

Erlay: Efficient Transaction Relay for Bitcoin

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ABSTRACT

Bitcoin is a top-ranked cryptocurrency that has experienced huge growth and survived numerous attacks. The protocols making up Bitcoin must therefore accommodate the growth of the network and ensure security.

Security of the Bitcoin network depends on connectivity between the nodes. Higher connectivity yields better security. In this paper we make two observations: (1) current connectivity in the Bitcoin network is too low for optimal security; (2) at the same time, increasing connectivity will substantially increase the bandwidth used by the transaction dissemination protocol, making it prohibitively expensive to operate a Bitcoin node. Half of the total bandwidth needed to operate a Bitcoin node is currently used to just announce transactions. Unlike block relay, transaction dissemination has received little attention in prior work.

We propose a new transaction dissemination protocol, *Erlay*, that not only reduces the bandwidth consumption by 40% assuming current connectivity, but also keeps the bandwidth use almost constant as the connectivity increases. In contrast, the existing protocol increases the bandwidth consumption linearly with the number of connections. By allowing more connections at a small cost, Erlay improves the security of the Bitcoin network. And, as we demonstrate, Erlay also hardens the network against attacks that attempt to learn the origin node of a transaction. Erlay is currently being investigated by the Bitcoin community for future use with the Bitcoin protocol.

CCS CONCEPTS

- Networks → Peer-to-peer protocols; Network simulations;
- Security and privacy → Distributed systems security; Pseudonymity, anonymity and untraceability; Privacy-preserving protocols; Denial-of-service attacks.

KEYWORDS

peer-to-peer, gossip, bandwidth, distributed systems

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1 INTRODUCTION

Bitcoin is a peer-to-peer (P2P) electronic cash system [52]. Recent estimates indicate that there are over 60,000 nodes in the Bitcoin network¹(as of March 2019). To keep up with the growth in the number of nodes and usage of the network, the system must be continually optimized while retaining the security guarantees that its users have come to expect.

Security of the Bitcoin network depends on adequate network connectivity. Bitcoin literature has repeatedly recommended increasing the number of connections between nodes to make the network more robust [11, 20]. As we explain in Section 3, certain attacks become less successful if the network is highly connected.

Unfortunately, increasing the connectivity of the Bitcoin network linearly increases the bandwidth consumption of *transaction relay*—the protocol that currently takes up half of the total bandwidth required to operate a Bitcoin node. Today, transaction relay alone consumes as much as 18GB per node per month. If the connectivity were increased from the currently used eight outbound connections to 24, the per-node bandwidth used to relay transactions would exceed 50GB/month. This would make it prohibitively expensive for some users to operate a Bitcoin node.

While many Internet providers in North America offer practically unlimited bandwidth, some do impose caps. For example, at the time of this writing, Suddenlink and Mediacom in the US offer plans with 200-350GB data usage caps [60]. In Western Canada, Shaw Cable and Telus, the only home Internet providers available, cap data usage at 150GB and 300GB respectively for their CAD\$80/month plans [4, 5]. With these caps, operating a private Bitcoin node may require upgrading to a more expensive plan. The situation is worse in places like South Africa [37] and Asia, where Bitcoin is gaining popularity. In these regions Internet access is capped at 5-30 GB/month (except at night) [3, 6]. While operating a private node is expensive for these users, the cost of operating a *public* node, at 350GB/month, is prohibitive. If the number of private nodes in the network doubles, the cost for a public node jumps to 700GB/month *only for relaying transactions*.

Despite this inefficiency, transaction relay has not received much attention in the literature, in contrast to block relay [2, 17, 56].

¹<https://luke.dashjr.org/programs/bitcoin/files/charts/software.html>

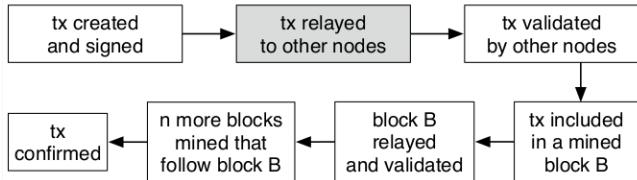


Figure 1: Lifecycle of a Bitcoin transaction. In this paper we optimize the protocols for relaying transactions between nodes in the Bitcoin network (grey box).

The overarching reason why the Bitcoin transaction relay protocol is inefficient is that it relies on *flooding*. A Bitcoin *transaction* corresponds to a transfer of funds between several accounts. Fig. 1 overviews the lifecycle of a transaction in the Bitcoin network. To be accepted by the network of nodes, a transaction must be first disseminated, or *relayed*, throughout the network. Then it must be validated and included in a *block* with other valid transactions. Finally, the block containing the transaction must be relayed to all the nodes. Every Bitcoin transaction must reach almost all nodes in the network, and prior work has demonstrated that full coverage of the network is important for security [63].

Today, Bitcoin disseminates transactions by ensuring that every message received by a node is transmitted to all of its neighbors. This *flooding* has high fault-tolerance since no single point of failure will halt relay, and it has low latency since nodes learn about transactions as fast as possible [43].

However, flooding has poor bandwidth efficiency: every node in the network learns about the transaction multiple times. Our empirical measurements demonstrate that transaction announcements account for 30–50% of the overall Bitcoin traffic. This inefficiency is an important scalability limitation: the inefficiency increases as the network becomes more connected, while the connectivity of the network is desirable to the growth and the security of the network.

Prior work has explored two principal approaches to address this inefficient use of bandwidth. The first is the use of short transaction identifiers (to decrease message size) [39]. The second is to exclusively use blocks and never transmit individual transactions [45]. Both approaches are inadequate: short identifiers only reduce the constant factor and do not scale with the connectivity of the network, while using only blocks creates spikes in block relay and transaction validation. We discuss these approaches further in Section 13.

The contribution of this paper is Erlay, a new protocol that we designed to optimize Bitcoin’s transaction relay while maintaining the existing security guarantees. The main idea behind Erlay is to reduce the amount of information propagated via flooding and instead use an efficient set reconciliation method [50] for most of the transaction dissemination. In addition, we designed the Erlay protocol to withstand DoS, timing, and other attacks.

We implemented Erlay in a simulator and as part of the mainline Bitcoin node software, and evaluated Erlay at scale. Our results show that Erlay makes announcement-related bandwidth negligible while keeping latency to a small fraction of the inter-block interval.

In summary, this paper makes the following contributions:

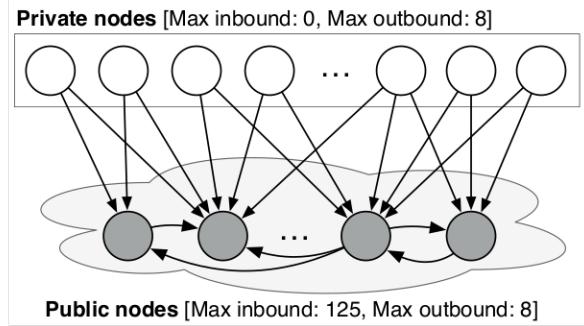


Figure 2: Private and public nodes in the Bitcoin network.

- We analyze bandwidth inefficiency of Bitcoin’s transaction relay protocol. We do this by running a node connected to the Bitcoin network as well as by simulating the Bitcoin network. Our results demonstrate that 88% of the bandwidth used to announce transactions (and around 44% of the overall bandwidth) is redundant.
- We propose a bandwidth-efficient transaction relay protocol for Bitcoin called *Erlay*, which is a combination of fast low-fanout flooding and efficient set reconciliation, designed to work under the assumptions of the Bitcoin network.
- We demonstrate that Erlay achieves a close to optimal combination of resource consumption and propagation delay, and is robust to attacks. Erlay reduces the bandwidth used to announce transactions by 84% immediately and allows the Bitcoin network to achieve higher connectivity in the future for better security.

We also discuss how Erlay may be applied to cryptocurrencies with higher transaction rate in Appendix A.

Next, we review the background for our work.

2 BITCOIN BACKGROUND

For the purpose of connectivity graph and propagation analysis, there are 2 types of nodes in the Bitcoin network: **private nodes** that *do not* accept inbound connections and **public nodes** that *do* accept inbound connections (see Fig. 2). Public nodes act as a backbone of the network: they help new nodes bootstrap onto the network. Once they have joined the network, public and private nodes are indistinguishable in their operation: both node types perform transaction and block validation, and relay valid transactions and blocks to their peers.

