P}}) \cdot \text{Adv}^{\text{COMM}},$$

which is negligible in λ . This concludes the proof of ledger indistinguishability. Below, we sketch proofs for the lemmas used above (Lemma D.1, Lemma D.2, and Lemma D.3).

Lemma D.1. Let Adv^{Enc} be the maximum of:

- \mathcal{A} 's advantage in the IND-CCA experiment against the encryption scheme Enc , and
- \mathcal{A} 's advantage in the IK-CCA experiment against the encryption scheme Enc .

Then after $q_{\mathcal{P}}$ **Pour** queries, $|\text{Adv}^{\mathcal{Z}_2} - \text{Adv}^{\mathcal{Z}_1}| \leq 4 \cdot q_{\mathcal{P}} \cdot \text{Adv}^{\text{Enc}}$.

Proof sketch. Define $\epsilon := \text{Adv}^{3_2} - \text{Adv}^{3_1}$. Using **A**, we first show how to construct a solver with advantage $\geq \frac{\epsilon}{2 \cdot q_P}$ in the IK-CCA or IND-CCA experiments. We use a hybrid **H**, intermediate between 3_1 and 3_2 ; concretely, **H** modifies 3_1 so that each ciphertext (where the corresponding public key appears in the set generated by a **CreateAddress** query) is replaced with the encryption of the same plaintext, but under a new, random public key generated via the K_{enc} algorithm. (For comparison, 3_2 modifies **H** so that each plaintext is replaced with a random plaintext drawn from the plaintext space.) We now argue that **A**'s advantage in distinguishing **H** and 3_1 is at most $2 \cdot q_P \cdot \text{Adv}^{\text{Enc}}$, and so is for distinguishing 3_2 and **H**. Overall, we deduce that $|\text{Adv}^{3_2} - \text{Adv}^{3_1}| \leq 4 \cdot q_P \cdot \text{Adv}^{\text{Enc}}$.

First, we discuss **H** and 3_1 . For some $j \in \{1, \dots, q_{\text{CA}}\}$, when **A** makes the j -th query of the form **CreateAddress**, query the IK-CCA challenger to obtain two public keys $(\text{pk}_{\text{enc},0}, \text{pk}_{\text{enc},1})$ and return $\text{pk}_{\text{enc}} := \text{pk}_{\text{enc},0}$ in the response to **A**. At the time **A** issues a **Pour** query that results in the i -th ciphertext \mathbf{C}_i being encrypted under pk_{enc} , query the IK-CCA challenger on the corresponding plaintext m and receive $\mathbf{C}^* = E_{\text{enc}}(\text{pk}_{\text{enc},\bar{b}}, m)$ where \bar{b} is the bit chosen by the IK-CCA challenger. Substitute $\mathbf{C}_i := \mathbf{C}^*$ and write the resulting tx_{Pour} to the Ledger. When **A** outputs b^i we return this guess as our guess in the IK-CCA experiment. We note that when $\bar{b} = 0$ then **A**'s view of the interaction is distributed identically to that of 3_1 , and when \bar{b} is 1 then **A**'s view represents an intermediate hybrid where one key has been substituted. By a standard hybrid argument over each of the $2 \cdot q_P$ ciphertexts, we note that over the random coins of the experiment, our solver must succeed in the IK-CCA experiment with advantage $\geq \frac{\epsilon}{2 \cdot q_P}$. If we assume a maximum adversarial advantage Adv^{Enc} against the IK-CCA experiment for the encryption scheme, then we get that

$\text{Adv}^{\text{H}} - \text{Adv}^{3_1} \leq 2 \cdot q_P \cdot \text{Adv}^{\text{Enc}}$. Next, we discuss 3_2 and **H**; the argument is similar to the above one. This time, rather than replacing the key used to encrypt, we replace the plaintext with a random message drawn from the plaintext space; this final distribution is the same as in 3_2 . We omit the formal description of the resulting IND-CCA solver (which essentially follows the pattern above), and simply note that $|\text{Adv}^{3_2} - \text{Adv}^{\text{H}}| \leq 2 \cdot q_P \cdot \text{Adv}^{\text{Enc}}$. \square

Lemma D.2. Let Adv^{PRF} be **A**'s advantage in distinguishing the pseudorandom function PRF from a random function. Then, after q_{CA} **CreateAddress** queries, $|\text{Adv}^{3_3} - \text{Adv}^{3_2}| \leq q_{\text{CA}} \cdot \text{Adv}^{\text{PRF}}$.

Proof sketch. We first describe a hybrid **H**, intermediate between 3_2 and 3_3 , in which all values computed using the first (rather than all) oracle-generated key a_{sk} are replaced with random strings. Then, we show that **A**'s advantage in distinguishing between **H** and 3_2 is at most Adv^{PRF} . Finally, we extend the argument to all q_{CA} oracle-generated keys (corresponding to what happens in 3_3).

