**PrivIdEx: Privacy Preserving and Secure Exchange of Digital Identity Assets.**

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# ABSTRACT

User’s digital identity information has privacy and security require- ments. Privacy requirements include *confidentiality* of the identity information itself, *anonymity* of those who verify and consume a user’s identity information and *unlinkability* of online transac- tions which involve a user’s identity. Security requirements include *correctness*, *ownership assurance* and *prevention of counterfeits* of a user’s identity information. Such privacy and security require- ments, although conflicting, are critical for identity management systems enabling the exchange of users’ identity information be- tween different parties during the execution of online transactions. Addressing all such requirements, without a centralized party man- aging the identity exchange transactions, raises several challenges. This paper presents a decentralized protocol for privacy preserving exchange of users’ identity information addressing such challenges. The proposed protocol leverages advances in blockchain and zero knowledge proof technologies, as the main building blocks. We provide prototype implementations of the main building blocks of the protocol and assess its performance and security.

# KEYWORDS

Decentralized identity asset exchange; Privacy preserving; Unlink- ability; Counterfeit elimination; Blockchain; ZK-SNARK

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# INTRODUCTION

Access to services offered by online service providers (SPs) is con- trolled by identity verification processes. Such a process requires users to verify different types of identity information, depending on the sensitivity of the service. Some services require to verify

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individual pieces of identity information, such as email address, phone number and Social Security Number (SSN), and some other services require to verify composite identity information such as driver’s license and passport. Certain other services require to per- form rigorous due diligence processes to satisfy certain compliance requirements such as Know Your Customer (KYC) compliance in banking/financial services [[5](#_bookmark32)]. Similar example scenarios which involve lengthy identity verification processes include, but not lim- ited to, joining a new employer, applying for temporary visa in a foreign country, etc.

The amount of resources and effort that users and SPs have to devote to these identity verification processes vary depending on the type of identity information being verified. For examples, verifying an email address only requires the SP to send an email to the given email address, asking the user to click a link in it, verifying an SSN may require the SP to consume a paid service offered by the SSN authority, and verifying KYC compliance requires the SP to perform background checks on the user to verify the user’s status of credit score, Anti-Money Laundering (AML), Counter Terrorist Financing (CTF), Politically Exposed Person (PEP) [[5](#_bookmark32)], etc. Once an SP has verified the identity of a user, the package of information associated with such *verified identity* becomes an asset of the SP, which we refer to as *identity asset* (the National Strategy for Trusted Identities in Cyberspace (NSTIC) labels such verified identity information as belonging to LOA (Level Of Assurance) 2+ category [[20](#_bookmark40)]). On the other hand, since an identity asset contains personal information about a user, the user also becomes an owner of the identity asset, leading to having two legitimate owners per *identity asset*.

Currently, when a user needs to consume similar services from different SPs, the user is treated as an “alien” by each SP and is required to go through a similar identity verification performed by each SP. These repeated processes not only are costly, but also are inherently error-prone, causing inconvenience to both parties. These issues magnify especially in scenarios involving lengthy identity verification such as consuming financial services from multiple banks, joining multiple employers, applying for temporary visa in multiple countries, etc. If there were a standard protocol through which different SPs could share the same *identity assets* of a user, that would result in substantial cost savings and notable convenience to both parties [[5](#_bookmark32)]. The SP who originally performed the identity verification for the user, and hence is one of the owners of the identity asset, can be incentivized for sharing the identity

asset, in exchange of a monetary compensation by the subsequent SP(s) that the user interacts with.

Let us consider the following **use case**: *The user Ursula first consumes financial services from bank A where bank A performs identity verification and due diligence steps for KYC compliance on Ursula. Later Ursula needs to consume financial services from bank B as well. Bank B wants to know if Ursula has already performed KYC compliance verification and if so, both Ursula and bank B would like to re-use the corresponding identity asset.* However, in this use case, Ursula would not like to reveal to bank B which bank(s) she has interacted before, and would not like to reveal to bank A, which other bank(s) she is planning to be a customer of. Bank A and bank B themselves would also not like to reveal their identity to each other during potential identity asset exchange, due to competition in business. On the other hand, Ursula would not like the transactions she carries out with different banks based on the same identity asset to be linkable. Prominent privacy protection regulations, such as General Data Protection Regulation (GDPR) [[27](#_bookmark47)], also treats a user’s transactional patterns as personal data and prohibits tracking such personal data. Therefore, *anonymity of the parties who exchange the identity asset* and *unlinkability of the transactions* are key privacy requirements to be addressed when designing a protocol to facilitate identity asset exchange during online transactions, in addition to protecting *confidentiality* of identity assets from external parties.

The existing identity management protocols, which facilitate sharing users’ identity information, do not address all the key pri- vacy requirements. For examples, OpenIDConnect [[22](#_bookmark42)], an industry standard widely used by SPs to obtain a user’s identity informa- tion from an identity provider (IDP), does not preserve anonymity and unlinkability. Two nation-scale brokered identification sys- tems built by the USA and UK governments, namely, Federal Cloud Credential Exchange (FCCX) [[21](#_bookmark41)] and GOV.UK Verify [[15](#_bookmark26)], respec- tively, focus on the aforementioned use case and the first privacy requirement, i.e. protecting from each other the anonymity of the parties who exchange users’ identity information, in order to pre- serve users’ privacy. Those systems, however, use a government managed broker to mediate the identity exchange transactions, in which case, the identity of the two exchanging parties is revealed to the broker, although the two parties stay anonymous to each other. Brandao et. al [[7](#_bookmark34)] have raised certain other privacy concerns on the introduction of such a centralized broker.

One of our goals is to avoid introducing such a centralized bro- ker. Therefore, the proposed protocol is executed in a decentral- ized identity management ecosystem backed by a permissioned blockchain network (see Section [2.1).](#_bookmark1) Distributed trust implemented on the basis of the consensus protocol through which blockchain peers validate protocol executions eliminates the requirement of a centralized broker. Participants of the decentralized identity man- agement ecosystem invoke the identity exchange transactions with pseudonyms, in order to preserve anonymity and unlinkability. However, when anonymity and unlinkability are enforced in confi- dential identity asset exchanges, without a mediating centralized party, it is challenging to achieve the required security properties, such as *correctness*, *ownership assurance* and *counterfeits elimination* of the identity assets, and optionally, *financial fairness* of the identity asset exchange transactions, because the participants, appearing with a new pseudonym in each round of the protocol execution,

can violate such security properties, as discussed in Section [3.](#_bookmark3) This problem can be related to the challenge of preventing double spend- ing in bitcoin [[19](#_bookmark39)] and ZeroCash [[4](#_bookmark31)], without a centralized financial institute managing the payment transactions. However, unlike in bitcoin and ZeroCash, whose goal is to prevent double spending of cryptocurrency, which has a single owner at a time, our goal is to enable multiple exchanges of the same identity asset which has two owners, which poses a different set of challenges. We have designed the dedicated phases of the protocol to address such chal- lenges leveraging the power of ZK-SNARKS (see Section [2.2).](#_bookmark2)

Our main contribution is PrivIdEx - a protocol realizing privacy preserving and secure exchanges of identity assets in a decentral- ized identity management ecosystem, including its: i) design, ii) implementation and iii) analysis and evaluation.

# PRELIMINARIES

* 1. **Permissioned Blockchain**

We identify two main parties in a BC [[25](#_bookmark45)] network as follows:

i) *peers* - they maintain the transaction ledger (i.e. BC) and host the smart contract(s); ii) *participants* - they perform transactions. The consensus algorithm defines rules to be followed by peers when ordering and validating the transactions to be added to the ledger. A *smart contract* defines the business logic for transaction execution and validation, which is invoked by participants and run independently by each peer for executing the transactions.

There are two types of BCs: i) Permissionless BCs - where any one can join the network and write to/read from the BC. Partici- pants’ identity is hidden by the random pseudonyms they choose, which results in lack of accountability. Cheating by the peers is avoided and the correctness of the ledger is preserved by employ- ing an expensive consensus algorithm and the assumption that the majority of the computation power of the network is with hon- est parties. ii) Permissioned BCs - where a trusted certification authority (CA) issues signed X.509 certificates to actors (i.e. peers and participants), which include the public key of a RSA key pair and other identity attributes that determine their permissions (i.e. read/write access to BC). This preserves accountability and enables employing a less costly consensus algorithm. Permissioned BCs are categorized as public and private based on whether read access is controlled or not, respectively. We assume a decentralized identity management ecosystem backed by a permissioned BC when design- ing the proposed protocol, in particular, Hyperledger Fabric [[12](#_bookmark22)], a private permissioned BC.