The current version of the Bitcoin transaction relay protocol propagates messages among nodes using *diffusion* [1], which is a variation on random flooding. Flooding is a protocol where each node announces every transaction it receives to each of its peers. Announcements can be sent on either inbound and outbound links. With diffusion, a peer injects a random delay before announcing a received transaction to its peers. This mitigates timing attacks [54] and significantly reduces the probability of in-flight collisions (when two nodes simultaneously announce the same transaction over the link between them).

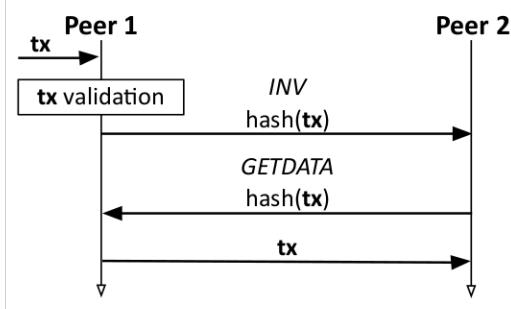


Figure 3: Transaction exchange between two peers.

The protocol by which a transaction propagates between two peers is illustrated in Fig. 3. When a Bitcoin node receives a transaction (peer 1 in Fig. 3), it advertises the transaction to all of its peers except for the node that sent the transaction in the first place and other nodes from which it already received an advertisement. To advertise a transaction, a node sends a hash of the transaction within an *inventory*, or *INV* message. If a node (peer 2 in Fig. 3) hears about a transaction for the first time, it will request the full transaction by sending a *GETDATA* message to the node that sent it the *INV* message.

We refer to the transaction-advertising portion of the protocol (all the *INV* messages) as *BTCFlood*. Since it relies on flooding, most transactions are advertised through each link in the network in one direction (except those that are advertised during the block relay phase). As a result, a node with n connections will send and receive between n and $2n$ *INV* messages for a single transaction (two nodes may announce the same transaction simultaneously to each other).

Both public and private nodes limit the number of inbound and outbound connections (Fig. 2). By default a private node has no inbound connections and up to 8 outbound connections, while a public node can have 8 outbound connections as well as up to 125 inbound connections (but the inbound connection limit can be configured up to around 1,000). Thus, as the number of private nodes in the Bitcoin network grows, the bandwidth and computational requirements to run a public node quickly increase. This is because private nodes connect to multiple public nodes to ensure that they are connected to the network through more than a single peer.

As a result, Bitcoin designers have focused on (1) making the running of a public node more accessible, in terms of required bandwidth, computational power, and hardware resources, and (2) making public nodes more efficient so that they can accept more connections from private nodes. Our work targets both objectives.

3 THE PROBLEM WITH FLOODING TRANSACTIONS

Flooding is inefficient. *BTCFlood* sends many redundant transaction announcements. To see why let us first consider how many announcements would be sent if the protocol were efficient. Since, optimally, each node would receive each announcement exactly once, *the number of times each announcement is sent should be equal to the number of nodes*.

Next, let us consider how many times an announcement is sent with *BTCFlood*. By definition, each node relays an announcement on each of the links except the one where that announcement originally arrived. In other words, each link sees each announcement once, if no two nodes ever send the same announcement to each other simultaneously, and more than once if they do. Therefore, *in BTCFlood each announcement is sent at least as many times as the number of links*.

If N is the number of nodes in the Bitcoin network, the number of links is $8N$, because each node must make eight outbound connections. Therefore, the number of *redundant* announcements is at least $8N - N = 7N$. Each announcement takes 32 bytes out of 300 total bytes needed to relay a single transaction to one node. (These 300 bytes include the announcement, the response, and the full transaction body). Therefore, if at least seven out of eight announcements are redundant (corresponding to 224 bytes), at least 43% of all announcement traffic is wasteful.

We validated this analysis experimentally. We configured a public Bitcoin node with eight outbound connections and ran it for one week. During this time, our node also received four inbound connections. We measured the bandwidth dedicated to transaction announcements and other transaction dissemination traffic. A received announcement was considered redundant if it corresponded to an already known transaction. A sent announcement was considered redundant if it was not followed by a transaction request. According to our measurements (taken at multiple nodes at different locations) 10% of the traffic corresponding to received announcements and 95% of the traffic corresponding to the sent announcements were redundant. Overall, 55% of all traffic used by our node was redundant.

Higher connectivity requires more bandwidth. Given that the amount of redundant traffic is proportional to the number of links, increasing the connectivity of the network (the number of outbound links per node) linearly increases bandwidth consumption in *BTCFlood*.

We modeled how the bandwidth consumption of disseminating one transaction across the network of 60K nodes increases with connectivity. Fig. 4 (whose results we confirmed via simulation) shows that announcement traffic turns dominant as the network becomes more connected. With eight connections per node, a private node may consume 9GB of bandwidth per month just for announcing transactions. Setting connectivity to 24 in Bitcoin today would cause transaction relay to consume over 15GB/month.

Higher connectivity offers more security. In P2P networks, higher connectivity improves network security. This was demonstrated by both traditional P2P research [8, 9] and Bitcoin-specific prior work [11, 20, 36, 44, 55].

Certain attacks become less successful if the network is highly connected [35, 44, 54]. The eclipse attack paper [36] has shown that fewer than 13 connections would be detrimental to the security of the network. A recently discovered vulnerability [22] relies on *InvBlock* [49]. *InvBlock* is a technique that prevents a transaction from being propagated by first announcing it to a node, but then withholding the transaction contents for two minutes. With higher connectivity, this attack is easier to mitigate.

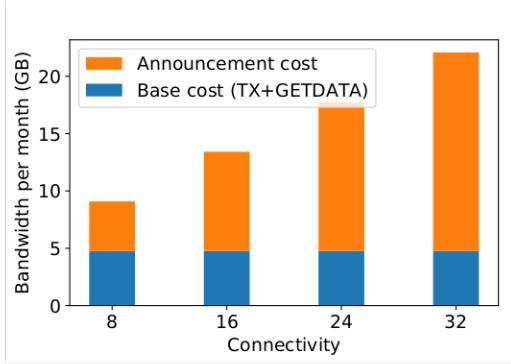


Figure 4: Analytical cost of relaying transactions via flooding for one Bitcoin node during one month.

4 PROTOCOL REQUIREMENTS

While there exists prior work on selective flooding in peer-to-peer networks, the key challenge addressed in this work is how to apply low-fanout flooding *without compromising the security of the Bitcoin system*. Erlay’s design is shaped by four requirements.

R1: Scale with the number of connections. Our main goal is to design a transaction dissemination protocol that has good scalability as a function of the number of connections. This way, we can make the network more secure without sacrificing performance.

R2: Maintain a network topology suited for a decentralized environment. Bitcoin’s premise of a decentralized environment puts constraints on the design of its network. Although imposing a structure onto a network, e.g., by organizing it into a *tree* or *star* topology, or by using DHT-style routing, enables bandwidth-efficient implementation of flooding, this also introduces the risks of censorship or partitioning [44]. The topology of the network must, therefore, remain unstructured, and routing decisions must be made independently by every node based on local state.

R3: Maintain a reasonable latency. Transaction propagation delay should remain similar to what the existing protocol provides. Low latency is essential to user experience and enables better efficiency in block relay [17].

R4: Be robust to attacks under the existing threat model. Our protocol must remain robust under the same threat model as that assumed by the existing protocol. Similarly to Bitcoin, we assume that an attacker has control over a limited, non-majority, number of nodes in the network, has a limited ability to make other nodes connect to it, and is otherwise unrestricted in intercepting and generating traffic for peers that it is connected to.

The transaction relay protocol must not be any more susceptible to DoS attacks and client deanonymization, and must not leak any more information about the network topology [54] than the existing protocol.

5 ERLAY DESIGN

Traditionally, P2P networks addressed the inefficiency of flooding by imposing a structured overlay onto an ad-hoc topology. We refrained from structured network organizations for security reasons

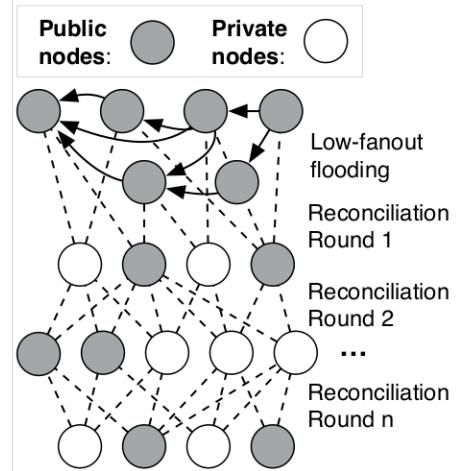


Figure 5: Erlay disseminates transactions using low-fanout flooding as the first step, and then several rounds of reconciliation to reach all nodes in the network.