We now describe **H**. On receiving **A**'s first **CreateAddress** query, replace the public address $\text{addr}_{\text{pk}} = (a_{\text{pk}}, \text{pk}_{\text{enc}})$ with $\text{addr}_{\text{pk}} = (\tau, \text{pk}_{\text{enc}})$ where τ is a random string of the appropriate length. On each subsequent **Pour** query, for each $i \in \{1, 2\}$, if $\text{addr}_{\text{pk},i}^{\text{old}} = \text{addr}_{\text{pk}}$ then:

1. in the output tx_{Pour} , replace sn_i^{old} with a random string of appropriate length;
2. in the output tx_{Pour} , replace each of h_1, h_2 with a random string of appropriate length.
3. simulate the zk-SNARK proof π_{POUR} for the new transaction.

Note that the above modifications do not affect the computation of the zk-SNARK proof π_{POUR} , because π_{POUR} is simulated with the help of a trapdoor.

We now argue that **A**'s advantage in distinguishing between **H** and 3_2 is at most Adv^{PRF} . Let a_{sk} be the random, secret seed for PRF generated by the oracle in answering the first **CreateAddress** query. In 3_2 (as in 3_{real}):

- $a_{\text{pk}} := \text{PRF}_{a_{\text{sk}}}^{\text{addr}}(0)$;
- for each $i \in \{1, 2\}$, $\text{sn}_i := \text{PRF}_{a_{\text{sk}}}^{\text{sn}}(\rho)$ for a random (and not previously used) ρ

• for each $i \in \{1, 2\}$, $h_i := \text{PRF}_{a_{\text{sk}}}^{\text{pk}}(i \| h_{\text{Sig}})$ and, with overwhelming probability, h_{Sig} is unique. Moreover, each of $\text{PRF}_{a_{\text{sk}}}^{\text{addr}}$, $\text{PRF}_{a_{\text{sk}}}^{\text{sn}}$, $\text{PRF}_{a_{\text{sk}}}^{\text{pk}}$ are constructed from PRF_a as specified in Section 4.1.

Note that, with overwhelming probability, no two calls to $\text{PRF}_{a_{\text{sk}}}$ are made on the same input. First, even identical inputs passed to $\text{PRF}_{a_{\text{sk}}}^{\text{addr}}$, $\text{PRF}_{a_{\text{sk}}}^{\text{sn}}$, $\text{PRF}_{a_{\text{sk}}}^{\text{pk}}$ produce different underlying calls to PRF_a . Second, within each construction, there is exactly one call to $\text{PRF}_{a_{\text{sk}}}^{\text{addr}}$, and the calls to $\text{PRF}_{a_{\text{sk}}}^{\text{sn}}$ are each by definition unique. Finally, with overwhelming probability, the calls to $\text{PRF}_{a_{\text{sk}}}^{\text{pk}}$ from different transactions each reference a distinct digest h_{Sig} , and, within a given transaction, the two calls each begin with a distinct prefix.

Now let \mathcal{O} be an oracle that implements either $\text{PRF}_{a_{\text{sk}}}$ or a random function. We show that if \mathbf{A} distinguishes \mathbf{H} from \mathcal{Z}_2 with probability ϵ , then we can construct a distinguisher for the two cases of \mathcal{O} . In either case we use \mathcal{O} to generate all values computed using $\text{PRF}_{a_{\text{sk}}}^{\text{addr}}$, $\text{PRF}_{a_{\text{sk}}}^{\text{sn}}$, $\text{PRF}_{a_{\text{sk}}}^{\text{pk}}$. Clearly, when \mathcal{O} implements $\text{PRF}_{a_{\text{sk}}}$, the distribution of the experiment is identical to \mathcal{Z}_2 ; instead, when \mathcal{O} implements a random function, the distribution of the experiment is identical to \mathbf{H} . Thus, \mathbf{A} 's advantage is at most Adv^{PRF} .

Finally, by a standard hybrid argument, we extend the above to all q_{CA} oracle-generated addresses; then, \mathbf{A} 's differential distinguishing advantage is at most $q_{\text{CA}} \cdot \text{Adv}^{\text{PRF}}$. Because this final hybrid is equal to \mathcal{Z}_3 , we deduce that $|\text{Adv}^{\mathcal{Z}_3} - \text{Adv}^{\mathcal{Z}_2}| \leq q_{\text{CA}} \cdot \text{Adv}^{\text{PRF}}$. \square

Lemma D.3. Let Adv^{COMM} be \mathbf{A} 's advantage against the hiding property of COMM . After q_{M} **Mint** queries and q_{P} **Pour** queries, $|\text{Adv}^{\mathcal{Z}_{\text{sim}}} - \text{Adv}^{\mathcal{Z}_3}| \leq (q_{\text{M}} + 4 \cdot q_{\text{P}}) \cdot \text{Adv}^{\text{COMM}}$.

Proof sketch. We only provide a short sketch, because the structure of the argument is similar to the one used to prove Lemma D.2 above.

