SRS 2019

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# Ransomware Research Project

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November 18, 2019

# Contents

**Abstract**

Malware is a type of computer virus, which encrypts the files on a given system and asks for a ransom in order for them to be decrypted. Ransomware authors have no way of knowing their victim's data value, or more precisely what people *think* their data costs. They can, however, make small surveys before launching the main campaign, in order to estimate the aforementioned distribution. This paper explores a model in order to find the most suitable parameters for such a survey. This approach is key to finding the best price for the ransom.

# 1    Introduction

Malware first appeared in 1989 in the form of the AIDS Troyan, aka PC Cyborg. The AIDS Trojan was pretty easy to overcome as it used simple symmetric cryptography and tools were soon available to decrypt the files, but this case set the ground for a lot of the modern threats. With the coming of the Internet age, ransomware returned with new power, namely with the Archiveus Trojan and GPcode from 2006. Another turning point in the history of malware was the invention of bitcoin, and crypto-currencies as a whole, for several reasons, a few of them being anonymity, the transactions are fully automatable and the transactions are irrefutable[2].

In the recent years there have been some attempts to model the malware market. In [1], the authors have created a theoretical model, taking into consideration the number of users, who have backups, as well as other factors such as information spread and reliability of the ransomware.

In [6] a different approach has been explored, considering the possibility for bargaining and respectively a game between the victim and the criminals. This paper focuses on game theory and combinatorics.

There has also been considerable amount of effort dedicated to tracking the ransomware payments in the blockchain, as all of them are public. As a result, there is a public data record of such payments, provided by [4] and in [5] many one can observe many data-based conclusions not only concerning ransomware, but also the whole black market.

In this paper, the model is based on the one described in [1], but focuses on optimizing different parameters, unexplored in the aforementioned research.

## 2 Preliminaries

In this section are stated all the needed definitions and concepts one needs to fully understand the paper.

**Definition 1.** *Normal Distribution*, denoted by $N(\mu, \sigma)$, is a type of continuous distribution, such that $\mu$, $\sigma$ and $\sigma^2$ denote the mean, the standard deviation and the variance, respectively.

The graph of this function forms a curve, often called informally bell curve. It has maximum $(x, f(x))$ at $\left(\mu, \dfrac{1}{\sigma\sqrt{2\pi}}\right)$:
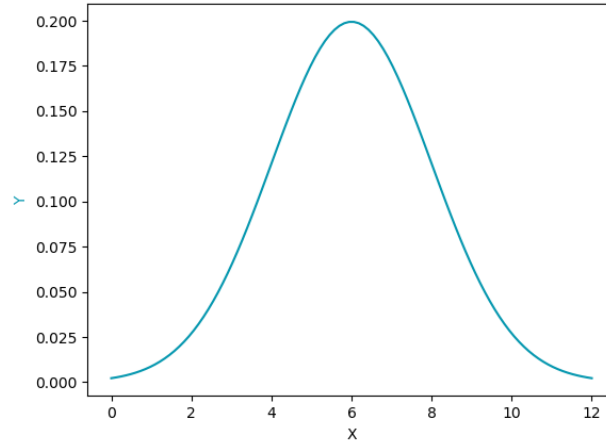


**Definition 2.** Consider a normal distribution $N(\mu, \sigma)$. The *standard value*, or the *Z-score*, of a given $x$ evaluates how many standard deviations away from the mean the given value is. It is computed by $\dfrac{x - \mu}{\sigma}$.

**Definition 3.** For a given distribution the *probability distribution function* $F(x)$ calculates the probability that a random variable, following the distribution, is less or equal to $x$

$$F_X(x) = \mathbb{P}(x \leq X).$$

**Definition 4.** The *Probability density function* of a continuous random variable $x$, a probability density function describes the probability a random variable $x$ to appear in any interval. Formally it is defined by

$$\mathbb{P}(x < X \leq x + \Delta) = F_X(x + \Delta) - F_X(x)$$
$$f_X(x) = \lim_{\Delta \to 0} \frac{F_X(x + \Delta) - F_X(x)}{\Delta}.$$

**Definition 5.** *The error function* is encountered in integrating the normal distribution, it takes z-score as a parameter and calculates the integral between a fixed point and the mean of the distribution

$$\operatorname{erf}(z) = \frac{2}{\sqrt{\pi}} \int_0^z e^{-t^2} dt.$$

# 3    Approach

This model describes the spreading of a ransomware virus. It calculates the optimal ransom for a ransomware attack, distributed exclusively via botnets, without the key component of spreading to every computer in the network. This variant of the attack is relatively cheap to initiate, but has low efficiency. We treat the act of decrypting the data of a given computer as a service and the ransom as the service price, respectively.

Consider the distribution of the willingness to pay (WTP) of a given target group. This is the maximum price someone would pay for their data. By putting ourselves in the place of the malware authors, we try to find what the distribution is by examining samples of people and how they respond to a given price. This tests, however, cost us valuable time since the awareness of people rises constantly. We strive to determine how many and how big tests should we conduct in order to model the distribution with reasonable error and in the same time not lose too much time?