# ZK-SNARKs

ZK-SANRKs is an efficient construction to prove in zero-knowledge, a satisfying assignment to the class of problems called Quadratic Span Program (QSP) [[14](#_bookmark25)]. QSP is an NP-complete problem. Accord- ing to the principles in complexity theory, for any NP problem *L* and an NP-complete problem *M*, there is a reduction function *f* , which is computable in polynomial time, s.t. *L*(*x* ) = *M* ( *f* (*x* )). Accordingly, ZK-SANRKs can be used to prove in zero-knowledge, a satisfying assignment to any NP problem following these high level steps:

i) formulate the decision problem *D* as an NP statement, which is expressed in the following form: Given a set of public inputs *X* , I know a set of secret inputs *W* , s.t. condition *D* holds on *X* and *W*

(i.e. the satisfying assignment is constituted by *X* and *W* ); ii) write an algorithmic program *P* to solve *D*; iii) convert *P* to an arithmetic circuit *C*; iv) convert *C* to a QAP (Quadratic Arithmetic Program - a variant of QSP); v) prove/verify satisfiability for the QAP in zero knowledge.

The ZK-SNARKs construction is expressed in following three algorithms: ***i) Generator (G)***: takes as inputs: *C* and secret param- eters *λ*, and outputs a proving key (pk) and a verification key (vk). This is a one time setup step run by a trusted party, after which *λ* should be destroyed in order to preserve the soundness of the proofs. (pk, vk) := G(*C*, *λ*). ***ii) Prover (P)***: takes as inputs: *C*, pk and the satisfying assignment - which may have both private inputs *w* and public inputs *x*, and outputs the proof Φ. Φ := P (*C*, pk, *w*, *x*).

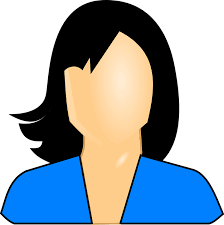
***iii) Verifier (V)***: takes as inputs: vk, Φ and public inputs *x* provided by the prover, and outputs the decision *d* as true, iff (*w*, *x*) is a satisfying assignment to *P* , and false, otherwise. *d* := V(vk, Φ, *x*).

In ZK-SNARK (*Zero-Knowledge Succinct Non-interactive Argu- ment of Knowledge*), the *Zero-Knowledge* property enables partici- pants to keep transaction information confidential, and still prove to peers that transactions are valid according to the smart con- tract. *Succinctness* makes the size of such proofs small ( 2KB) and verification time in the orders of milliseconds, irrespective of the complexity of the business logic defined in the smart contract. The *Non-interactive* property enables multiple peers to verify the proofs independently without interacting with the prover. There are other zero-knowledge proof constructions developed to achieve similar goals without a trusted setup, such as ZK-STARK [[3](#_bookmark30)] and Bullet Proof [[8](#_bookmark35)]. We use ZK-SNARK since it is more efficient and practical compared to the other constructions.

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# SYSTEM MODEL AND THREATS

* 1. **System model**



1. Identity verification for KYC compliance

6.a. Requests consent for identity asset transfer

**Ursula** 6.b. Provides consent

2. Notifies identity asset creation and declares ownership

5. Notifies of 4

Peer2

Peer1

7. Transfers identity asset

Peer4

4. Requests identity asset

Peer3

8. Notifies of 7

10. Submits any monetary compensation

3. Requests financial services

**Bank A**

**Bank B**

9. Queries identity asset

## Figure 1: Plain protocol model for decentralized identity as- set exchange, with no privacy features. This is the version 0 (V0) in the incremental development of a privacy preserving identity exchange protocol.

The following steps describe the basic flow of identity asset ex- change for the use case mentioned in Section [1,](#_bookmark0) which is illustrated in Figure [1:](#_bookmark5) 1) When Ursula consumes financial services for the

first time from bank A, identity verification and due diligence are performed by bank A to verify KYC compliance of Ursula, and the resulting identity asset is stored at bank A. Note that the details of how the identity verification is performed is out of scope of the identity exchange protocol. 2) Bank A notifies the identity ecosys- tem about the identity asset creation and claims its ownership. 3) At a later point in time, Ursula requests financial services from bank B and they discover by some means (either by querying the BC or using Ursula’s private records, which we will discuss in Section [4)](#_bookmark10) if the required identity asset is already created for Ursula. 4) If this is the case, Bank B requests from the identity ecosystem the relevant identity asset of Ursula. 5) Bank A receives the request submitted by bank B, via the transaction notification system of the BC. 6.a) If bank A decides to share the identity asset, bank A requests the consent from Ursula to transfer the identity asset to bank B. 6.b) Ursula provides her consent. 7) Bank A transfers the identity asset, along with Ursula’s consent, via the identity ecosystem. 8) Bank B receives the notification about the valid identity asset transfer. 9) Bank B queries the identity asset from the ledger. 10) Optionally, if the transferred identity asset is correct, bank B submits a mone- tary compensation (if it is required, by the policies of the identity ecosystem) to bank A. This could be a bitcoin payment sent to bank A, if the underlying BC supports bitcoin transactions, which bank A can redeem later.

We make the following **three basic assumptions** in the context of decentralized identity asset exchange: 1) There is a criteria to define and verify uniqueness of an identity asset so that if multiple copies of a particular type of identity asset are created by multiple parties using identity information of a given user, they all become digitally identical (e.g. defining a standard format for an identity asset used for a particular identity verification scenario and consid- ering the cryptographic hash (CRH) of the identity asset to be the criteria for verifying uniqueness). 2) If a particular type of identity asset is created for a given user in the identity ecosystem, all the SPs requiring a similar identity asset from the user should re-use it, without re-creating it. 3) The trusted CA, which issues the identity certificates to the actors of the BC network, does not collude with any actor in the BC.

Note that the plain protocol model for identity asset exchange shown in Figure [1](#_bookmark5) does not include any privacy features, i.e. all the participants appear in their real identities and identity assets are transferred in plain text. Although such a model is not used in a real world deployment, we use it as the baseline (version 0 - V0) protocol to identify what properties should be achieved in order to guarantee that an identity asset exchange protocol is secure, and to analyze the challenges in achieving the same security properties when privacy features are added to the protocol incrementally.

# Threat model for protocol security

In what follows, we first identify the different ways in which an ad- versary can compromise the security of the plain protocol model. **1) Compromising *correctness***: A malicious identity asset provider (e.g. bank A) transfers an identity asset in step 6, which is different than the one it notified the creation of, in step 2. **2) Compromising *ownership assurance***: A malicious collusion of two of the three parties engaged in an identity asset exchange can compromise the

ownership assurance of one of the two legitimate owners as fol- lows: i) a different user can collude with bank A to impersonate Ursula at bank B; ii) bank A and bank B can collude to transfer the identity asset without Ursula’s consent; iii) after bank B obtains the identity asset from bank A, Ursula and bank B can collude to act as the original owners and transfer the identity asset to a differ- ent bank. Attacks i) and ii) are possible by sending a fake consent in step 6.b and attack iii) is motivated by any benefits obtained from the identity asset exchange, such as monetary compensation paid by the identity asset consumer to the identity asset provider.

**3) Creating *counterfeits*** of an identity asset: Due to the same motivation for attack 2.iii, bank B may execute step 2 using the identity asset received from bank A, hence creating a counterfeit. **4) Compromising *financial fairness***: After receiving the identity asset, bank B can skip step 10.