For the first **Mint** or **Pour** query, replace the “internal” commitment $k := \text{COMM}_r(a_{\text{pk}} \| \rho)$ with a random string of the appropriate length. Since ρ is random (and unique), then \mathbf{A} 's advantage in distinguishing this modified experiment from \mathcal{Z}_2 is at most Adv^{COMM} . Then, if we similarly modify all q_{M} **Mint** queries and all q_{P} **Pour** queries, by replacing the resulting $q_{\text{M}} + 2 \cdot q_{\text{P}}$ internal commitments with random strings, we can bound \mathbf{A} 's advantage by $(q_{\text{M}} + 2 \cdot q_{\text{P}}) \cdot \text{Adv}^{\text{COMM}}$.

Next, in a similar vein, if replace the coin commitment in the first **Pour** with a commitment to a random value, then \mathbf{A} 's advantage in distinguishing this modified experiment from the above one is at most Adv^{COMM} . Then, if we similarly modify all q_{P} **Pour** queries, by replacing the resulting $2 \cdot q_{\text{P}}$ coin commitments with random strings, we obtain the experiment \mathcal{Z}_{sim} , and deduce that $|\text{Adv}^{\mathcal{Z}_{\text{sim}}} - \text{Adv}^{\mathcal{Z}_3}| \leq (q_{\text{M}} + 4 \cdot q_{\text{P}}) \cdot \text{Adv}^{\text{COMM}}$. \square

D.2 Proof of transaction non-malleability

Letting \mathcal{T} be the set of pour transactions generated by \mathcal{O}^{DAP} in response to **Pour** queries, recall that \mathbf{A} wins the TR-NM experiment whenever it outputs tx^* such that there exists $\text{tx}^l \in \mathcal{T}$ such that: (i) $\text{tx}^* = \text{tx}^l$; (ii) $\text{VerifyTransaction}(\text{pp}, \text{tx}^*, L) = 1$, where L is the portion of the ledger preceding tx^l ; and (iii) a serial number revealed in tx^* is also revealed in tx^l . Being a pour transaction, tx^* has the form $(\text{rt}, \text{sn}_1^{\text{old}}, \text{sn}_2^{\text{old}}, \text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}, v_{\text{pub}}, \text{info}, *)$, where $*$:= $(\text{pk}_{\text{Sig}}, h_1, h_2, \pi_{\text{POUR}}, \mathbf{C}_1, \mathbf{C}_2, \sigma)$; set $h_{\text{Sig}} := \text{CRH}(\text{pk}_{\text{Sig}})$. Let pk_{Sig}^l be the corresponding public key in tx^l and set $h_{\text{Sig}}^l := \text{CRH}(\text{pk}_{\text{Sig}}^l)$.

Define $\epsilon := \text{Adv}_{\mathbf{A}}^{\text{TR-NM}}(\lambda)$, and let $\mathcal{Q}_{\text{CA}} = \{a_{\text{sk},1}, \dots, a_{\text{sk},q_{\text{CA}}}\}$ be the set of internal address keys created by \mathbf{C} in response to \mathbf{A} 's **CreateAddress** queries. Let $\mathcal{Q}_{\text{P}} = (\text{pk}_{\text{Sig},1}, \dots, \text{pk}_{\text{Sig},q_{\text{P}}})$ be the set of signature public keys created by \mathbf{C} in response to \mathbf{A} 's **Pour** queries. We decompose the event in which \mathbf{A} wins into the following four disjoint events.

- $\text{EVENT}_{\text{Sig}}$: \mathbf{A} wins, and there is $\text{pk}_{\text{Sig}}^l \in \mathcal{Q}_{\text{P}}$ such that $\text{pk}_{\text{Sig}} = \text{pk}_{\text{Sig}}^l$.

- $\text{EVENT}_{\text{col}}$: \mathbf{A} wins, the above event does not occur, and there is $\text{pk}_{\text{sig}}^{\text{ll}} \in \mathbf{Q}_{\mathbf{P}}$ such that $h_{\text{sig}} = \text{CRH}(\text{pk}_{\text{sig}}^{\text{ll}})$.
- $\text{EVENT}_{\text{mac}}$: \mathbf{A} wins, the above two events do not occur, and $h_i = \text{PRF}_a^{\text{pk}}(\text{ill}h_{\text{sig}})$ for some $i \in \{1, 2\}$ and $a \in \mathbf{Q}_{\text{CA}}$.
- $\text{EVENT}_{\text{key}}$: \mathbf{A} wins, the above three events do not occur, and $h_i = \text{PRF}_a^{\text{pk}}(\text{ill}h_{\text{sig}})$ for all $i \in \{1, 2\}$ and $a \in \mathbf{Q}_{\text{CA}}$.

Clearly, $\epsilon = \Pr[\text{EVENT}_{\text{sig}}] + \Pr[\text{EVENT}_{\text{col}}] + \Pr[\text{EVENT}_{\text{key}}] + \Pr[\text{EVENT}_{\text{mac}}]$. Hence, to show that ϵ is negligible in λ , it suffices to argue that each of these probabilities is negligible in λ .