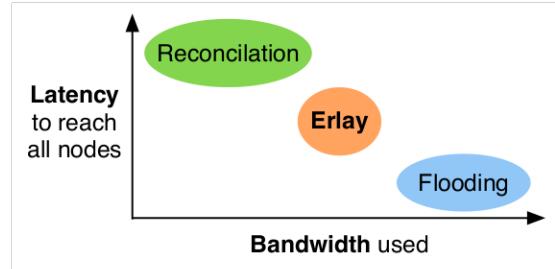


Figure 6: Comparison of reconciliation, flooding, and Erlay in their bandwidth usage and latency to reach all nodes.

discussed in Section 4. Instead, our design relies on two common system-building techniques: delay and batching.

Instead of announcing every transaction on each link, a node using our protocol advertises it to a subset of peers—this is called *low-fanout flooding*. To make sure that all transactions reach the entire network, nodes periodically engage in an interactive protocol to discover announcements that were missed, and request missing transactions. This is called *set reconciliation*. Our protocol, Erlay, is comprised of low-fanout flooding and set reconciliation (Fig. 5).

Low-fanout flooding. The rationale behind low-fanout flooding is to expediently relay a transaction to be within a small number of hops of every node in the network. If each transaction ends up close to every node, then reconciliation can finish dissemination using a small number of rounds. Therefore, a key decision in low-fanout flooding is to which peers to relay.

Set reconciliation. Set reconciliation was proposed as an alternative to synchronization in distributed systems [50]. Using set reconciliation a node in a P2P network periodically compares its local state to the state of its peers, and sends/requests only the necessary information (the state difference). Set reconciliation may be viewed as an efficient version of *batching* (accumulating multiple state updates and sending them as a single message). The key

challenge in practical reconciliation is for the peers to efficiently compute their missing transaction state, and to limit the exchanged transactions to just those that the other peer is missing.

Fig. 6 shows how Erlay attempts to find a sweet spot in terms of bandwidth and latency by combining flooding, which wastes bandwidth but disseminates transactions quickly, and reconciliation, which takes longer, but does not waste bandwidth. In Appendix A we discuss how this design allows Erlay to be used in other cryptocurrencies with higher transaction rate than currently provided by Bitcoin.

Next, we discuss two fundamental aspects of Erlay in detail.

5.1 Low-fanout flooding

Flooding is expensive, so we want to use it sparingly and in *strategic* locations. For that reason, only well-connected public nodes flood transactions to other public nodes via outbound connections. Since every private node is directly connected to several public nodes, this policy ensures that a transaction is quickly propagated to be within one hop from the majority of the nodes in the network. As a result, only one or two reconciliation rounds are needed for full reachability (**R3**). According to this, the protocol we propose may be viewed as two-tier optimistic replication [59].

To meet our scalability goal (**R1**), we limit the flooding done by public nodes to eight outbound connections even if the total number of these connections is higher. This way, increasing connectivity does not increase transaction dissemination cost proportionally.

The decision to relay through outbound connections, but not the inbound ones, was made to defend against timing attacks [22, 54]. In a timing attack, an attacker connects to a victim and listens to all transactions that a victim might send on that link (the inbound connection for the victim). If an attacker learns about a transaction from multiple nodes (including the victim), the timing of transaction arrival can be used to guess whether a transaction originated at the victim: if it did then it will most likely arrive from the victim earlier than from other nodes. BTCFlood introduces a diffusion delay to prevent timing attacks. In Erlay, since we do not forward individual transactions to inbound links, this delay is not necessary. So this decision favors both **R3** and **R4**.

Transactions in the Bitcoin network may originate at both public and private nodes. In the protocol we propose, nodes do not relay their transactions via flooding, so the network learns about the transactions they have originated via reconciliation: private nodes add their own transactions to the batch of other transactions that they forward to their peers during reconciliation. This is used to hide when transactions are originated at private nodes. If transactions were instead flooded from private nodes, it would be obvious to public nodes that those transactions must have been created at those nodes, because according to the chosen flooding policy, this is the only case where a private node floods a transaction, as they have no inbound links. Since a private node forwards its own transactions as part of a batch, as opposed to individually, a malicious public node is unlikely to discover the origin of a transaction (**R4**).

5.2 Set reconciliation

In Erlay peers perform set reconciliation by computing a local *set sketch*, as defined by the PinSketch algorithm [23]. A set sketch is a type of set checksum with two important properties:

- Sketches have a predetermined capacity, and when the number of elements in the set does not exceed the capacity, it is always possible to recover the entire set from the sketch by *decoding* the sketch. A sketch of b -bit elements with capacity c can be stored in bc bits.
- A sketch of the symmetric difference between the two sets (i.e., all elements that occur in one but not both input sets), can be obtained by XORing the bit representation of sketches of those sets.

These properties make sketches appropriate for a bandwidth-efficient set reconciliation protocol. More specifically, if two parties, Alice and Bob, each have a set of elements, and they suspect that these sets largely but not entirely overlap, they can use the following protocol to have both parties learn all the elements of the two sets:

- Alice and Bob both locally compute sketches of their sets.
- Alice sends her sketch to Bob.
- Bob combines the two sketches, and obtains a sketch of the symmetric difference.
- Bob tries to recover the elements from the symmetric difference sketch.
- Bob sends to Alice the elements that she is missing.

This procedure will always succeed when the size of the difference (elements that Alice has but Bob does not have plus elements that Bob has but Alice does not have) does not exceed the capacity of the sketch that Alice sent. Otherwise, the procedure is very likely to fail.

A key property of this process is that it works regardless of the actual set sizes: only the size of the set differences matters.

Decoding the sketch is computationally expensive and is quadratic in the size of the difference. Because of this, accurately estimating the size of the difference (Section 5.2.1) and reconciling before the set difference becomes too large (Section 5.2.2) are important goals for the protocol.

5.2.1 Reconciliation round. Fig. 7 summarizes the reconciliation protocol. To execute a round of reconciliation, every node maintains a *reconciliation set* for each one of its peers. A reconciliation set consists of short IDs of transactions that a node would have sent to a corresponding peer in regular BTCFlood, but has not because Erlay limits flooding. We will refer to Alice's reconciliation set for Bob as A and Bob's set for Alice as B . Alice and Bob will compute the sketches for these reconciliation sets as described in the previous section.

Important parameters of the protocol are: D – the true size of the set difference, d – an estimate of D , and q – a parameter used to compute d . We provide the derivation of these values below. First, we describe a reconciliation round:

- (1) According to a chosen reconciliation schedule (Section 5.2.2), Alice sends to Bob the size of A and q .
- (2) Bob computes d , an estimate of D , between his B and Alice's A (see below).

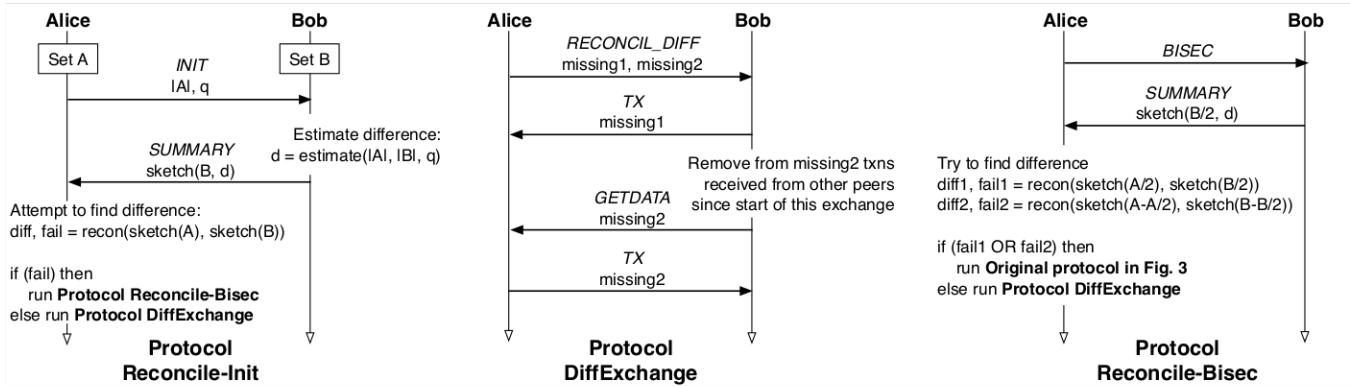


Figure 7: Reconciliation protocol with correct difference estimation (Reconcile-Init, followed by DiffExchange), and reconciliation protocol with incorrect difference estimation (Reconcile-Init, followed by Reconcile-Bisec). In case reconciliation fails during Reconcile-Bisec, reconciliation falls back to Bitcoin’s current exchange method (see Fig. 3).