Accordingly, *correctness*, *ownership assurance*, *counterfeits elimi- nation* and *financial fairness* are key requirements to be addressed, in order to guarantee the security of an identity asset exchange protocol. In what follows, we describe the simple mechanisms that should be incorporated into protocol V0, in order to address those requirements. **1) *Correctness*** : The smart contract that defines the protocol requires from bank A to submit the cryptographic hash (CRH) of the identity asset in step 2. In step 7, bank A submits a pointer (e.g. transaction ID) to step 2 associated with the identity asset being transferred. Then the peers running the smart con- tract validate correctness by computing the CRH of the transferred identity asset and comparing it with the CRH submitted in step 2 associated with the same identity asset. **2) *Ownership assurance***: The protocol requires: i) from bank A to submit the CRH of the public keys of the two owners in step 2; ii) from Ursula and bank A to sign, using their private keys, the messages sent in step 6.b (con- sent by the user) and step 7 (identity asset transfer), respectively. Then the peers verify the signatures and confirm that the original owners of the identity asset indeed performed the transfer. Note that an adversary can replay the message sent in step 7. Therefore, the protocol should also require bank B to send a random nonce in the identity asset request message (step 4), which Ursula and bank A should include in the messages they sign in steps 6.b and

7. **3) *Counterfeits elimination***: To ensure that duplicates of an identity asset do not exist, the peers maintain a hash table storing the information submitted in step 2 of the protocol, indexed by the CRH of the identity asset. Each time step 2 is executed for a newly created identity asset, the peers check if the newly submitted CRH already exists in the hash table, in which case the peers reject it as an attempt to create a counterfeit of an identity asset. **4)*Finan- cial fairness*** : It is unlikely that bank B skips step 10 in protocol V0 where it appears with its real identity, as it would damage its reputation. Even if bank B does so, it is easy to take actions against bank B for the dishonest behavior.

# Threat model for users’ privacy

In what follows we discuss an adversary’s goals in compromising users’ privacy (i.e. learning and tracking information that users do not intentionally share) in protocol V0. **1) Compromising *confi- dentiality* of users’ identity information**: The adversary learns the users’ identity information from the identity assets transferred

in plain text via the BC in executions of step 7. **2) Compromising users’ *transactional privacy***: i) the adversary learns the iden- tity of the parties a user interacts with, because in protocol V0, all participants interact with the identity ecosystem using their real identities; ii) the adversary tracks a user’s transaction patterns by linking the transactions that the user carries out with different SPs. The following modifications to protocol V0 address those pri- vacy concerns. **1) *Confidentiality***: Bank A encrypts the identity asset in step 7, using a key known to bank B. **2) *Anonymity*** of the parties whom a user interacts with: All the participants use a pseudonymous certificate issued by the CA, when interacting with the identity ecosystem. **3) *Unlinkability*** of the user’s transactions:

1. the participants use different pseudonymous certificates in exe- cuting step 2 and each round of identity asset transfer (i.e. steps 4 - 10); ii) bank A does not expose the CRH of the identity asset in plain text in step 2; instead it submits a commitment to the CRH of the identity asset. Otherwise, the identity asset consumers (e.g. bank B), can decrypt the identity asset received in step 9, compute its CRH and track the corresponding identity asset creation transaction (e.g. execution of step 2), in order to infer information such as when is the first time the user has consumed a similar service, etc. Note that in the proposed modifications 2 and 3 above, the participants obtain pseudonymous identity certificates from the CA, which do not include any identifiable attributes, but the public key of a new RSA key pair.

# Challenges in preserving users’ privacy and ensuring security of the protocol

In what follows we discuss how the aforementioned mechanisms for ensuring security and privacy properties conflict, which raise challenges in developing a privacy preserving and secure identity asset exchange protocol. We discuss such challenges w.r.t. three versions of the incrementally developed protocol, each of which is a result of incorporating privacy features one by one, into V0.

**V1-*Confidentiality***: When the identity asset is encrypted, peers cannot verify its *correctness* simply by computing its CRH as in V0. The mechanisms for preserving *ownership assurance*, *counterfeit elimination* and *financial fairness* used in V0 are not affected though. **V2-*Confidentiality and Anonymity***: When the participants ex- ecute the protocol with pseudonyms, the *correctness* enforcement mechanism is not affected compared to V1. However, the mecha- nism to preserve *ownership assurance* in V0/V1 is affected, because there is the threat of a malicious identity consumer (e.g. bank B) sending a ‘contract’ which they want the identity asset provider and/or the user to sign, instead of a truly random nonce in step

4. Therefore, parties can not give away a signature on a challenge nonce, as a proof of ownership of the private key. There is no effect on the *counterfeit elimination* mechanism used in V0/V1, except that the owners of the identity asset should use the key pair related to their pseudonymous identity in steps 2, 6.b and 7. The *financial fairness* enforcement mechanism used in V0/V1 is affected, because pseudonymous bank B can intentionally skip step 10. Involving the CA to de-anonymize such identity consumers adds lot of overhead. Instead, this should be addressed by the protocol itself.

**V3-*Confidentiality, Anonymity and Unlinkability***: It is more challenging to ensure *correctness* when unlinkability is enforced,

because now even the CRH of the identity asset is not exposed in step 2. It is also more challenging to preserve *ownership assurance* than in V2, because now the two owners of the identity asset use different pseudonyms in step 2 and in each round of steps 4-10, in contrast to using a single pseudonym across all transactions as in V2. The hash table based *counterfeit elimination* mechanism is no longer sufficient now, because the hash of the identity as- set is not exposed in step 2 and any two parties appearing with new pseudonyms can execute step 2, submitting a commitment to a CRH of any identity asset. Preserving *financial fairness* also needs improved mechanisms because we need to make sure that the underlying monetary payment system also preserves unlinka- bility; otherwise, parties can be de-anonymized via linkability in the payment system.

Phase Phase

Phase 3

Phase 0

2

1

a

b

a

Table [1](#_bookmark9) summarizes how introducing the properties for preserv- ing users’ privacy into protocol V0, in an incremental manner, affects the mechanisms for achieving the identified security proper- ties. A checkmark in a given cell indicates that the combination of privacy properties in the given column pose challenges to the mech- anism used in the previous version of the protocol, for ensuring the security property in the given row.

## Table 1: Effect of introducing the properties for preserving users’ privacy, in an incremental manner, on the properties for ensuring security of the protocol.

|  |  |  |  |
| --- | --- | --- | --- |
| Properties to  ensure the  protocol is secure: | Properties to ensure users’ privacy: | | |
| confidentiality | confidentiality  + anonymity | confidentiality  + anonymity + unlinkability |
| counterfeit  elimination | - | - | ✓ |
| correctness | ✓ | - | ✓ |
| ownership  assurance | - | ✓ | ✓ |
| financial fair-  ness | - | ✓ | ✓ |

1. **PROTOCOL DESIGN**

In what follows, we present the design of the proposed proto- col, named PrivIdEx, addressing the aforementioned challenges. As shown in Figure [2,](#_bookmark11) PrivIdEx involves four parties: Identity Asset Provider (IAP), User, Identity Asset Consumer (IAC), and Blockchain (BC). PrivIdEx consists of four phases, each of which serves one or more specific purposes and groups together a set of relevant steps from the identity asset exchange flow shown in Figure [1.](#_bookmark5) Phase 0 is executed only once and phases 1-3 are executed each time an identity asset is exchanged. Note that *T* represents the transactions posted to the BC by participants, by invoking different functions in the smart contract,*W* represents the validation steps ex- ecuted by peers on the transactions and *M* represents the messages exchanged between two parties offline (i.e. without involvement of the BC). The purpose(s) of each phase is (are) described as follows, with examples from protocol V0.

## Figure 2: Overview of PrivIdEx design.



Identity Asset Provider (IAP)

e.g. Bank A

User (U) Ursula

Identity Asset Consumer (IAC)

e.g. Bank B

Blockchain (BC)

**WC**: Verifies for non-duplication

and consent to obtain id ass

tails and consent .

**WP**: Verifies correctness and proof of ownership

**TC**: Confirms receipt

ss and ownership

y asset with proof of correctne

**TT**: Transfers the identit

**ME2**: Provides consent

ship

t to transfer and proof of owner and proof of ownership

**ME1**: Requests consen

**TH3**: Handshake confirmati

on

**TH1**: Handshake request

sponse

**TH2**: Handshake re

**MD2**: Provides owner de

et

**MD1**: Requests owner details

e id asset exchanges by IAP e id asset exchanges by U

**MF1**: Metadata for futur

**MF2**: Metadata for futur

rship

set creation and declares owne

**TO**: Notifies identity as

b

**Phase 0** consists of two sub phases. Phase 0.a, executed between the IAP and the BC, serves for ownership declaration (*TO* ) by IAPs for newly created identity assets and verification by peers that such identity assets are not counterfeits. E.g. in protocol V0, the IAP sends the CRH of the public keys of the two owners and the CRH of the identity asset in *TO* , which the peers verify in *WC* using the hash table of ownership declarations maintained in the BC (see Section [3.2).](#_bookmark6) Phase 0.b, executed between the IAP and the user, allows them to exchange meta data to be used in future identity asset exchange(s).