Bounding the probability of $\text{Event}_{\text{sig}}$. Define $\epsilon_1 := \Pr[\text{EVENT}_{\text{sig}}]$. Let σ be the signature in tx^* , and σ^{ll} be the signature in the first pour transaction $\text{tx}^{\text{ll}} \in \mathbf{T}$ that contains $\text{pk}_{\text{sig}}^{\text{ll}}$. When $\text{EVENT}_{\text{sig}}$ occurs, since $\text{pk}_{\text{sig}} = \text{pk}_{\text{sig}}^{\text{ll}}$, the two signatures are with respect to the same public key. Moreover, since tx^* is valid, $\forall_{\text{sig}}(\text{pk}_{\text{sig}}, m, \sigma) = 1$ where m is everything in tx^* but for σ . Let m^{ll} consist of all elements in tx^{ll} but for σ^{ll} . Observe that whenever $\text{tx}^* = \text{tx}^{\text{ll}}$ we also have $(m, \sigma) \neq (m^{\text{ll}}, \sigma^{\text{ll}})$. We use this fact below to show that \mathbf{A} forges a signature with non-negligible probability.

First, we argue that, conditioned on $\text{EVENT}_{\text{sig}}$, $\text{tx}^* = \text{tx}^{\text{ll}}$ with overwhelming probability; we do so by way of contradiction. First, since \mathbf{A} wins, by definition there is $\text{tx}^{\text{l}} \in \mathbf{T}$ such that $\text{tx}^* = \text{tx}^{\text{l}}$ and yet each of tx^* and tx^{l} share one serial number. Therefore: (i) $\text{tx}^* = \text{tx}^{\text{l}}$; and (ii) if $\text{tx}^* = \text{tx}^{\text{ll}}$ then tx^{l} and tx^{ll} also share a serial number. However the probability that tx^{l} and tx^{ll} share a serial number is bounded by the probability \tilde{p} that \mathbf{T} contains two transactions that share the same serial number. Because each serial number is computed as $\text{PRF}_{\text{ask}}^{\text{sn}}(\rho)$, where ρ is random, \tilde{p} is negligible. We conclude that $\text{tx}^* \neq \text{tx}^{\text{ll}}$ with all but negligible probability.

Next, we describe an algorithm \mathbf{B} , which uses \mathbf{A} as a subroutine, that wins the SUF-1CMA game against Sig with probability $\epsilon_1/q_{\mathbf{P}}$. After receiving a verification key $\text{pk}_{\text{sig}}^{\text{ll}}$ from the SUF-1CMA challenger, the algorithm \mathbf{B} performs the following steps.

1. \mathbf{B} selects a random index $j \leftarrow \{1, \dots, q_{\mathbf{P}}\}$.
2. \mathbf{B} conducts the TR-NM experiment with \mathbf{A} , except that, when \mathbf{A} issues the j -th **Pour** query, \mathbf{B} executes **Pour** as usual, but modifies the resulting pour transaction tx^{ll} as follows: (i) it substitutes $\text{pk}_{\text{sig}}^{\text{ll}}$ for the signature public key in tx^{ll} ; (ii) it queries the SUF-1CMA challenger to obtain σ^{ll} on the appropriate message m^{ll} ; and (iii) it substitutes σ^{ll} for the signature in tx^{ll} .
3. When \mathbf{A} outputs tx^* , \mathbf{B} looks into tx^* to obtain $\text{pk}_{\text{sig}}, m$, and σ .
4. If $\text{pk}_{\text{sig}} \neq \text{pk}_{\text{sig}}^{\text{ll}}$ then \mathbf{B} aborts; otherwise \mathbf{B} outputs (m, σ) as a forgery for Sig .

Note that tx^{ll} has the same distribution as an “untampered” pour transaction; thus, all transactions returned to \mathbf{A} are distributed as in the TR-NM experiment. Since the index j is selected at random, \mathbf{B} succeeds in the experiment with probability at least $\epsilon_1/q_{\mathbf{P}}$. Because Sig is SUF-1CMA , ϵ_1 must be negligible in λ .

Bounding the probability of $\text{Event}_{\text{col}}$. Define $\epsilon_2 := \Pr[\text{EVENT}_{\text{col}}]$. When $\text{EVENT}_{\text{col}}$ occurs, \mathbf{A} receives a transaction tx^{l} containing a public key $\text{pk}_{\text{sig}}^{\text{ll}}$, and subsequently outputs a transaction tx^* containing a public key pk_{sig} such that (i) $\text{pk}_{\text{sig}} \neq \text{pk}_{\text{sig}}^{\text{ll}}$, but (ii) $\text{CRH}(\text{pk}_{\text{sig}}) = \text{CRH}(\text{pk}_{\text{sig}}^{\text{ll}})$. In particular, \mathbf{A} finds collisions for CRH with probability ϵ_2 . Because CRH is collision resistant, ϵ_2 must be negligible in λ .