- (3) Bob computes a sketch of B with capacity for d transactions and sends it to Alice, along with the size of B .
- (4) Alice receives Bob’s sketch of B , computes a sketch of A , and XORs the two sketches. Now Alice has a sketch of the difference between A and B .
- (5) If the difference size was estimated correctly, Alice is able to decode the sketch computed in the previous step, request the transactions that she is missing from Bob, and then advertise to Bob the transactions that he is missing. If the estimation was incorrect (sketch decoding failed), Alice will resort to bisection (Section 5.2.3).
- (6) After this process, Alice updates q (see below) and clears A . Bob clears B .

Accurate estimation of D is crucial for a successful reconciliation, because sketches are computed in order to decode d or fewer differences: under-estimation results in a protocol failure and over-estimation introduces bandwidth overhead. Prior work estimated D using techniques like min-wise hashing [14] or random projections [30]. These techniques are complex, and we were concerned that they would use more bandwidth than they would save. Therefore, Erlay uses a minimalistic approach: it estimates the size of the set difference based on just the current sizes of the sets and the difference observed in the previous reconciliation round:

$$d = \text{abs}(|A| - |B|) + q \cdot \min(|A|, |B|) + c,$$

where q is a floating point coefficient (derived below) that characterizes previous reconciliation, and c is a parameter for handling special cases.

Indeed, the difference between two sets cannot be smaller than the difference in their sizes. To avoid costly underestimations, we add the size of the smaller set normalized by q , and a constant $c = 1$, which prevents estimating $d = 0$ when $|A| = |B|$ and $q \cdot \min(|A|, |B|) = 0$.

The coefficient q characterizes earlier reconciliation, so before the very first reconciliation round it is set to zero. At the end of a reconciliation round, we simply update q based on the true D that we discovered during the round, by substituting D for d in the above equation, dropping c , and then solving for q :

$$q = \frac{D - \text{abs}(|A| - |B|)}{\min(|A|, |B|)}$$

This updated q will be used in the next reconciliation round. We compute q in this way because we assume that every node in the network will have a consistent optimal q .

Reconciliation is a fertile ground for DoS attacks, because decoding a sketch is computationally expensive. To prevent these attacks, in our protocol the node that is interested in reconciliation (and the one that has to decode the sketch) initiates reconciliation (Alice, in our example). Bob cannot coerce Alice to perform excessive sketch decoding.

5.2.2 Reconciliation schedule. Every node initiates reconciliation with one outbound peer every T seconds. Choosing the right value for T is important for performance and bandwidth consumption. If T is too low, reconciliation will run too often and will use more bandwidth than it saves. If T is too high, reconciliation sets will be large and decoding set differences will be expensive (the computation is quadratic in the number of differences). A large T also increases the latency of transaction propagation.

A node reconciles with one peer every T seconds. Since every node has c outbound connections, every link in the network would, on average, run reconciliation every $T \cdot c$ seconds. This means that the average reconciliation set prior to reconciliation would contain $T \cdot c \cdot TX_{rate}$ transactions, where TX_{rate} is the global transaction rate. This also means that during the interval between reconciliations every node would receive $T \cdot TX_{rate}$ transactions.

We use a value of 1 second for T in Erlay. With this setting, and the current ratio of private to public nodes, every public node will perform about eight reconciliations per second. Given the current maximum Bitcoin network transaction rate TX_{rate} of 7 transactions/s, the average difference set size for this protocol is 7 elements. We evaluate our choice of parameters in Sections ??.

5.2.3 Bisection for set difference estimation failure. Our set reconciliation approach relies on the assumption that an upper bound for the set difference between two peers is predictable. That is, if the actual difference is higher than estimated, then reconciliation will

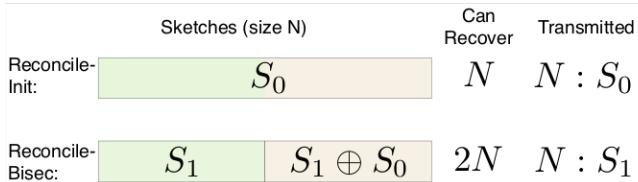


Figure 8: Bisection is enabled by the linearity of sketches

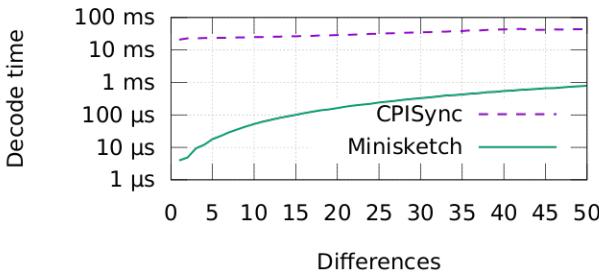


Figure 9: The decode time of our library (Minisketch) as compared to CPISync for varying set difference sizes.

fail. This failure is detectable by a client computing the difference. An obvious solution to this failure is to recompute and retransmit the sketch assuming a larger difference in the sets. However, this would make prior reconciliation transmissions useless, which is inefficient.

Instead, Erlay uses reconciliation *bisection*, which reuses previously transmitted information. Bisection is based on the assumption that elements are uniformly distributed in reconciliation sets (this may be achieved by hashing). If a node is unable to reconstruct the set difference from a product of two sketches, the node then makes an additional reconciliation request, similar to the initial one, but this request is applied to only a fraction of possible messages (e.g., to transactions in the range $0x0\text{--}0x8$). Because of the linearity of sketches, a sketch of a subset of transactions would allow the node to compute a sketch for the remainder, which saves bandwidth.

However, this approach would allow recovery of at most $2d$ differences, where d is the estimated set difference in the initial step. Even though bisections are not limited to one and may be applied consequentially without losing efficiency, in our implementation after a reconciliation step failure we allow only one bisection with a new overall estimate $2d$ (see Fig. 8). The bisection process is illustrated in protocol Reconcile-Bisec in Figure 7.

If bisection fails, then Erlay falls back to the original INV-GETDATA protocol (Fig. 3) and applies it to all of the transactions in the two sets being reconciled.

6 IMPLEMENTATION DETAILS

In this section we describe low-level design decisions required to implement Erlay and increase its bandwidth efficiency (**R2**) and make it robust to *collision-based* DoS attacks (**R4**).

Library implementation. We created Minisketch², a C++ library with 3305 LOC, which is an optimized implementation of the PinSketch [23] algorithm. We benchmarked the library to verify that set reconciliation would not create high computational workload on Bitcoin nodes. Fig. 9 shows the decoding performance on an Intel Core i7-7820HQ CPU of our library (Minisketch) as compared to CPISync [64]³ for varying difference sizes. Our library has sub-millisecond performance for difference sizes of 100 elements or fewer. As we will show later (Fig. 13) this performance is sufficiently fast for the differences we observe in practice (in simulation and in deployment). The worst-case can occur when the links have different speeds and the reconciliations are unbalanced. Even in this case, since the interval between reconciliations over the same link is 8s and the transaction rate is around 7 tx/s, the set difference would not exceed 100 elements and set reconciliation would not be prohibitively slow.

We used this library to build a reference implementation of Erlay as a part of the Bitcoin Core software, which we evaluate in Section 11.

Short identifiers and salting. The size of a transaction ID in the Bitcoin protocol is 32 bytes. To use PinSketch [23], we have to use shorter, 64 bit, identifiers. Using fewer bits reduces the bandwidth usage by 75% (**R2**), but it also creates a probability of collisions. Collisions in transaction relay are an attack surface, because a malicious actor may flood a network with colluding transactions and fill *memory pools* of the nodes with transactions, which would then be propagated and confirmed in a very slow manner. Thus we want to secure the protocol against such attacks (**R4**).