**Phase 1** is executed between the IAC and the user. In *MD*1, the IAC requests certain details of the IAP that has created the required

identity asset (if any), and the user’s consent for requesting such identity asset from the corresponding IAP. The meta data saved by the user in phase 0.b is used to construct the user’s response (*MD*2). **Phase 2** consists of a three-way handshake between the IAC and the IAP over the decentralized identity ecosystem. The IAC initiates the handshake by submitting to the BC a message (*TH* 1) addressed to the IAP who owns the identity asset. *TH* 1 includes the user’s consent received in *MD*2 and is signed by the IAC. All the participants receive a notification about *TH* 1 via the BC. The corre- sponding IAP verifies the user’s consent and submits a response handshake message (*TH* 2). The IAC acknowledges *TH* 2 by sending a confirmation (*TH* 3). The handshake phase allows the IAP and the IAC to negotiate certain information pertaining to the identity asset exchange, e.g. in protocol V0, the IAC sends the random nonce to be signed by the two owners during the transfer phase, for the proof of ownership. The peers validate a handshake by verifying if *TH* 2 and *TH* 3 are associated with a corresponding *TH* 1 and *TH* 2,

respectively.

**Phase 3** is where the actual identity transfer happens. In phase 3.a, executed between the IAP and the user, the IAP requests the user, via *ME*1, to provide consent for transferring the identity asset and the proof of user’s ownership of the identity asset. The user responds accordingly via *ME*2. In phase 3.b, the IAP transfers the identity asset along with *ME*2 and the proof of its ownership of the identity asset, via *TT* . The peers verify in *WP* , that *TT* is associated

with a valid handshake, and verify correctness and proofs of own- ership. After receiving the notification about *TT* from the BC, the IAC checks the transferred identity asset and posts a confirmation to the BC about the successful receipt of the identity asset in *TC* .

In what follows, we present how those different phases are uti-

lized and enhanced to address the challenges for achieving the security properties of the three versions of the incremental design of PrivIdEx (see Section [3.4).](#_bookmark8)

# V1- Conftdentiality Preserving Protocol

When confidentiality is enforced, the IAP and the IAC agree on a key *K* for encrypting the identity asset (*A*), by integrating the Diffie- Hellman key exchange protocol into the three-way handshake in phase 2. In *TT* , the IAP submits the encrypted identity asset: *C* = *EncK* (*A*). Due to encryption of the identity asset, *correctness* is the only security property that is more challenging to achieve in V1, compared to V0 (see Section [3.4).](#_bookmark8) To prove correctness, the IAP submits in *TT* , the transaction id of *TO* associated with *A* and a zero- knowledge (ZK) proof (Φ1), proving the knowledge of a satisfying assignment to the NP statement - **NS1**: *Given a cipher text C* ′*, a hash value a*′*, I know the following secrets: an identity asset A*′ *and a key K* ′

*s.t a*′ *= CRH(A*′*) and C* ′ *= EncK* ′ (*A*′). The IAP proves the satisfying assignment to NS1 with *A*′ = *A* and *K* ′ = *K* as secret inputs, *C* ′ = *C*,

and *a*′ = the CRH of *A* submitted in the corresponding *TO* , as the public inputs. If Φ1 is verified successfully, the peers accept that *TT* encrypts the same identity asset whose ownership was declared in the corresponding *TO* .

# V2 - Conftdentiality and Anonymity Preserving Protocol

When anonymity is enforced: i) the IAP includes the two owners’ pseudonyms in *TO* instead of their real identities; ii) the IAP and the user records each other’s pseudonym in phase 0.b; iii) the user sends to the IAC, via *MD*2, the pseudonym of the IAP who created the identity asset; iv) the transactions posted to the BC are signed using the pseudonyms; v) when transaction notifications are received from the BC, each participant checks if the transaction messages are addressed to their pseudonym and responds accordingly. Due to the threats by the pseudonymous participants, *ownership assurance*

Φ2*U* and Φ2*P* are integrated in to the protocol design as follows. The IAP sends to the user, via *ME*1, the nonce it received from the IAC in *TH* 1. The user sends Φ2*U* via *ME*2. Then the IAP creates Φ1 (see Section [4.1)](#_bookmark12) and Φ2*P* , and sends *TT* to the BC along with the transaction id of *TO* associated with *A*, Φ1, Φ2*U* and Φ2*P* . The peers validate *TT* , by verifying correctness and ownership assurance via the ZK-proofs provided in *TT* .

To ensure *financial fairness* in V2, the handshake phase is used

as follows. The IAP informs the IAC about the required monetary compensation for transferring the identity asset via *TH* 2,. If the IAC agrees to pay, it includes in *TH* 3 a reference to a bitcoin payment made with a locking condition such as: *‘the IAP can can unlock the payment only by using either of these: i) a TC submitted by the IAC, indicating a successful receipt of the identity asset; ii) a successful WP by the peers, if a TC is not submitted after time ‘t’ since the time of TT ’*. Such a locked payment [[2](#_bookmark29), [24](#_bookmark44)] made during the handshake phase prevents a pseudonymous IAC from skipping the required payment. The IAP can redeem the payment only if it transfers the correct identity asset, ensuring financial fairness to both parties.

# V3 - Conftdentiality, Anonymity and Unlinkability Preserving Protocol

As per Section [3.4,](#_bookmark8) it is more challenging to achieve all four security properties in V3, compared to V2. In what follows we describe how each phase of the protocol is enhanced to address those challenges. Prior to phase 0.a, the user creates a commitment to the public key of her real identity (*Upk* ): *CU* = *commit* (*UP K* , *ru* ) and sends *CU* to the IAP. The IAP creates a commitment to the public key of its real identity (*Ppk* ): *CP* = *commit*(*PP K* , *rp* ) and a commitment to *a*

- the CRH of the newly created identity asset: *Ca* = *commit*(*a*, *ra* ). The IAP sends *TO* to the BC, including the ownership declaration *O* = *CU* |*CP* |*Ca* , where | denotes concatenation, signed by a new pseudonym key.

The basic idea of *counterfeit elimination* in V3 is as follows. Let *B* = {*a*1, *a*2, ...., *an* } be the set of CRH values of the identity assets associated with all the previous valid executions of *TO* . This set is represented by a unique polynomial *P* of degree *n*, that has *a*1, *a*2,..., *an* as its roots. The polynomial *P* is represented as *P* (*x* ) =

.

−

and *financial fairness* are more challenging to achieve in V2 (see

Section [3.4).](#_bookmark8)

*n*

*i* =1

(*x ai* ). Let *Pi* be the *it h* coefficient of *P* , for *i* = 0, 1, ..., *n*. *P*

*P* (*x* ) = 1, and its degree increases with each new

To prove ownership in V2, the user and the IAP create ZK proofs (Φ2*U* and Φ2*P* respectively) on the NP statement **NS2**: *Given a public key PK, a message M, I know a secret signature S, s.t.*

is initialized as

valid *TO* . Hence, at any given time, if a number *n* of valid identity assets have been created in the identity ecosystem, then there is a number *n* + 1 of *Pi* s. If the evaluation of *P* (*x* ) with *x* = *a* results in

*RSA\_Sig\_Verify(M, S, PK) = True*, where *S* = RSA\_Sig(*M*, private

zero (i.e. *P* (*a*) = .*n Pi* .*ai* = 0), it implies that the identity asset,

key of *PK* ). RSA\_Sig outputs a signature, given a RSA private key, and a message *M*; RSA\_Sig\_Verify outputs True iff *S* is the correct signature for *M*, using the private key associated with *PK* . The user and the IAP prove satisfying assignments to NS2 with *PK* = the public key of the pseudonym included in the *TO* associated with the identity asset being transferred, *M* = the random nonce sent by the IAC via *TH* 1, as public inputs, and *S* = the signature created on such nonce with the private key associated with the pseudonym, as the secret input. Proving the knowledge of *S* on the nonce sent by the IAC, without revealing *S*, avoids the risk of giving a signature on a potential ‘contract’ (see Section [3.4).](#_bookmark8)

*i* =0

whose CRH value is *a*, is a duplicate of an existing one. In order

to preserve unlinkability, peers should only learn if *P* (*a*) = 0 or not, and nothing else. Therefore, the set of *Pi* s are secretly encoded before being stored in the BC and *P* (*a*) is computed in the encoded domain before being revealed to peers.