For a given size of the sample group, we calculate the error of a set of sample 'customers' from the mathematically described function of the demand curve, derived from the distribution of WTP. Starting off low, we gradually expand the sample group size, estimating the expected error, via the Least Squares Approach, at each step.

# 4    Model

Here the inner workings of the model are stated in detail, showing how the results and conclusions were reached. The section is divided into two parts, corresponding to the parameters the model explores.

## 4.1    Sample size and error

This section describes the mathematical model, used to optimize the error and draw conclusions about the sample size.

We assume people's data value follows a normal distribution and link it to a random variable $p \sim N(500, 150)$. The probability density function (PDF) of a normal distribution $N(\mu, \sigma)$ is

$$\frac{1}{\sigma\sqrt{2\pi}}e^{-\frac{(x-\mu)^2}{2\sigma^2}}.$$

In order to calculate the demand function $f(k)$ from the PDF for a given price $k$, we need to calculate
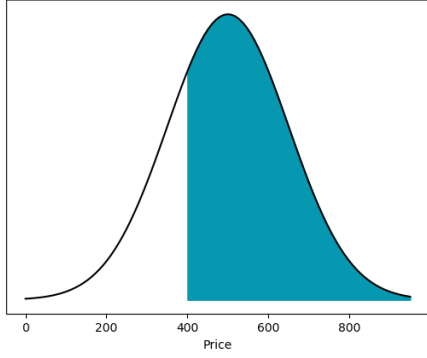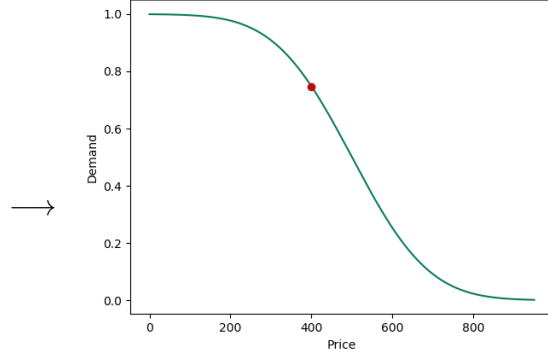
$$\int_k^\infty f(x)\,\mathrm{d}\,x.$$

Figure 1: PDF



Figure 2: Price vs Demand

We note that the integral must be calculated up to infinity, but after $k$ reaches $\mu + 3\sigma$, the resulting integral is negligibly small. Doing this for the whole probability distribution function gives us the demand curve with respect to what percent of the people would pay. Let us denote the demand curve function with $F(x)$:

$$F(x) = \begin{cases} \dfrac{1}{2}\left(1 - \operatorname{erf}\left(\dfrac{z}{\sqrt{2}}\right)\right) \text{ if } x > \mu, \\[2em] \dfrac{1}{2}\left(1 + \operatorname{erf}\left(\dfrac{z}{\sqrt{2}}\right)\right) \text{ if } x < \mu. \end{cases}$$

We aim to optimize the number of people each sample group consists of. Knowing the actual mathematical function we aim to describe gives us the possibility to evaluate the errors from the experimental data with maximum accuracy.
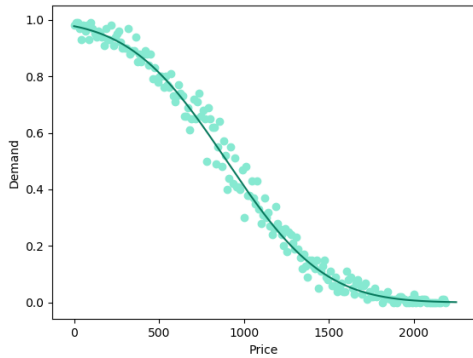