While collisions on one side of a communication are easy to detect and handle, collisions involving transactions on both sides may cause a significant slowdown. To mitigate this, *every pair of nodes* uses different salt (random data added to an input of a hash-function) while hashing transaction IDs into short identifiers.

The salt value is enforced by the peer that initiates the connection, and per Erlay’s design, requests reconciliation. Since the peer requesting reconciliation also computes the reconciliation difference, the requestor peer would have to deal with short IDs of unknown transactions. Since salt is chosen by the requestor, reusing the same salt for different reconciliations would allow him to compare salted short IDs of unknown transactions to the IDs received during flooding from other peers at the same time.

Low-fanout diffusion delay. Bitcoin flooding mitigates timing attacks [54] and in-flight collisions by introducing a random delay into transaction announcements. For timing attacks Bitcoin assumes that an attacker connects (possibly, multiple times) to the node (or takes over a fraction of outbound connections of the node). In a low-fanout model, this attack is not feasible, because transactions are flooded through outbound connections only.

In-flight collisions are also not possible in the case of low-fanout relay through only outbound links, because transactions are always announced in the same direction of a link.

In consideration of these arguments as well as to reduce latency, Erlay has a lower random diffusion interval. Instead of using $T_{oi} = 2$

²<https://github.com/sipa/minisketch>

³<https://github.com/trachten/cpisync>

seconds for outbound connections and $T_{ii} = 5$ seconds for inbound, Erlay uses $T_{oi} = 1$ seconds for outbound.

Reconciliation diffusion delay. Even though in Erlay timing attacks by observing low-fanout flooding are not feasible, an attacker would be able to perform them through reconciliations. To make timing attacks through reconciliations more expensive to perform, we enforce every peer to respond to reconciliation requests after a small random delay (in our implementation, a Poisson-distributed random variable which is on average $T_{ri} = 1$ seconds), which is shared across reconciliation requests from all peers, and we rate-limit reconciliations per peer. This measure would make Erlay better than BTCFlood at withstanding timing attacks.

Our measure in Erlay has the same idea as in flooding/low-fanout diffusion; however, having the ratio T_{ii}/T_{oi} higher makes timing attacks less accurate, because during T_{ii} (the average time before an attacker receives a transaction) a transaction would be propagated to more nodes in the network.

We chose the interval of 1 second because a lower interval would make Erlay more susceptible to timing attacks than Bitcoin, and a higher interval results in high latency.

7 EVALUATION METHODOLOGY

In evaluating Erlay we focus on answering four questions:

- (1) How does Erlay compare to BTCFlood in latency (the time that it takes for the transaction to reach all of the nodes) and bandwidth (the number of bits used to disseminate a transaction)?
- (2) How do the two parts of Erlay (low-fanout flooding and reconciliation) perform at scale and with varying connectivity, varying number of nodes, and varying transaction rates?
- (3) How do malicious nodes impact Erlay’s performance?
- (4) How does Erlay affect the stale block rate (and security of the network)?

We use two types of measurement results to answer the questions above. First, we used a simulator to simulate Erlay on a single machine (Sections 8, 10). Second, we implemented Erlay in the mainline Bitcoin client and deployed a network of Erlay clients on the Azure cloud across several data centers (Section 11).

Simulator design. Our simulation was done with ns3. We modified an open-source Bitcoin Simulator [33] to support transaction relay. The original simulator had 9663 LOC; the version we modified has 9948 LOC.

Our simulator is based on the INV-GETDATA transaction relay protocol (see Section 2). It is parameterized by the current ratio of public nodes to private nodes in the Bitcoin network and the transaction rate based on the historical data from the Bitcoin network (7 transactions per second on average). We simulate the different ratios of faults in the network by introducing Black Hole nodes, which receive transactions but do not relay them.

Our simulator does not account for heterogeneous node resources, the block relay phase, the joining and leaving of nodes during the transaction relay phase (churn), and does not consider sophisticated malicious nodes.

The propagation latency measured for BTCFlood by our simulator matches the value suggested for the validation of Bitcoin

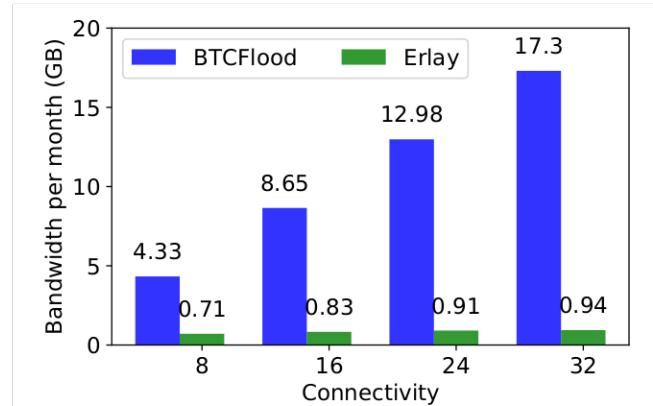


Figure 10: Average bandwidth one Bitcoin node spends per month to announce transactions.

simulators [27], and our measured bandwidth matches our analytical estimates.

Topology of the simulated network. We emulated a network similar to the current Bitcoin network, since inferring the Bitcoin network topology is non-trivial [54]. In our simulation we bootstrapped the network in two phases: (1) public nodes connected to each other using a limit of eight outbound connections, then (2) private nodes connected to eight random public nodes. In some experiments we increased connectivity, as indicated in the experiment’s description.

Unless stated otherwise, our simulation results are for a network of 6,000 public nodes and 54,000 private nodes (this is the scale of today’s network⁴). In each experiment we first used the above two steps to create the topology, then we relayed transactions for 600 seconds (on average, we generated 4,200 transactions from random private nodes).

8 PERFORMANCE EVALUATION

In this section we use simulation to evaluate latency and bandwidth consumption in Erlay, and to compare these to BTCFlood.

8.1 Relay bandwidth usage

To verify that Erlay scales better than BTCFlood as the connectivity increases, we varied the number of outbound connections per node and measured the bandwidth used for announcing transactions. Figure 10 shows the results.

With BTCFlood, relay bandwidth increases linearly with the connectivity because BTCFlood announces transactions on *every* link in the network. With Erlay, however, bandwidth consumption grows significantly slower. Erlay seamlessly embraces higher connectivity, which allows for better security.

Transaction announcements in overall bandwidth. To demonstrate that Erlay’s announcement optimization impacts overall bandwidth, we measure the bandwidth consumed by a simulated network to relay transactions with BTCFlood and with Erlay. Fig. 11 plots the results for simulations in which every node establishes 8

⁴<https://bitnodes.earn.com/>
<https://luke.dashjr.org/programs/bitcoin/files/charts/software.html>

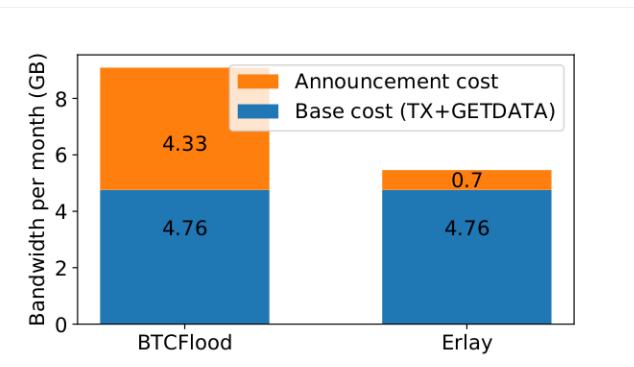


Figure 11: Average bandwidth cost of fully relaying transactions during 1 month for a Bitcoin node with outbound connectivity of 8.

Table 1: Breakdown of bandwidth usage in Erlay.

Erlay component	Bandwidth %
Low-fanout flooding	54%
Reconciliation	32%
Bisection	0.7%
Fallback	4.3%
Post-reconcile. INVs	9%
Total	100%

connections. Erlay’s announcement bandwidth is just 12.8% of the relay bandwidth, while for BTCFlood the announcement bandwidth is 47.6%.

Breaking down Erlay’s bandwidth usage. To further understand Erlay’s bandwidth usage, we broke it down by the different parts of the protocol: low-fanout flooding, reconciliation, and post-reconciliation announcements.

Table 1 lists the results. The table shows that about a third of the bandwidth is used by reconciliation, while low-fanout flooding accounts for a majority of the bandwidth. The post-reconciliation INVs account for a small fraction of Erlay’s bandwidth.