To prove that the created identity asset is not a counterfeit, the IAP submits *TO* to the BC, including *O* and the following four items: **(I1)** The result of computing *P* (*a*) in the encoded domain, which is denoted by *l* , i.e. *l* = *En*(*P* (*a*)).

**(I2)** A ZK-proof Φ3, proving that *l* is correctly computed and that the same *a* is used to compute both *Ca* (in *O*) and *l* .

**(I3)** The secretly encoded set of coefficients *Pi*′ of the updated poly-

*- for i =* 1, .., *n, En*(*Pn*+1 ) *= En*(*Pn*

).*En*(*Pn* )−*a*′ .*ei and ei = (дki*′ *,*

nomial *P* ′, which has *a* as one of its roots (i.e. *P* ′(*x* ) = *P* (*x* ).(*x* − *a*),

*hki*′ *),*

*i i* −1 *i* 0 0

and therefore, *P*0′ = -*a*.*P*0, *P* ′ = *Pi* 1 - *a*.*Pi* , for *i* = 1, ..., *n*, and *P* ′ 1

−*i n*+

= 1).

**(I4)** A ZK-proof Φ4, proving that I3 is correctly computed, using the same *a* used in *Ca* .

Details of the mechanism for counterfeit elimination are as fol- lows. Let *E* be an additive threshold homomorphic encryption scheme, whose public key is known to everyone, but the secret key is distributed among the peers s.t. a group of at least *t* + 1 of them are required to perform decryption. *E* is instantiated with

the Elgamal encryption scheme over a group *G* of order *q*. The public key *h* = *дs* , where *д* a generator in *G* and *s* is the private

*- En*(*Pn*+1 ) *= (дk*1′ *, hk*1′ .*д*1*)*.

The IAP proves a satisfying assignment to NS4 with *CI A* = *Ca* , *S* ′ = *Sn*+1 computed in I3 above, *S* = *Sn* stored in the BC, as public inputs, and with *a*′ = *a*, *r* = *ra* used in *Ca* , *k*0′ = *k*0 used in *En*(*P*0′), *k*1′ = *k*1 used in *En*(*Pn*′ +1 ) and *ki*′ = *ki* used in *En*(*Pi*′) for *i* = 1, .., *n*, of I3, as secret inputs.

*n*+1

Once the IAP submits *T*0 along with *O* and I1-I4, the validation

*WC* (see Figure [2)](#_bookmark11) by peers is executed as follows. If the ZK-proof Φ3 is successfully verified, each peer *i* executes the following steps to randomize *l* : choose *ri* ∈ *Zq* randomly, compute *li* = *lri* and

broadcast *li* to all the other peers together with a ZK-proof Ω*i* ,

key, which is distributed among the threshold peers. *E* is initialized with a distributed key generation protocol [[13](#_bookmark24)]. The encryption of

proving that the peer knows the value *r*

′

*l*

=

*i* =1

*i* =1

Then peers collectively decode *l* ′. Note that we choose to randomize

1

*i* . Then each peer computes

as the sum of the cipher texts received from all the peers, i.e. *l* ′

an element *д*′ ∈ *G* is defined as: *E* (*д*′) = (*дk* , *hk д*′), where *k* ∈ *Zq*

is randomly chosen. An encoding scheme

to encode elements

*En*

*k*

*k*

*z*

.*m* (*lri* ) = *E* (*дP* (*a* ) (.*m* (*ri* ) ), where *m* is the number of peers.

in *Zq* is defined based on *E* as follows. *En*(*z*) = (*д* , *h д* ), where

*l* and then decode *l* ′, instead of just decoding *l* , due to a potential

*z Zq* . In fact, *En*(*z*) = *E* (*дz* ). *En*( ) is an additively homomorphic encoding of *z* which allows us to carry out computation on polyno- mials whose coefficients are presented in encoded form. Moreover, while the value *z* cannot be recovered in general from *En*(*z*), for our purposes we only need to be able to decide for a given *En*(*z*) whether *z* is zero or not. In addition, the secrecy of *z* is guaranteed by the underlying Elgamal encryption scheme *E* ( ).

·

∈ ·

Let the set of encoded *Pi* s stored in the BC be *Sn* = {*En*(*Pi* ) = *E* (*дPi* ), for *i* = 0, 1, ..., *n*}. Details of how the IAP computes I1-I4 are as follows.

**(I1)** Compute *l* = *En*(*P* (*a*)), given the set *Sn* :

* Compute a fresh encoding of zero as: *e*0 = *En*(0) = (*дk* , *hk* ) for random *k Zq* , in order to randomize the encoding of *l* .

∈

* Then *l* is computed as follows:

*n*

.

collusion attack by an IAP and a peer to check if a given value matches the CRH of an already created identity asset. We refer the reader to the technical report [[16](#_bookmark27)] for the details of such attack and the definition of the NP statement associated with Ω1.

If *l* ′ does not decode to an encoding of zero (i.e. *l* ′ does not

decrypt to 1), peers verify the ZK-proof Φ4. If Φ4 is successfully verified, peers accept *TO* as a valid ownership declaration, which is not associated with a counterfeit, and *Sn*+1 as the encoded set of coefficients of the updated polynomial to be stored in the BC. Accordingly, protocol version V3 of PrivIdEx preserves counterfeit elimination, without revealing the CRH values of the identity assets associated with transactions *TO* , thereby preserving unlinkability across *TO* and *TT* associated with the same identity asset. To enable proof of ownership and correctness, while preserving unlinkability, after successful verification of *TO* , the peers add the CRH of the

*l* = ( (*En*(*Pi* )*ai* )).*e*0 (1)

*i* =0

ownership declaration *O*, i.e. *f* = CRH(*O*), as a leaf in the Merkle hash tree (MHT) data structure stored in the BC. This marks the

**(I2)** Create Φ3 on the NP statement - **NS3**: *Given a commitment CI A, an encoding L, and a set S of encoded coefficients of a polynomial P , I know secrets: r , a*′*, and k* ′ *s.t. CI A = commit(a*′*, r ),*

*L = En*(*P* (*a*′) + 0) *= En*(*P* (*a*′)).*e*0 *and e*0 *= (дk* ′ *, hk* ′ *)*.

The IAP proves a satisfying assignment to NS3 with *CI A* = *Ca* in *O*, *L* = *l* in (I1), and *S* = *Sn* stored in the BC at the time of submitting *TO* , as public inputs; and *r* = *ra* and *a*′ = *a* used in *Ca* and *k* ′ = *k* used in *e*0, as secret inputs.

**(I3)** Let the set of *Pi*′s in the encoded domain be *Sn*+1 = {*En*(*Pi*′)

for *i* = 0, 1, ...., *n* + 1}. *Sn*+1 is computed as follows.

* Compute a fresh encoding of zero as: *e*0 = *En*(0) = (*дk*0 , *hk*0 ) for random *k*0 ∈ *Zq* , and *En*(*P*0′) = *En*((−*a*).*P*0 + 0) = *En*(*P*0 )−*a* .*e*0.
* For *i* = {1, .., *n*}, choose *ki* ∈ *Zq* randomly and compute: *ei* =

end of phase 0.a for protocol V3.

The basic idea of proving ownership during identity asset trans- fer (phase 3.b) is to prove that the user and the IAP know a *path P* in the MHT from a leaf *f* , which contains the CRH of a valid own- ership declaration *O*, to the root *RT* and that the user and the IAP own the private keys associated with the public keys committed in *CU* and *CP* of such *O*, respectively. To prove correctness, the IAP proves a similar statement, that is, the IAP knows a path *P* from *f* , which contains *O* with a commitment *Ca* to a CRH value that matches the CRH value of the identity asset being transferred, to *RT* . Note that both the owners of the identity asset should prove in zero-knowledge, the knowledge of the same path *P* in the MHT.