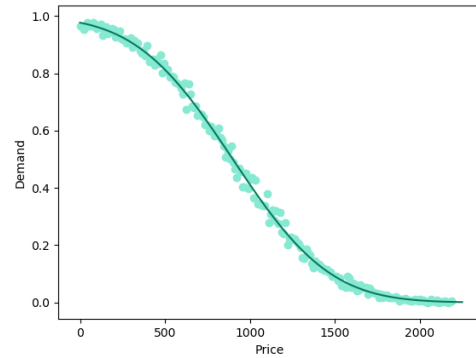Figure 3: Sample size 100



Figure 4: Sample size 400

By gathering information on the sample size and the corresponding errors, we plot the changes in the error.
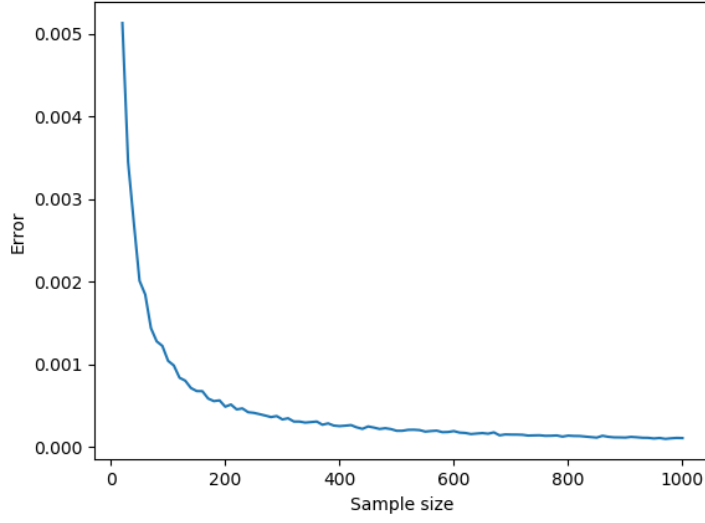
Figure 5: Sample size vs Error

## 4.2 Backup function

In this section a function, describing the use of backups, is described. The effect on revenue is calculated.

First let us define the backup iterator $b$:

$$b = \begin{cases} 1 \text{ if the victim has backup,} \\ 0 \text{ if the victim does not have backup} \end{cases}$$

Now let us define the willingness to pay (WTP) function:

$$P(x) = \begin{cases} d_x \text{ if } b_i = 0, \\ c \text{ if } b_i = 1 \end{cases}$$

Here the cost of backup is denoted with $c$ and the value of the victim's data - with $d_x$.

As earlier, we can calculate the expected probability of people paying a ransom of price $x$ We assume that the probability that a single victim has backup follows is $p$ and explore how changing this value affects the expected profit. With the gathered data, we create a plot to show the correlation between the two variables



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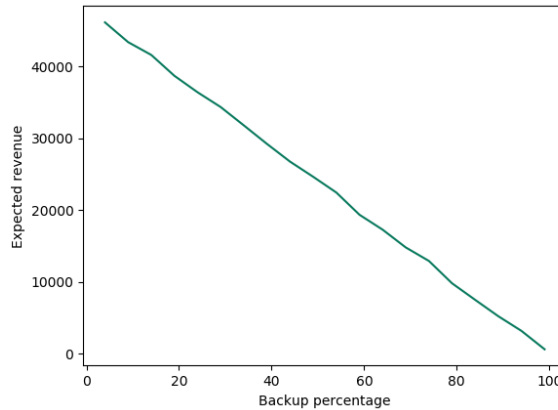
# 5  Optimizing backups

When it comes to protection from ransomware, the most efficient method is building backups. This, however, has to be done regularly, as the effects after a potential attack will otherwise be insignificant. That is why it is important for backup protocols to be carefully build, considering both the risks of being attacked and the resources needed for the job. Furthermore, optimizing the backups can simultaneously increase the security level and save money.

## 5.1  Theoretical setting

The idea behind the described model is to calculate and optimize the expected price of the recovery in case of an attack.

We will consider a backup as a structure, containing the following properties:

$$B \begin{cases} d\text{: the date on which the backup was made, as a day difference from a starting point} \\ p\text{: the probability that the recovery is unsuccessful for any reason} \\ r\text{: the price of trying to recover the data from the given backup} \end{cases}$$

In this case data value should clearly be taken into account from a subjective point of view. Even though on the market some data may not be worth a lot, if it is essential for the functioning of a given company, it is clear that it will be willing to pay a lot to regain access to it immediately. Therefore, in the described model data value is considered an ever-increasing amount, for the purposes of the research the "work rate" of the company is taken as a constant. We will denote it with $w$

Given a disaster date (on which the attack occurs) a successful backup, we can calculate the cost of the recovery in the following way:

$$S = \Delta t.w + r,$$

where with $\Delta t$ we denote the difference in days between the successful backup and the disaster date.

In case none of the backups is successful, we will assign a total value of $T$, which corresponds to redoing the whole work form the beginning. We can now calculate the expected cost given a disaster date $D$ and a list of backups $\{B_i\}$:

$$S_E = \sum_{k=0}^{n} \left( \left( \prod_{i=0}^{k} p_i \right).(1 - p_{k+1}) \left( (D - d_{k+1}).w + \sum_{l=1}^{k+1} r_l \right) \right)$$

Here we have $p_i = p_{B_i}$, $r_i = r_{B_i}$, $d_i = d_{B_i}$ and $p_0 = 1$.

# 6  Results

We have explored how the sample size affects the expected error between the statistical and experimental data and have explored how backups affect expected revenue. The model mainly focuses on optimizing the ransom prize, but the author truly believes that in order for us to be able to take countermeasures against ransomware attacks, we need to understand their every move. Putting ourselves in their shoes is essential to the purpose. Additional results, such as the distribution of expected revenue with respect to backup percentages, can help us to draw conclusions how to counteract.

# 7 Further development

The author considers several future development directions for the project, namely:

- considering the use of backups and its influence on the WTP distribution

- expanding the model to describe more complex way of distributing the ransomware

- using the results and databases of related studies in order to back the project with real data[4]

- considering a dynamic pricing model

# 8 Acknowledgments

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