

P2P bitcoins trading system

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November 16, 2011

Abstract

This is a paper of a P2P system that let users trade digital works online. There are some basic peer-review processes that guarantee the works are paid fairly.

1 Introduction

Online trading using credit cards or paypal-like system is popular. A famous example is Ebay.com. All these systems are centralized, thus the trades are slow and controlled by some private parties in some degree. As bitcoins emerged, pure P2P system is getting recognized. Here I proposed a very basic and simple design for a P2P trading system.

2 Important constants

N: Total user amount (updates weekly)

K: Total voter amount (updates three days)

O: offer of the posted Need

P: process fee of the dispute.

$$P = \text{smaller}(\frac{O}{10}, \frac{O}{K})$$

R: reward for each voter.

$$R = 2 \times \frac{P}{(K \times \frac{\text{correct_votes}}{\text{total_votes}})}$$

3 Models

3.1 Node

This model stores in $\log(N)$ nodes
Properties

- IP address
- is_voter

3.2 Need

This model stores in $\log(N)$ nodes
Properties

- time_to_live
- offer
- src_node_address

3.3 Work

This model stores in posted node
Properties

- time_to_live
- proposal
- accepted
- price

- src_node_address
- des_node_address
- solution

3.4 Dispute

This model stores in posted node
Properties

- needer_ip_address
- worker_ip_address
- vote
- needer_process_fee
- worker_process_fee
- next_voter_address

4 Actions

4.1 Post a Need

1. a node U_1 broadcasts, in $\text{Log}(N)$ time, a need N_1 in the network while deposits O bitcoins into W_1 as an offer.
2. all other nodes U_x receive the broadcast of N_1 and store it locally
3. after the time_available expired, each node removes N_1 permanently, and deposit O returns to U_1
4. when U_1 logs off, it will not longer be able to accept proposed works. U_1 is supposed to be online until a solution is accepted.

4.2 Propose a work

1. any node can propose a work for a need, in this example, N_1 .
2. let U_2 be a node proposing a work W_1 . U_2 send a message to U_1 , telling U_1 that W_1 is proposed at U_2 .
3. U_1 gets notified that W_1 is proposed. There can be multiple works that are proposed by other nodes.
4. U_1 can accept one of the proposed work, or wait. If N_1 expires, all proposed works expire at the same time and the case is over.

4.3 Accept a work solution

1. let U_1 accepts W_1 from U_2 . Then U_1 sends a message to U_2 , W_1 is accepted and U_2 can give a solution to W_1 .
2. After U_2 submits a solution for W_1 , U_1 receives a message notification that he can review the solution from U_2 . Now U_1 can either chose to accept or reject the solution.
3. If the solution is accepted, the deposited bitcoins in N_1 will be transferred to U_2 .
4. If the solution is rejected, then U_1 submits a dispute D_1 . When D_1 is created, U_1 needs to deposit P bitcoins into the D_1 and the offer O in W_1 will be deducted by P . Then it starts the peer-review voting process.

4.4 resolve a dispute

1. nodes can choose to peer-review dispute cases to earn bitcoins. The reward for an effective vote is R , that is, when the vote agrees with the end result. A dispute is resolved only after reviewed by $\log(K)$ randomly chosen nodes.
2. when U_1 files D_1 , it searches for other voter Nodes and pick one randomly, say U_3 .

3. U_1 sets D_1 's next_voter_address to U_3 , and U_3 dupes D_1 locally.
4. U_3 reviews the case, vote, and picks another voter node randomly, until reaches $U_{\log(K)}$.
5. $U_{\log(K)}$ notifies needer, worker and other voters the result.
6. U_1 either keeps the deposit $O - R$ or gives $O - R$ to U_2 depends on the result.

5 Super nodes: needer nodes or voter nodes

Since needers have to be staying online to wait for solutions, thus they are most likely potential voter nodes. These nodes can be seen as super nodes that can be used to handle extra services.

6 security

It's easy to see that the system is prone to fraud client attacks. A frauding node can post needs without a deposit and the worker node giving solution to that need therefore is cheated. I am still figuring out a decentralize mechanism to solve this problem.

References