During the identity asset transfer phase, when the IAP requests

′ − 0 the user’s proof of ownership to the identity asset via *ME*1, the user

*En*(0), and *En*(*Pi* ) = *En*(*Pi* −1 + (−*a*).*Pi* + 0)= *En*(*Pi* −1 ).*En*(*Pi* ) *a* .*ei* .

creates a ZK-proof Φ5 proving her ownership and sends it to the IAP

* Choose *k*1 *Z*

∈

**(I4)** Create

*q* randomly and compute *En*(*Pn*+ on the NP statement - **NS4**:

0

1 ) = *En*(1).

via *ME*2. The IAP then creates a ZK-proof Φ6 proving its ownership

Φ4 *Given a commitment*

and correctness and transfers the encrypted identity asset along

*CI A, a set S of encoded coefficients of a polynomial Pn and a set S* ′ *of*

*the updated polynomial Pn*+1*, I know secrets: r , a*′*, k*0′*, k*1′ *and ki*′ *for*

with Φ5 and Φ6 via *TT* . The NP statements associated with Φ5 and

*i =* 1, ..., *n s.t.:*

*- CI A = commit(a*′*, r ),*

*- En*(*Pn*+1 ) *= En*(−*a*′.*Pn* + 0) *= En*(*Pn* )−*a*′ .*e*0 *and e*0 *= (дk*0′ *, hk*0′ *),*

0

0

0

Φ6, of which the basic idea has been outlined above, are included in the technical report associated with the paper [[16](#_bookmark27)]. Peers verify

Φ5 and Φ6 in *WP* and confirm that *TT* preserves correctness and ownership assurance.

In order to ensure financial fairness while preserving unlinkabil- ity, protocol V3 should integrate an anonymous and an unlinkable payment system such as Zerocash [[4],](#_bookmark31) which also enables making locked payments described under protocol V2.

# IMPLEMENTATION AND EXPERIMENTS

In what follows, we present the details of the implementation and experiments on the main building blocks of PrivIdEx. Our goals are two folds: i) understanding the challenges and feasibility of the implementation of some of the most complex building blocks, e.g. ZK-proofs for the NP statements used in PrivIdEx; ii) evaluating circuit size, execution times and storage requirements of ZK-proofs for the NP statements. Experiments were run in a desktop machine running Ubuntu 18.04.1 LTS with 16GB memory and Intel i7-4790 CPU @ 3.6GHz.

We used the ZK-SNARK construction (see Section [2.2)](#_bookmark2) to prove/verify satisfying assignments to the NP statements listed in Section [4.](#_bookmark10)

ZK-proofs for the NP statements were created using ZK-SNARKs, following the five steps process listed in Section [2.2.](#_bookmark2) First, the cryp- tographic primitives in the NP statements were instantiated with specific algorithms. Then the circuits for the NP statements were designed and implemented using the Jsnark [[17](#_bookmark28)] framework. The Jsnark framework allows one to write circuits in a format compat- ible with the ZK-SNARK compilers and provides building blocks called ‘gadgets’ for designing circuits. In order to compile the circuit into a QAP and to prove/verify in zero-knowledge the satisfiability of the assignment given by the prover, Jsnark interfaces with Lib- snark [[23](#_bookmark43)] - the widely used library implementing the ZK-SNARK construction. The challenges in this process include, but not limited to: i) gadgets for certain cryptographic primitives, such as Elgamal encryption used in NS4, are not yet available in Jsnark; ii) as differ- ent existing Jsnark gadgets accept inputs in different formats, we had to standardize the input formats of these gadgets before wiring them together to form the required circuit.

In circuit 1 (see Figure [3)](#_bookmark14) built for the NP statement NS1 used in V1 of PrivIdEx, the cryptographic hash (CRH) algorithm is instanti- ated with the widely used SHA-256 and the symmetric encryption algorithm is instantiated with SPECK128 [[10](#_bookmark37)], due to its light weight properties. The SPECK128 gadget is wrapped with the gadget im- plementing symmetric encryption in CBC mode. We evaluated the circuit size (see Table [2),](#_bookmark15) running time (see Figure [4),](#_bookmark16) and storage requirements (see Figure [5)](#_bookmark17) associated with the three algorithms of

ZK-SNARKs for circuit 1, by varying the size of the identity asset (*A*′). Increase in the size of *A*′ increases the size of the proving key and the circuit (i.e., number of constraints in the circuit), which in

turn affects the running times of the key generator, which takes the circuit as inputs, and the prover, which takes both the circuit and the proving key as inputs. However, the increase in running time of the prover is much less than that of the key generator, which is good because the prover is run each time an identity asset is exchanged, whereas the key generator is run only at system setup. Proof size, verification key size, and verifier running time are constant irre- spective of the size of the secret input *A*′. Note that for the scope of this paper, we assume a fixed size for the identity assets (those with

shorter sizes can use padding) exchanged in a given deployment of PrivIdEx, because it is an overhead to deploy multiple circuits for different sizes. We discuss the mechanisms to allow identity assets of different sizes in the technical report [[16].](#_bookmark27)



**A’**

a’

K’

C’

Equality assertion

Equality assertion

SPECK128

gadget

Gadget for Symmetric Encryption in CBC mode

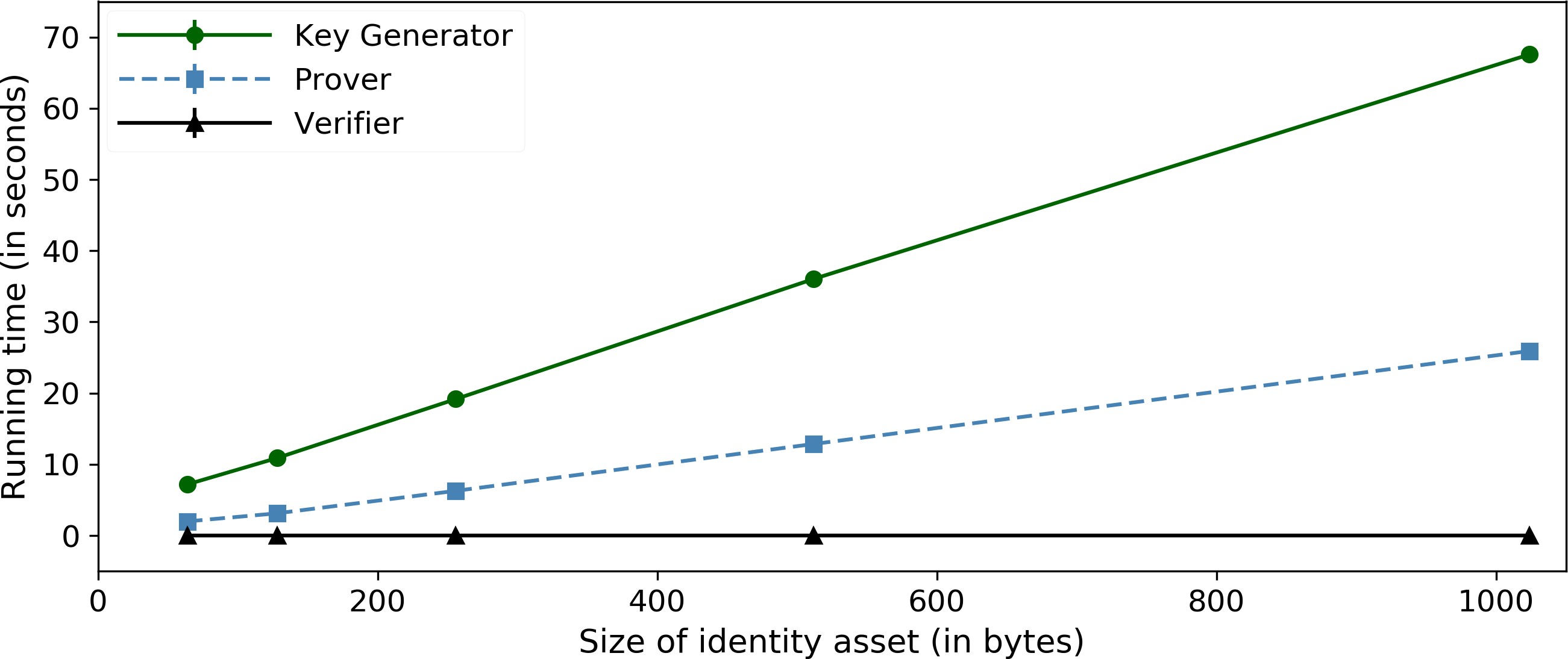
SHA-256

gadget

**Figure 3: Circuit 1 built for NS1: *Given a cipher text*** *C* ′***, a CRH value*** *a*′***, I know the following secrets: an identity asset*** *A*′ ***and a key*** *K* ′ ***s.t*** *a*′ ***= CRH(****A*′***) and*** *C* ′ ***=*** *EncK* ′ (*A*′)***.***