The number of small messages. We also evaluated whether Erlay increases the number of small messages as compared to BTCFlood. Our results indicate that Erlay does not increase small message traffic due to the delay in reconciling over every link and the low-fanout nature of flooding in Erlay.

Set reconciliation effectiveness. To understand the effectiveness of Erlay’s set reconciliation, we measured how often reconciliation or the following bisection protocol fail. Fig. 12 reports the results aggregated from one of our simulation runs with 60,000 nodes. The end-to-end probability of reaching fallback is below 1%. Since bisection does not introduce additional bandwidth overhead (while fallback does), the overall reconciliation overhead is low.

Since every reconciliation round requires a set difference estimation, we measured the distribution of the estimated difference sizes. Fig. 13 demonstrates that set difference depends on the transaction rate. This is expected: for the same reconciliation intervals, a higher transaction rate would result in both reconciling parties

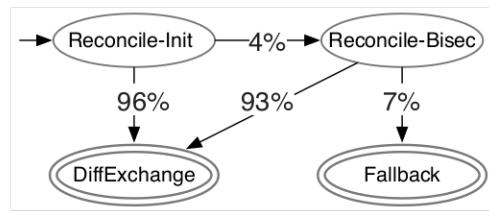


Figure 12: Finite state machine of the protocol in Fig. 3 annotated with transition percentages observed in our experiments.

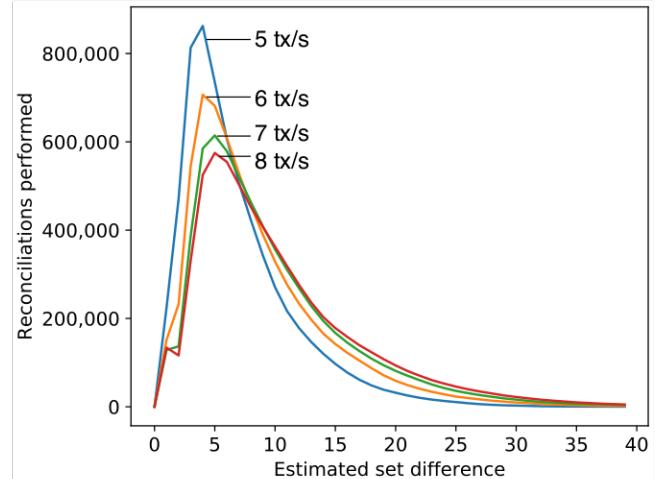


Figure 13: Distribution of the set difference estimates during reconciliation for different transaction rates.

receiving more transactions and would lead to a larger set difference. This dependency between set difference and transaction rate allows accurate set difference estimation. Fig. 12 illustrates that Erlay’s estimate is correct 96% of the time. For the cases where Erlay under-estimates and the initial reconciliation fails, the resulting bandwidth overhead constitutes 9% of the overall bandwidth.

In our library benchmarks the decode time for a sketch containing 100 differences is under 1 millisecond (Fig. 9). Thus, the computational cost of operating over sketches with the distribution in Fig. 13 is negligible.

8.2 Relay latency

Fig. 14 plots the average latency for a single transaction to reach all nodes for Erlay and BTCFlood as we vary the total number of nodes. In this set of experiments we kept constant the ratio between private and public types of nodes at 9 : 1 (this is the ratio in today’s Bitcoin network).

Erlay has a constant latency overhead on top of BTCFlood that is due to its use of batching. However, this overhead is just 2.6 seconds and changes at approximately the same rate with the number of nodes as BTCFlood’s latency. Erlay’s per-transaction latency can be reduced at the cost of higher bandwidth usage. This is a tunable parameter, subject to design constraints.

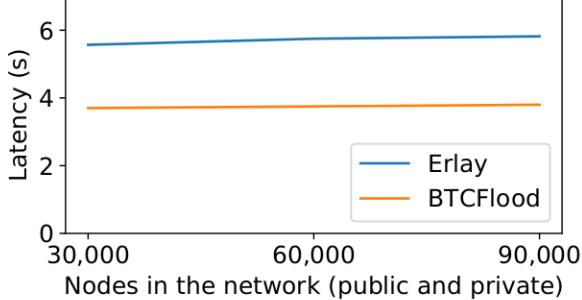


Figure 14: Average latency for a single transaction to reach 100% nodes in networks with different sizes.

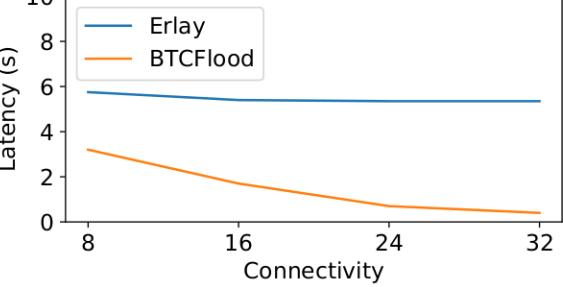


Figure 15: Average latency for a single transaction to reach 100% nodes in the network with variable connectivity.

We chose to pay this latency overhead, because this is an acceptable cost to maximize bandwidth efficiency, as we discuss in Sections ??.

One of Erlay’s goals is to enable higher connectivity. We therefore analyzed the latency of Erlay and BTCFlood for different connectivities of the network. Figure 15 demonstrates that, as the connectivity increases, latency significantly decreases for BTCFlood (at high bandwidth cost), and only slightly decreases for Erlay without significant effect on bandwidth.

To understand how transactions propagate across the network, we measured the latency to reach a certain fraction of nodes in the network. Figure 16 demonstrates that Erlay follows the same propagation pattern as BTCFlood with a fairly constant overhead of 2.6 seconds.

9 RECONCILIATION AND FLOODING TRADE-OFF

Erlay’s design combines flooding with reconciliation to achieve a balance between two extremes: the current flooding-only protocol in Bitcoin (BTCFlood), and a reconciliation-only protocol. This intuition is captured in the latency-bandwidth trade-off diagram in Figure 6. However, does Erlay actually strike a balance? And, what

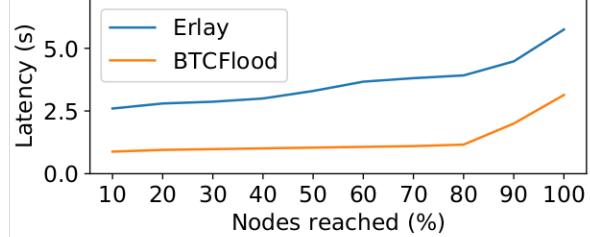


Figure 16: Average latency for a single transaction to reach a certain fraction of nodes in the network

other intermediate protocol alternatives lie between flooding-only and reconciliation-only designs?

A key design choice in Erlay is to flood transactions to 8 outbound peers and none to the inbound peers. We have also considered other alternatives while designing Erlay. Although a full exposition of the design space is beyond the scope of this paper, we present a limited comparison of the latency-bandwidth trade-off for several other protocol variants that use a different choice of flooding inbound/outbound peers. Specifically, we used our simulator to collect data about versions of the Erlay protocol that use X inbound peers and Y outbound peers for flooding (while using reconciliation on all links including X and Y), for different values of X and Y .

We ran several experiments, with each experiment being a protocol configuration that selects a specific X inbound and Y outbound values. In these experiments we simulated a network of 24,000 private and 6,000 public nodes and relayed a total of 1,000 transactions⁵. We collected transaction latency and bandwidth usage for each experiment and Figure 17 plots the results.

Figure 17 shows that BTCFlood and Reconciliation-only indeed lie at opposite ends of the trade-off spectrum (top left for BTCFlood and bottom right for Reconciliation-only). And, most key, Erlay lies closer to the bottom left corner than either configuration. This figure also shows that configurations with other choices of values for X and Y get close to the left corner. But they do not strike as good a balance between latency and bandwidth as Erlay does.

10 SECURITY EVALUATION

As discussed in Section 4, Erlay must be robust to attacks under the existing threat model. In this section we evaluate Erlay’s security.

10.1 First-spy estimator

One of Erlay’s design goals is to be more robust to timing attacks from sybils [22, 35]. To evaluate Erlay’s robustness against timing attacks, we simulated a network of 60,000 nodes and used *first-spy estimator* approach to link transactions to nodes of their origin.