Bounding the probability of $\text{Event}_{\text{mac}}$. Define $\epsilon_3 := \Pr[\text{EVENT}_{\text{mac}}]$. We first define an experiment \mathcal{Z}_1 , which modifies the TR-NM experiment as follows. When \mathbf{C} samples $\text{pp} \leftarrow \text{Setup}(1^\lambda)$, the sub-call to $(\text{pk}_{\text{POUR}}, \text{vk}_{\text{POUR}}) \leftarrow \text{KeyGen}(1^\lambda, C_{\text{POUR}})$ is replaced by $(\text{pk}_{\text{POUR}}, \text{vk}_{\text{POUR}}, \text{trap}) \leftarrow \text{Sim}(1^\lambda, C_{\text{POUR}})$, so to obtain the zero-knowledge trapdoor trap . Afterwards, each time \mathbf{A} issues a **Pour** query, \mathbf{C} replaces the zk-SNARK proof in the resulting pour transaction with a simulated proof, obtained by running $\text{Sim}(\text{trap}, x)$ for an appropriate input x . Because the zk-SNARK is perfect zero knowledge, $\Pr[\text{EVENT}_{\text{mac}}] = \epsilon_3$ in the \mathcal{Z}_1 experiment as well.

Assume by way of contradiction that ϵ_3 is non-negligible. We now show how to construct an attacker B , which uses A as a subroutine, that distinguishes PRF from a random function RAND with non-negligible probability. The algorithm B , which has access either to $O = \text{PRF}$ or $O = \text{RAND}$, “interfaces” between A and C in the experiment \mathcal{Z}_1 above, as follows.

1. First, B selects a random index $j \leftarrow \{1, \dots, q_{\text{CA}}\}$, which identifies $a_{\text{sk},j} \in Q_{\text{CA}}$.
2. Next, B uses the oracle O instead of $\text{PRF}_{a_{\text{sk},j}}$, i.e., anytime a value needs to be computed depending on $\text{PRF}_{a_{\text{sk},j}}(z)$, for some z , $O(z)$ is used instead. (For instance, the public address key $a_{\text{pk},j}$ is one such value.)
3. Finally, after A outputs tx^* :
 - (a) if O has been previously evaluated the expression “ $\text{PRF}_{a_{\text{sk},j}}^{\text{pk}}(illh_{\text{Sig}})$ ” using O , B aborts and outputs 1;
 - (b) otherwise, B evaluates the expression “ $\text{PRF}_{a_{\text{sk},j}}^{\text{pk}}(illh_{\text{Sig}})$ ” by using O ; if the result equals h_i , B outputs 1, else it outputs 0.

Conducting the above strategy does not require knowledge of $a_{\text{sk},j}$ because, having the simulation trapdoor, B does not need witnesses to generate (valid) zk-SNARK proofs.

We now argue that $\Pr B^{\text{PRF}}(1^\lambda) = 1 - \Pr B^{\text{RAND}}(1^\lambda) = 1$ is non-negligible.

- *Case 1: $O = \text{RAND}$.* Observe that:

$$\Pr_{\text{h}} B^{\text{RAND}}(1^\lambda) = 1 \mid B^{\text{RAND}}(1^\lambda) \text{ does not abort} = 2^{-\omega}.$$

where ω is the output length of PRF. Hence:

$$\Pr_{\text{h}} B^{\text{RAND}}(1^\lambda) = 1 = 1 - \Pr_{\text{h}} B^{\text{RAND}}(1^\lambda) \text{ aborts} \cdot 2^{-\omega} + \Pr_{\text{h}} B^{\text{RAND}}(1^\lambda) \text{ aborts}.$$

- *Case 2: $O = \text{PRF}$.* In this case the distribution of the simulation is identical to that of \mathcal{Z}_1 , and B has set $a_{\text{sk},j}$ equal to the seed used by O . Recall that, when $\text{EVENT}_{\text{mac}}$ holds, $h_i = \text{PRF}_a^{\text{pk}}(illh_{\text{Sig}})$ for some $a \in Q_{\text{CA}}$. Since A 's view of the experiment is independent of j , the probability that $a = a_{\text{sk},j}$ is at least $1/q_{\text{CA}}$, and the probability that $h_i = \text{PRF}_{a_{\text{sk},j}}^{\text{pk}}(illh_{\text{Sig}})$ is at least ϵ_3/q_{CA} . Hence:

$$\Pr_{\text{h}} B^{\text{PRF}}(1^\lambda) = 1 \mid B^{\text{PRF}}(1^\lambda) \text{ does not abort} = \epsilon_3/q_{\text{CA}}.$$

Thus:

$$\Pr_{\text{h}} B^{\text{PRF}}(1^\lambda) = 1 = 1 - \Pr_{\text{h}} B^{\text{PRF}}(1^\lambda) \text{ aborts} \cdot \epsilon_3/q_{\text{CA}} + \Pr_{\text{h}} B^{\text{PRF}}(1^\lambda) \text{ aborts}.$$

Clearly, $2^{-\omega}$ is negligible; moreover, if ϵ_3 is non-negligible, then so is $|\epsilon_3/q_{\text{CA}}|$. Thus, to show that $\Pr B^{\text{PRF}}(1^\lambda) = 1 - \Pr B^{\text{RAND}}(1^\lambda) = 1$ is non-negligible, it suffices to show that each of $\Pr B^{\text{RAND}}(1^\lambda) \text{ aborts}$ and $\Pr B^{\text{PRF}}(1^\lambda) \text{ aborts}$ is negligible.