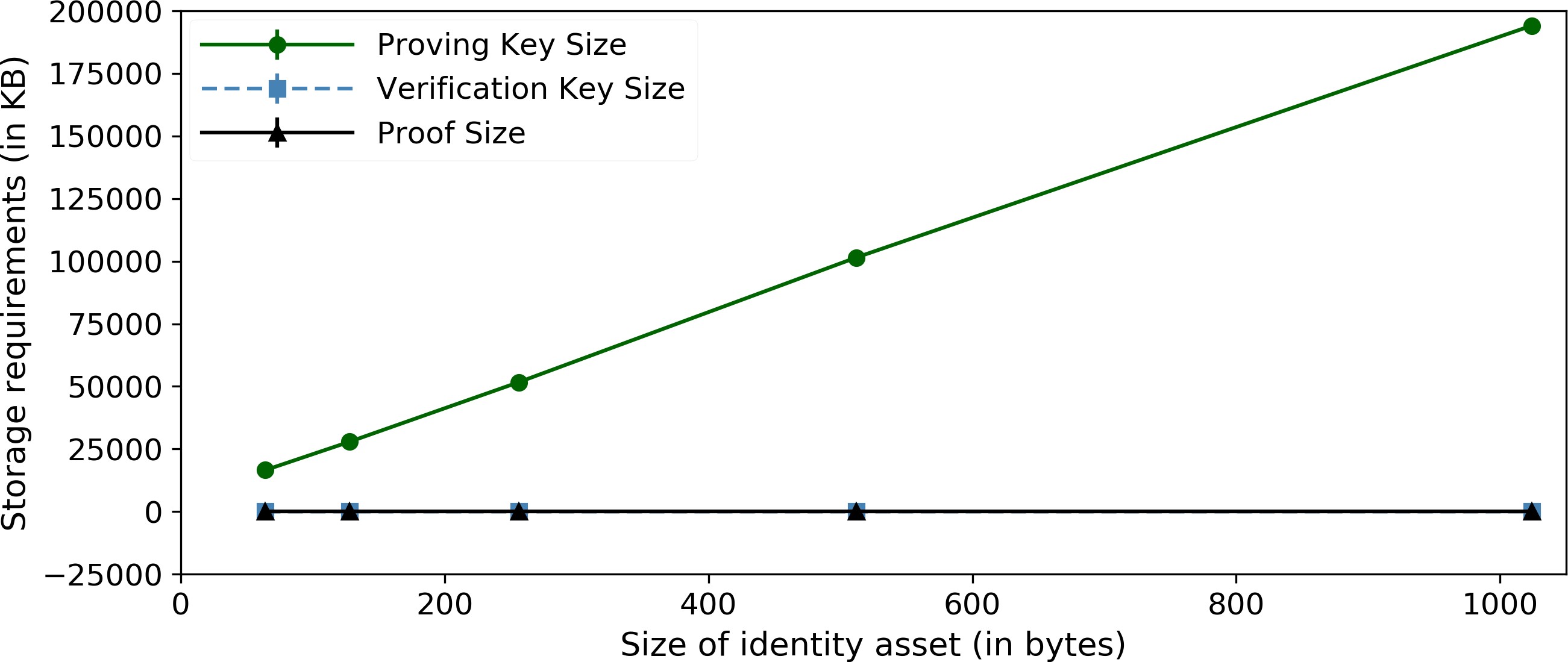
|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Size of (A’) | 64  bytes | 128  bytes | 256  bytes | 512  bytes | 1024  bytes |
| Number of con-  straints | 74,429 | 126,505 | 230,675 | 451,210 | 855,569 |

## Table 2: Circuit size vs the size of the identity asset (A’), for Circuit 1.



**Figure 4: Running time vs the size of the identity asset (A’), for Circuit 1.**

In circuit 2 (see Figure [6)](#_bookmark18) built for the NP Statement NS2 used in V2 of PrivIdEx, the signature *S* is the only secret input, which is created by the provers (i.e. the IAP and the user) locally (i.e. outside of the circuit). Although *PK* theoretically consists of both RSA modulus and public exponent, only the RSA modulus is given as input *PK* , and the public exponent is set to a hard coded constant, according to the implementation details of the RSA algorithm [[6](#_bookmark33)]. In order to decide the size of the nonce *M* with optimal trade-off between security and performance of ZK-SNARKs for circuit 2, we evaluated the performance by varying the size of *M*. However, as shown in Table [3,](#_bookmark19) there was a negligible impact on the performance when the size of the public input *M* was doubled. Therefore, we decided to use 128 bits as the size of the nonce.



## Figure 5: Storage size vs the size of the identity asset (A’), for Circuit 1.

M

PK

S

SHA 256 Digest RSA\_Signature\_Verify gadget gadget

Result

**Figure 6: Circuit 2 for NS2: *Given a public key*** *PK* ***, a message*** *M****, I know a secret signature*** *S****, s.t RSA\_Sig\_Verify(****M****,*** *S****,*** *PK* ***) = True*, where** *S* **= RSA\_Sig(***M***, private key of** *PK* **).**

|  |  |  |
| --- | --- | --- |
|  | 64 bits | 128 bits |
| Circuit size (number of constraints) | 119,146 | 119,344 |
| Key gen running time | 12.8659(s) | 12.8729(s) |
| Proving key size | 32,903(KB) | 32,938(KB) |
| Verification key size | 3.2856(KB) | 3.597(KB) |
| Prover running time | 3.38(s) | 3.3827(s) |
| Proof size | 0.28(KB) | 0.28(KB) |
| Verifier running time | 0.0045(s) | 0.0045(s) |

## Table 3: Performance numbers vs the size of the nonce (M), for Circuit 2.

A summary of the insights derived from the above experiments are as follows: 1) Increase in the size of *secret* inputs increases circuit size and prover key size, thereby increasing the running times of the key generator (which is run only once for the entire system lifetime) and the prover (which is run only once at ownership declaration and at each round of exchange of an identity asset).

1. Increase in the size of public inputs has negligible impact on the performance of ZK-SNARKS associated with a given circuit.
2. Proof size, verification key size, and verifier running time are negligibly affected (if at all) by the circuit complexity (e.g. circuit 1 and circuit 2 use different gadgets with varying complexity), size of secret inputs (e.g. experiments on circuit 1,) and size of public inputs (e.g. experiments on circuit 2). This makes using ZK-proofs based on ZK-SNARKs very suitable for use in PrivIdEx to ensure privacy and security properties of identity asset exchange in a decentralized identity ecosystem backed by a BC network, where multiple peers may run the verification algorithms associated with *WC* and *WP*

(see Figure [2).](#_bookmark11) We refer the reader to the technical report [[16](#_bookmark27)] for the details of the remaining circuits.

# SECURITY AND PRIVACY PROOFS

In what follows, we prove that PrivIdEx (V3 - which addresses all three privacy requirements - see Section [4.3)](#_bookmark13) protects against the threats mentioned in the threat models for user privacy (see Section [3.3)](#_bookmark7) and protocol security (see Section [3.2).](#_bookmark6)

The following lemma establishes that an adversary (referred to as Adv1), whose goal is to compromise the user’s privacy (see Section [3.3),](#_bookmark7) does not learn any information on the identity asset and the identity of the parties the user interacts with. Based on the information that Adv1 learn from the protocol transcripts of PrivIdEx, Adv1 cannot link different transactions of the same user.