With the first-spy estimator an attacker deploys some number of spy nodes. Each node keeps a local log of timestamped records, each of which records (1) when the spy first learned about a transaction,

⁵We restricted the network size to constraint the experiment running time

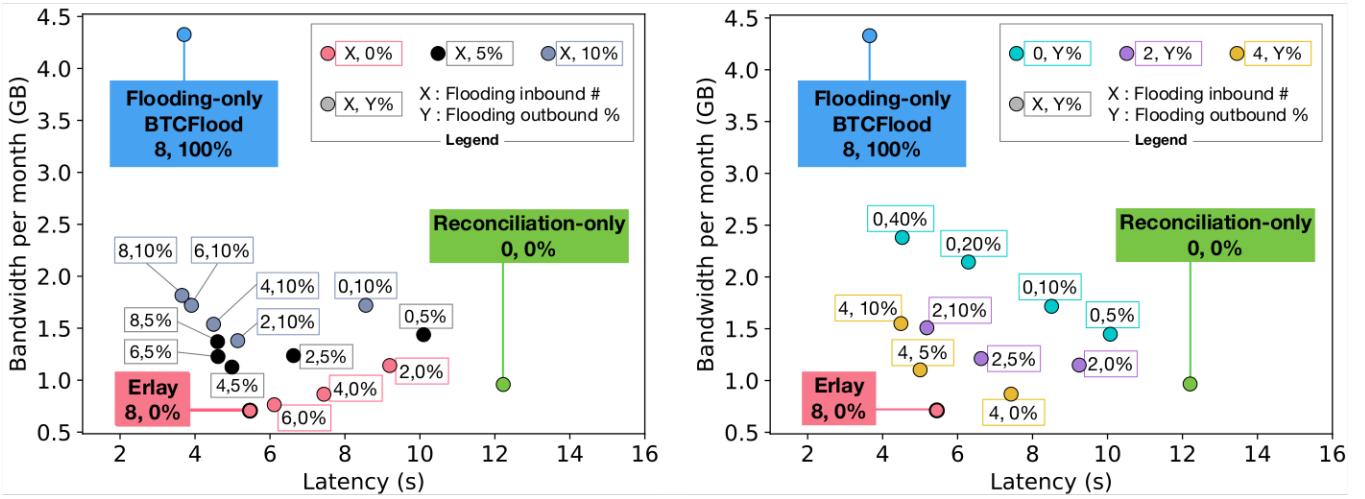


Figure 17: Comparison of configurations of the Erlay-style protocol along the latency-bandwidth trade-off, as compared to BTCFlood (which does flooding only and no reconciliation). All points except for BTCFlood perform reconciliation on *all* links. Each point varies the choice of the number of peers to *flood* to that are inbound (out of 8 total), and outbound (out of 100% total). Points with the same inbound/outbound configurations have the same color. We split the points across two plots for readability.

and (2) from which node the spy learned it. In our setup, at the end of the experiment the spy nodes aggregate their logs and estimate that the source node of a transaction is the node which was the very first one to announce the transaction (to any of the spies). Tables 2 and 3 list the success rates of the first-spy estimator for different number of spies, which were either private or public nodes.

While Erlay is more susceptible to spying by private nodes (Tables 2), we believe that this is acceptable for three reasons. (1) The success rate is below 50% for both protocols, which means that this deanonymization attack is unreliable, (2) the difference between the two protocols is at most 10%, and (3), Erlay is materially more susceptible to spying when there are higher levels of private spying nodes (30%). At this level, an attack with public spies is a more reasonable alternative since the attacker must control fewer nodes to achieve a higher attack success rate.

By contrast, Erlay increases the cost of the deanonymization attack by public nodes (Table 3): an attacker must control more long-running public nodes in the network with Erlay than with BTCFlood to achieve the same attack rate.

We also measured that increasing the connectivity with Erlay does not change the success rate of first-spy estimation.

First-spy estimation is just one type of timing attack strategy. Withstanding more sophisticated attacks (e.g., fingerprinting propagation traces) is an open question for future research.

10.2 Stale block rate

One notable security property of PoW-based blockchains is the stale block rate, which is the fraction of mined blocks that do *not* become part of the blockchain because a concurrently mined block is added instead. Increasing the stale block rate reduces security of the network [20, 32, 61]. A higher latency of block relay leads to a higher stale block rate because during the time between the

Private node spies	BTCFlood	Erlay
5%	18%	16%
10%	20%	20%
30%	20%	27%
60%	21%	31%

Table 2: Success rate of first-spy estimator with variable number of private spying nodes in BTCFlood and Erlay.

Public node spies	BTCFlood	Erlay
5%	11%	11%
10%	19%	15%
30%	52%	32%
60%	82%	67%

Table 3: Success rate of first-spy estimator with variable number of public spying nodes in BTCFlood and Erlay.

creation and reception of a block, other miners would mine on the previous block instead of the latest one.

Compact Block relay [17] is a currently deployed measure in the Bitcoin P2P stack for reducing block relay latency. Compact Blocks performance relies on nodes in the network having all the transactions in the block: in this case a block can be relayed between two directly connected nodes with just one message (or in 0.5 RTT). If at least one transaction from the block is missing, three messages are needed (or 1.5 RTT), because a node receiving the block must request the missing transactions.

To evaluate the protocols, we measured the round trips required to relay blocks between two random private nodes (representing miners) in a network of 54,000 private nodes and 6,000 public nodes.

While it is not clear whether miners run public or private nodes, we measured the latency between private nodes because it is always higher.

To understand the best-case behavior (the shortest possible path), we simulated Compact Block relay of empty blocks, meaning that every transfer between two peers took 0.5 RTT. Then, we simulated transaction relay with Erlay and BTCFlood, and ran Compact Blocks at a random point of time during continuous transaction relay. We repeated this experiment 50 times. Relaying blocks while using BTCFlood for transaction relay took on average 2.035 RTTs, and with Erlay 1.985 RTTs, with a best-case (empty blocks) taking 1.945 RTTs. With higher connectivity, Erlay’s latency further approaches the best-case.

Erlay helps to reduce *block* relay latency between two random private nodes because of the faster *transaction* relay among public nodes (which bridge private nodes in the network), public nodes almost always have the necessary transactions, and relay blocks within 0.5 RTT. This result indicates that Erlay makes the network more secure by reducing the stale block rate.

10.3 Other attacks

Eclipse attack. The combination of limited flooding and reconciliation over *every* link in the network makes Erlay no more susceptible to eclipsing than with BTCFlood: unless a node is isolated from the rest of the network by connecting *only* to an attacker, a node would receive all the transactions.

Mining-related attacks. There is no direct relationship between Erlay and attacks like selfish mining [26]. By making timing attacks more expensive, Erlay makes it harder to infer the network topology. Inferring the topology would allow clustering the network by attacking bottlenecks. Clustering the network would then split mining efforts and introduce many stale blocks until the network clusters recompose. Thus, Erlay indirectly makes the network stronger.

Black holes. We evaluated Erlay’s latency in a simple adversarial setting. For this we simulated a network in which 10% of the public nodes are *black holes* and measured the time for a transaction to reach all nodes. While it is difficult to outperform the robustness of BTCFlood, an alternative protocol should not be dramatically impacted by this attack.

According to our measurements, while the slowdown with BTCFlood in this setting is 2%, the slowdown with Erlay is 20%. We believe that this latency increase is acceptable for a batching-based protocol. We have ideas for heuristics that might be applied to mitigate black-hole attacks and make Erlay less susceptible. For example, a node might avoid reconciling with those outbound connections that regularly provide the fewest new transactions.

Denial-of-service. Set reconciliation is a fertile ground for DoS attacks because decoding a sketch is computationally expensive. To prevent these attacks, in our protocol the node that is interested in reconciliation (and the one that has to decode the sketch) initiates reconciliation (Alice, in the example from Section 5). Bob cannot coerce Alice to perform excessive sketch decoding.

The impact of churn. According to the data we obtained from a long-running Bitcoin measurement node, 80% of connections to the node were maintained for at least one day, and 95% of connections

	BTCFlood	Erlay
Base cost (MB) (TX+GETDATA)	27	27
Other messages (MB)	1.06	1.1
Announcement cost (MB)	42	15
Latency (s)	1.85	2.05

Table 4: Prototype measurements collected from a 100-node deployment comparing the latency and bandwidth of the BTCFlood in the reference implementation against our Erlay implementation.

were maintained for at least one hour. This means that only a small fraction of connections are non-persistent. We believe that the impact of this low connection churn rate on the efficiency of the frequent (order of seconds) set reconciliation and the overall Erlay protocol is negligible in practice.