To do so, recall that B aborts if and only if it has previously evaluated the expression “ $\text{PRF}_{a_{\text{sk},j}}^{\text{pk}}(illh_{\text{Sig}})$ ” using O prior to receiving A 's output. First note that B 's only calls to O occur when it evaluates the functions PRF^{addr} , PRF^{sn} and PRF^{pk} . Moreover, due to the construction of these functions it is not possible to evaluate the expression $\text{PRF}_{a_{\text{sk},j}}^{\text{pk}}(illh_{\text{Sig}})$ using any calls to PRF^{addr} or PRF^{sn} . Thus B aborts if and only if it has previously queried PRF^{pk} on the expression $\text{PRF}_{a_{\text{sk},j}}^{\text{pk}}(illh_{\text{Sig}})$. However it is easy to see that this cannot happen under the conditions of $\text{EVENT}_{\text{mac}}$, since such a query would imply the condition $\text{EVENT}_{\text{sig}}$ or $\text{EVENT}_{\text{col}}$, each of which is excluded by $\text{EVENT}_{\text{mac}}$. Hence the probability of either condition occurring is 0.

Bounding the probability of Event_{key}. Define $\epsilon_4 := \Pr [\text{EVENT}_{\text{key}}]$, and let E be the zk-SNARK extractor for A . Assume by way of contradiction that ϵ_4 is non-negligible. We construct an algorithm^{sn} B that finds collisions for PRF^{sn} with non-negligible probability (contradicting the fact that PRF is collision resistant). The algorithm B works as follows.

1. Run A (simulating its interaction with the challenger C) to obtain tx^* .
2. Run $E(\text{pk}_{\text{POUR}}, \text{vk}_{\text{POUR}})$ to obtain a witness a for the zk-SNARK proof π_{POUR} in tx^* .
3. If a is not a valid witness for the instance $x := (\text{rt}, \text{sn}_1^{\text{old}}, \text{sn}_2^{\text{old}}, \text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}, v_{\text{pub}}, h_{\text{Sig}}, h_1, h_2)$, abort and output 0.
4. Parse a as $(\text{path}_1, \text{path}_2, \text{c}_1^{\text{old}}, \text{c}_2^{\text{old}}, \text{addr}_{\text{sk},1}^{\text{old}}, \text{addr}_{\text{sk},2}^{\text{old}}, \text{c}_1^{\text{new}}, \text{c}_2^{\text{new}})$.
5. For each $i \in \{1, 2\}$, parse c_i^{old} as $(\text{addr}_{\text{sk},i}^{\text{old}}, v_i^{\text{old}}, \rho_i^{\text{old}}, h_i^{\text{old}}, s_i^{\text{old}}, \text{cm}_i^{\text{old}})$.
6. For each $i \in \{1, 2\}$, parse $\text{addr}_{\text{sk},i}^{\text{old}}$ as $(a_{\text{sk},i}^{\text{old}}, \text{sk}_{\text{enc},i}^{\text{old}})$.
(Note that, since a is a valid witness, $\text{sn}_i^{\text{old}} = \text{PRF}_{a_{\text{sk},i}^{\text{old}}}^{\text{sn}}(\rho_i^{\text{old}})$ for all $i \in \{1, 2\}$.)
7. For each $i \in \{1, 2\}$:
 - (a) Look for a pour transaction $\text{tx} \in \mathbb{T}$ that contains sn_i^{old} .
 - (b) If one tx is found, let a_{sk} and ρ be the seed and input used to compute sn_i^{old} in tx ; thus, $\text{sn}_i^{\text{old}} = \text{PRF}_{a_{\text{sk}}}^{\text{sn}}(\rho)$. If $a_{\text{sk},i}^{\text{old}} \neq \overline{a_{\text{sk}}}$, output $(a_{\text{sk},i}^{\text{old}}, \rho_i^{\text{old}}), (\overline{a_{\text{sk}}}, \bar{\rho})$ as a collision for PRF^{sn} .

Note that, whenever $\text{EVENT}_{\text{key}}$ holds:

- the proof π_{POUR} is valid and, with all but negligible probability, the witness a is valid;
- the serial number sn_1^{old} or sn_2^{old} appears in some previous pour transaction in \mathbb{T} ;
- whenever a is valid, it holds that $h_1 = \text{PRF}_{a_{\text{sk},1}^{\text{old}}}^{\text{pk}}(h_{\text{Sig}})$ and $h_2 = \text{PRF}_{a_{\text{sk},2}^{\text{old}}}^{\text{pk}}(h_{\text{Sig}})$, so that it cannot be that $a_{\text{sk},1}^{\text{old}} = a_{\text{sk},2}^{\text{old}} = \overline{a_{\text{sk}}}$ (as this contradicts the conditions of the event $\text{EVENT}_{\text{key}}$).