Lemma 6.1. *PrivIdEx (V3) preserves confidentiality of the user’s identity asset and anonymity and unlinkability of the user’s transac- tions against Adv1.*

*Proof (informal)*: Based on the security of the Diffie-Hellman key exchange used to establish a key between the IAP and the IAC, during the handshake in phase 2 of the protocol, Adv1 cannot learn the key used to encrypt the identity asset in *TT* of phase 3.b (see Figure [2).](#_bookmark11) Hence, *confidentiality* of the identity asset of the user is preserved against Adv1.

Due to the computationally hiding property of the underlying commitment scheme, the actual identities of the IAP and the user are not revealed to Adv1 via commitments: *CP* and *CU* included in the ownership declaration *O* of *TO* in phase 0.b. Therefore, Adv1 does not learn the identity of the IAP who creates an identity asset for a user as well as the identity of the user for whom the identity asset is created, during phase 0.b. All the transactions posted to the BC in- clude senders’ and intended recipients’ pseudonyms. A pseudonym *P* of a participant, i.e. *P* = CRH( public key in the pseudonymous certificate) is indistinguishable from a random string. Therefore, Adv1, which does not collude with the CA, does not learn the iden- tity of the parties interacting via the BC. Due to the zero-knowledge property of ZK-SANRKs, the identity of which the ownership is

proved in Φ5 and Φ6 is not revealed to Adv1 in *TT* . Anonymity of the underlying payment scheme, which is used to pay any required monetary compensation, ensures that Adv1 does not learn the iden- tity of the IAP or the IAC via the associated payment transactions. Therefore, throughout the protocol execution, *anonymity* of the participants is preserved from Adv1.

The different pieces of information involved in the protocol execution that Adv1 can use to link different transactions of the same user, are as follows: i) identity (i.e. pseudonyms) of the parties;

1. the CRH of the identity asset; iii) cipher text encrypting the identity asset; iv) any payment transactions created to pay monetary compensations for the identity assets. Since new pseudonyms are used by the participants for the execution of each round of the identity asset exchange, Adv1 cannot link such transactions via pseudonyms. Due to the computationally hiding property of the commitment scheme, the CRH of the identity asset is not revealed to

Adv1 via commitment: *Ch* in *O* of *TO* . Due to the encoding scheme *En* not allowing one to decode the encoded values in *l* and *Sn*+1, the CRH of the identity asset is not revealed to Adv1 via any of I1-I4 submitted to the BC via *TO* . Due to zero-knowledge property of

ZK-SANRKs, the CRH of the identity asset, which is used to prove correctness in Φ6, is not revealed to Adv1 in *TT* . Hence Adv1 cannot link transactions via the CRH of the identity asset. Due to semantic security of the underlying symmetric encryption scheme, Adv1 cannot link the exchange transactions encrypting the same identity asset. Unlinkability of the underlying payment scheme ensures that Adv1 cannot link the identity asset exchange transactions via the associated payment transactions. Therefore, Adv1 does not learn any information helping to link transactions of the same user, hence, unlinkability is preserved against Adv1. ■ We refer the reader to the technical report [[16]](#_bookmark27) for the formal proofs of Lemma 6.1.

The following lemma establishes that an adversary (referred to as Adv2), whose goal is to compromise security of the identity asset exchange protocol (see Section [3.2),](#_bookmark6) cannot create a counterfeit of an existing identity asset, transfer a fake identity asset that has not been legitimately created in the identity ecosystem, and claim false ownership to an identity asset.

Lemma 6.2. *PrivIdEx (V3) preserves correctness, ownership assur- ance and counterfeit elimination against Adv2.*

*Proof (informal)*: Due to the additive homomorphic property of the encoding scheme based on the Elgamal encryption scheme, and the soundness property of ZK-SNARKs (which is based on the knowledge of coefficient assumption) used to create the ZK-proof Φ3, Adv2 cannot submit an ownership declaration in *TO* for an identity asset which is a counterfeit, without failing the validation *WC* run by the peers in phase 0.b. Again, due to the soundness of ZK-SNARKs, used to create Φ5 and Φ6, we have that: i) an IAP controlled by Adv2 cannot transfer a fake identity asset because the IAP cannot provide commitments to a valid Merkle hash tree path of an ownership declaration *O*, which contains a commitment to a CRH value that matches the CRH of the identity asset being transferred, in the satisfying assignment to Φ6; ii) a user and an IAP controlled by Adv2 cannot claim false ownership because they cannot provide commitments to a valid Merkle hash tree path of an *O*, which contains commitments to the CRH of public keys for which they own the private keys, in the satisfying assignments to Φ5 and Φ6. ■ We refer the reader to the technical report [[16](#_bookmark27)] for the formal proofs of Lemma 6.2.

Theorem 6.3. *PrivIdEx preserves the identified privacy properties against Adv1 and the security properties against Adv2.*

Theorem 6.3 follows from lemma 6.1 and Lemma 6.2.

# RELATED WORK

Identity management research has a rich history. Here we focus on the proposals focusing on exchanging users’ identity information between SPs. Next we discuss approaches for privacy enhancing techniques for BC applications and show that such approaches alone cannot address the problem that we focus on. OpenID Ex- change (OIX) [[11](#_bookmark23)] and OpenID Connect [[22](#_bookmark42)] are industry standards which address some form of identity exchange. Such protocols, how- ever, have one central IDP from whom other SPs obtain identity information of a user, and do not address a user’s transactional pri- vacy requirements. Identity Mixer [[9]](#_bookmark36) is an anonymous credential system which enables users to authenticate to SPs in an uncon- ditionally unlinkable manner, while selectively disclosing users’

identity information. Identity Mixer also involves a central IDP from which the user obtains identity tokens; the IDP is known to the SPs while the SPs are not known to the IDP. The USA and UK governments have developed nation-scale identity management systems which enable government identity consumers to obtain users’ identity information from third party identity providers, where consumers and providers are anonymous to each other, in order to preserve users’ privacy. However, such systems introduce a government managed broker to mediate the identity exchange transactions, which learns the identity of the two exchanging par- ties, and hence, can track the users’ transactions. More recently, decentralized identity management systems have been proposed that leverage BC technology to avoid centralized parties managing users’ identity [[26](#_bookmark46)]. However, such systems do not address all the privacy requirements that we consider.

Zerocash [[4](#_bookmark31)] enables a sender to transfer bitcoins to a recipient in an anonymous and unlinkable manner. PrivIdEx differs from Zerocash in multile respects, including: i) Zerocash prevents double spending of bitcoins whereas PrivIdEx enables transferring the same identity asset as many times as needed by the legitimate owners to different consumers; ii) there is only one anonymous owner for bitcoins at a given time, whereas there are two owners for an identity asset. Hawk [[18](#_bookmark38)] is a framework for privacy preserving smart contracts. Hawk alone does not address all the privacy and security requirements of a given use case, such as the one we focus on, which involves multiple phases and repeating interactions among the participants, based on the same identity asset. Zero Knowledge Asset Transfer (ZKAT) [[1](#_bookmark21)] by Heperledger Fabric is based on the unspent transaction output (UTXO) model of bitcoin. Hence, it supports exchange of monetary transactions which cannot be double spent, which is different from our use case. Therefore, ZKAT alone is not sufficient to enable privacy preserving and secure identity asset exchange.

# CONCLUSION

We proposed PrivIdEx - a privacy preserving and secure protocol for identity asset exchange over a decentralized identity ecosystem backed by a permissioned BC network. PrivIdEx enables different SPs that a user interacts with to re-use the identity assets created for the user, eliminating the cost of repeated identity verification and due diligence processes, without having to worry about privacy and security concerns in doing so. Analysis of the threat model, protocol design and implementation and experiments are presented in an *incremental* approach to help readers understand the specific challenges posed when achieving each of the identified privacy properties and the mechanisms developed to address them, which also helps in selectively enabling those properties as required by a given identity ecosystem.

One potential future extension of PrivIdEx is to integrate it with the Identity Mixer based CA in Hyperledger Fabric [[1](#_bookmark21)] BC netowork to achieve unlinkability against collusions between the CA and an actor in the BC, so that we can eliminate the third assumption mentioned in Section [3.1.](#_bookmark4) Other relevant future work is to generalize PrivIdEx to facilitate privacy preserving and secure exchange of any confidential digital asset with multiple owners, such as song lyrics,

music, write-ups, e-books, etc., which has not yet been addressed by the existing digital asset exchanging platforms.

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