Overall, we conclude that B finds a collision for PRF^{sn} with probability $\epsilon_4 - \text{negl}(\lambda)$.

D.3 Proof of balance

Define $\epsilon := \text{Adv}_{\Pi, A}^{\text{BAL}}(\lambda)$; our goal is to show that ϵ is negligible in λ . Recall that ADDR is the set of addresses returned by A 's **CreateAddress** queries.

Augmenting the ledger with witnesses. We modify the **BAL** experiment in a way that does not affect A 's view: the challenger C computes, for each pour transaction tx_{Pour} on the ledger L (maintained by the oracle O^{DAP}), a witness $a = (\text{path}_1, \text{path}_2, \text{c}_1^{\text{old}}, \text{c}_2^{\text{old}}, \text{addr}_{\text{sk},1}^{\text{old}}, \text{addr}_{\text{sk},2}^{\text{old}}, \text{c}_1^{\text{new}}, \text{c}_2^{\text{new}})$ for the zk-SNARK instance $x = (\text{rt}, \text{sn}_1^{\text{old}}, \text{sn}_2^{\text{old}}, \text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}, v_{\text{pub}}, h_{\text{Sig}}, h_1, h_2)$ corresponding to tx_{Pour} .²⁹ In this way, C obtains an *augmented ledger* (L, θ) , where a_i is a witness for the zk-SNARK instance x_i of the i -th pour transaction in L . Note that we can parse (L, θ) as a list of matched pairs $(\text{tx}_{\text{Pour}}, a)$ where tx_{Pour} is a pour transaction in L and a is its corresponding witness.

The discussion below is relative to the above modification of the **BAL** experiment.

Balanced ledgers. We say that an augmented ledger (L, θ) is *balanced* if the following holds.

- I. Each $(\text{tx}_{\text{Pour}}, a)$ in (L, θ) contains openings (i.e., decommitments) of two distinct coin commitments cm_1^{old} and cm_2^{old} ; also, each cm_i^{old} is the output coin commitment of a pour or mint transaction that precedes tx_{Pour} on L .
- II. No two $(\text{tx}_{\text{Pour}}, a)$ and $(a', \text{tx}'_{\text{Pour}})$ in (L, θ) contain openings of the same coin commitment.

²⁹ Concretely, for pour transactions in L not inserted by A , C simply retains the witness a internally used by O^{DAP} to generate the transaction. As for the (valid) pour transactions inserted by A , C uses the zk-SNARK multi-instance knowledge extractor corresponding to A ; see Section 2.1. (If knowledge extraction fails, C aborts and outputs 1. However, this only happens with negligible probability.)

- III. Each $(\text{tx}_{\text{Pour}}, a)$ in (L, \mathfrak{A}) contains openings of $\text{cm}_1^{\text{old}}, \text{cm}_2^{\text{old}}, \text{cm}_1^{\text{new}}, \text{cm}_2^{\text{new}}$ to values $v_1^{\text{old}}, v_2^{\text{old}}, v_1^{\text{new}}, v_2^{\text{new}}$ (respectively), with the condition that $v_1^{\text{old}} + v_2^{\text{old}} = v_1^{\text{new}} + v_2^{\text{new}} + v_{\text{pub}}$.
- IV. For each $(\text{tx}_{\text{Pour}}, a)$ in (L, \mathfrak{A}) and for each $i \in \{1, 2\}$, the following conditions hold:
- If cm_i^{old} is also the output of a mint transaction tx_{Mint} on L , then the public value v in tx_{Mint} is equal to v_i^{old} .
 - If cm_i^{old} is also the output of a pour transaction tx_i^{old} on L , then its witness a^i contains an opening of cm_i^{old} to a value v^i that is equal to v_i^{old} .
- V. For each $(\text{tx}_{\text{Pour}}, a)$ in (L, \mathfrak{A}) , where tx_{Pour} was inserted by \mathbf{A} , it holds that, for each $i \in \{1, 2\}$, if cm_i^{old} is the output of an earlier mint or pour transaction tx_i^{old} , then the public address of the i -th output of tx_i^{old} is not contained in ADDR.

Intuitively, the above conditions ensure that, in L , \mathbf{A} did not spend money that was not previously minted, or paid to an address under \mathbf{A} 's control. Concretely, one can prove by induction that if (L, \mathfrak{A}) is balanced then $v_{\text{Unspent}} + v_{\text{Basecoin}} + v_{\mathbf{A} \rightarrow \text{ADDR}} > v_{\text{Mint}} + v_{\text{ADDR} \rightarrow \mathbf{A}}$.

In light of the above, it suffices to argue that the augmented ledger induced by the (modified) BAL experiment is balanced with all but negligible probability. Suppose, by way of contradiction, that is is not the case: \mathbf{A} induces, with non-negligible probability, an augmented ledger (L, \mathfrak{A}) that is *not* balanced. We distinguish between five cases, corresponding to which one of the above conditions does not hold with non-negligible probability. In each case, we show how to reach a contradiction, concluding the proof.

A violates Condition I. Suppose that $\Pr [\mathbf{A} \text{ wins but violates Condition I}]$ is non-negligible. By construction of O^{DAP} , every $(\text{tx}_{\text{Pour}}, a)$ in (L, \mathfrak{A}) for which tx_{Pour} was not inserted by \mathbf{A} satisfies Condition I; thus, the violation can only originate from a pair $(\text{tx}_{\text{Pour}}, a)$ in (L, \mathfrak{A}) for which tx_{Pour} was inserted by \mathbf{A} and such that: (i) $\text{cm}_1^{\text{old}} = \text{cm}_2^{\text{old}}$; or (ii) there is $i \in \{1, 2\}$ such that cm_i^{old} has no corresponding output coin commitment in any pour or mint transaction that precedes tx_{Pour} on L .

Observe that the validity of tx_{Pour} implies that:

- The two serial numbers sn_1^{old} and sn_2^{old} are distinct. Moreover, recalling that each sn_i^{old} equals $\text{PRF}_{\text{ask}, i}^{\text{sn}}(\rho_i^{\text{old}})$, this also implies that $(\alpha_{\text{sk}, 1}^{\text{old}}, \rho_1^{\text{old}}) \neq (\alpha_{\text{sk}, 2}^{\text{old}}, \rho_2^{\text{old}})$.
- The witness a contains two valid authentication paths $\text{path}_1, \text{path}_2$ for a Merkle tree constructed using only coin commitments of transactions preceding tx_{Pour} in L .

In either (i) or (ii), we reach a contradiction. Indeed:

- If $\text{cm}_1^{\text{old}} = \text{cm}_2^{\text{old}}$, then the fact that $\text{sn}_1^{\text{old}} \neq \text{sn}_2^{\text{old}}$ implies that the witness a contains two distinct openings of cm_1^{old} (the first opening contains $(\alpha_{\text{sk}, 1}^{\text{old}}, \rho_1^{\text{old}})$, while the second opening contains $(\alpha_{\text{sk}, 2}^{\text{old}}, \rho_2^{\text{old}})$). This violates the binding property of the commitment scheme COMM.
- If there is $i \in \{1, 2\}$ such that cm_i^{old} does not previously appear in L , then path_i is an invalid authentication path, and thus yields a collision in the function CRH. This violates the collision resistance of CRH.

A violates Condition II. Suppose that $\Pr [\mathbf{A} \text{ wins but violates Condition II}]$ is non-negligible. Observe that, when Condition II is violated, L contains two pour transactions $\text{tx}_{\text{Pour}}, \text{tx}_i^{\text{old}}$ spending the same coin commitment cm , and revealing two serial numbers sn and sn^i . Since $\text{tx}_{\text{Pour}}, \text{tx}_i^{\text{old}}$ are valid, it must be the case that $\text{sn} = \text{sn}^i$. However (as argued already above), if both transactions spend cm but produce different serial numbers, then the corresponding witnesses a, a^i contain different openings of cm . This contradicts the binding property of the commitment scheme COMM.

A violates Condition III. Suppose that $\Pr [\mathbf{A} \text{ wins but violates Condition III}]$ is non-negligible. In this case, the contradiction is immediate: whenever Condition III is violated, the equation

$v_1^{\text{old}} + v_2^{\text{old}} = v_1^{\text{new}} + v_2^{\text{new}} + v_{\text{pub}}$ does not hold, and thus, by construction of the statement POUR, the soundness of the zk-SNARK is violated as well.

A violates Condition IV. Suppose that $\Pr [\text{A wins but violates Condition IV}]$ is non-negligible. Observe that, when Condition IV is violated, L contains:

- a pour transaction tx_{Pour} in which a coin commitment cm^{old} is opened to a value v^{old} ; and also
- a (mint or pour) transaction tx^i that opens cm^{old} to a value v^i different from v^{old} .

This contradicts the binding property of the commitment scheme COMM.

A violates Condition V. Suppose that $\Pr [\text{A wins but violates Condition V}]$ is non-negligible. Observe that, when Condition V is violated, L contains an inserted pour transaction tx_{Pour} that spends the output of a previous transaction tx^i whose public address $\text{addr}_{\text{pk}} = (a_{\text{pk}}, \text{pk}_{\text{enc}})$ lies in ADDR; moreover, the witness associated to tx^i contains a_{sk} such that $a_{\text{pk}} = \text{PRF}_{a_{\text{sk}}}^{\text{addr}}(0)$. We omit the full argument, but one can verify that, in this case, we can construct a new adversary B that uses A to distinguish, with non-negligible probability, PRF from a random function.

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