11 REFERENCE IMPLEMENTATION RESULTS

We implemented Erlay as part of Bitcoin Core. For this we added 584 LOC, not including Minisketch. We used a network of 100 Azure nodes located in 6 data centers, running a reference implementation of our protocol integrated in Bitcoin Core node software, to evaluate Erlay in deployment. We generated and relayed 1000 transactions, all originating from one node with a rate of 7 transactions per second. We compared the average latency and bandwidth of Erlay versus Bitcoin’s current implementation. Table 4 summarizes our results. According to our measurements, Erlay introduced a latency increase of 0.2 seconds, while saving 40% of the overall node bandwidth.

As in our simulations, Erlay has a higher latency but lower bandwidth cost, confirming our original design intent (Fig. 6).

12 DISCUSSION

Reconciliation-only relay. We believe that a reconciliation-only transaction relay protocol would be inherently susceptible to timing attacks that could reveal the source of the transaction. Unlike flooding, reconciliation is inherently bi-directional: an inbound connection for one peer is an outbound connection for another peer. Delays cannot be applied per-direction but rather per-link. Therefore, BTCFlood’s diffusion delay cannot be used in reconciliation.

Set difference estimation algorithms. Erlay could use more sophisticated algorithms to estimate set difference [15, 29]. We have not yet integrated these algorithms for three reasons: (1) Erlay already has a low overhead due to over- and under-estimations (see Section 8.1), (2) those algorithms would require added code complexity, and (3) they would increase the number of messages in the protocol and increase bandwidth usage.

Erlay increases latency from 3.15s to 5.75s. Erlay increases the *time to relay an unconfirmed transaction across all nodes*, which is a small fraction of the end-to-end transaction processing (10 minutes). We tuned Erlay to maximize bandwidth savings assuming that an increase in latency from 3.15s to 5.75s is acceptable. It is possible to tune Erlay to provide the same latency as BTCFlood by reconciling more often, but this would save 70% of transaction relay bandwidth instead of 84%. If we tuned Erlay to provide the

same latency as BTCFlood, we could increase network connectivity and improve the network security without additional bandwidth overhead. Section 9 details more results from experiments that tune the latency-bandwidth trade-off. In practice, there are 2 primary implications of *transaction relay latency* increase.

Stale block rate represents the fraction of mined blocks that become abandoned because of concurrently generated blocks. In Section 10.2 we explained how the stale block rate correlates with the security of the network and demonstrated that Erlay reduces the stale block rate by reducing *transaction relay latency* among *public* nodes.

User experience. If a transaction is accepted in an unconfirmed state, then the user perceives the 2.6s latency increase. However, unconfirmed transactions are rarely accepted by users. Instead, users wait for at least 10 minutes to confirm transactions. Therefore, we think that Erlay’s 2.6s latency increase insignificantly impacts the users’ experience.

Compatibility with Dandelion. Dandelion is an alternative transaction relay protocol introduced to improve the anonymity and robustness to adversarial observers in Bitcoin [28]. Dandelion has two phases: stem (propagation across a single link of ten nodes on average), and fluff (relay using flooding from the last node in the stem link). Erlay is complimentary with Dandelion: Erlay would replace the fluff phase in Dandelion, while the stem phase of Dandelion would flood through both inbound and outbound links to preserve the privacy of private nodes.

Backward compatibility. Only about 30% of Bitcoin nodes run the latest release of Bitcoin Core⁶. Therefore, Erlay must be backward compatible. If not all nodes use Erlay, then Erlay may be activated per-link if both peers support it.

13 RELATED WORK

Prior studies of Bitcoin’s transaction relay focused on information leakage and other vulnerabilities [28, 54], and did not consider bandwidth optimization. We believe that our work is the first to introduce a bandwidth-efficient, low-latency, and robust transaction relay alternative for Bitcoin. Erlay is designed as a minimal change to Bitcoin (584 LOC), in contrast with other proposals that optimize Bitcoin more deeply [25].

Short transaction identifiers. One solution to BTCFlood’s inefficiency is to use *short transaction identifiers*. There are two issues with this solution. First, this *only reduces bandwidth cost by a constant factor*. In our simulation we found that short identifiers would reduce redundant traffic from 43% to 10%. But, with higher connectivity, redundancy climbs back up faster than it does with Erlay. The second issue with short IDs is that they would make the system vulnerable to collision-related attacks, requiring a new per-node or per-link secure salting strategy.

Blocksonly setting. Bitcoin Core 0.12 introduced a *blocksonly* setting in which a node does not send or receive individual transactions; instead, the node only handles complete blocks. As a result, *blocksonly* has no INV message overhead. In the *blocksonly* case, nodes will have to relay and receive many transactions at once. This will increase the maximum node bandwidth requirements and cause spikes in block content relay and transaction validation.

⁶<https://luke.dashjr.org/programs/bitcoin/files/charts/security.html>

Reconciliation alternatives. Prior work has also devised multi-party set reconciliation [13, 51]. This approach, however, has additional complexity and additional trust requirements between peers. We believe that the benefits of such an approach are not substantial enough to justify these limitations. In addition, techniques based on set reconciliation usually provide bandwidth-efficiency under the assumptions where most of the state being reconciled is shared [17, 56].

Network attacks on Bitcoin and connectivity. The security of the Bitcoin network has been under substantial scrutiny with many published network-related attacks [10–12, 18, 21, 24, 34, 36, 40, 41, 44, 47, 48, 53]. These attacks attempt to make the network weaker (e.g., increase the probability of double-spending or denials of service) or violate user privacy. Many of these attacks rely on non-mining nodes and assume limited connectivity from victim nodes. Our work allows Bitcoin nodes to have higher connectivity, which we believe will make the network more secure.

Prior P2P research. Structured P2P networks are usually based on Distributed Hash Tables (DHTs), in which every peer is responsible for specific content [46]. In these networks research has explored the use of topology information to make efficient routing decisions [16, 58, 62, 65]. This design, however, makes these protocols leak information about the structure of the network and makes them less robust to Byzantine faults, though *limited* solutions to Byzantine faults in this setting have been explored [19, 31].

The trade-off between latency and bandwidth efficiency is well-known in P2P research. Kumar et. al. identified and formalized the trade-off between latency and bandwidth [42], and Jiang et. al. proposed a solution to achieve an optimal combination of these properties [38]. However, the solution was not designed for adversarial settings. Prior work also proposed feedback-based approaches to flooding [7, 57]. However, we believe that to work efficiently, this work would have unacceptable information leakage.

14 CONCLUSIONS

Bitcoin is one of the most widely used P2P applications. Today, Bitcoin relies on flooding to relay transactions in a network of about 60,000 nodes. Flooding provides low latency and is robust to adversarial behavior, but it is also bandwidth-inefficient and creates a significant amount of redundant traffic. We proposed Erlay, an alternative protocol that combines limited flooding with intermittent reconciliation. We evaluated Erlay in simulation and with a practical deployment. Compared to Bitcoin’s current protocols, Erlay reduces the bandwidth used to announce transactions by 84% while increasing the latency for transaction dissemination by 2.6s (from 3.15s to 5.75s). Erlay allows Bitcoin nodes to have higher connectivity, which will make the network more secure. We are actively working to introduce Erlay into Bitcoin Core’s node software.

ACKNOWLEDGMENTS

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A RELEVANCE TO OTHER BLOCKCHAINS

Erlay is relevant to most other deployed blockchains (e.g., Ethereum, Zcash) because they use flooding for transaction relay. Even though there might be a difference in TXID size or the number of connected peers, the difference that matters is the transaction rate.

To demonstrate that bandwidth savings and latency are not impacted by higher transaction rates, we simulated a network of 54,000 private and 6,000 public nodes with connectivity of 8, generated transactions at different rates (from 7 tx/s to 70 tx/s), and measured the impact of higher transaction rates on latency and bandwidth.

Figure 18 shows that the relative bandwidth savings of Erlay is not impacted by transaction rate. Figure 19 shows that Erlay’s latency remains constant for different transaction rates. We also confirmed these results in a network of 100 nodes running our prototype implementation.

At the same time, since PinSketch has quadratic complexity, using it without modifications would lead to a high computational cost due to reconciliation, and higher hardware requirements. To reduce the computational cost of reconciliation, we recommend the use of bisection from the first reconciliation step.

For example, consider a system with a network similar to Bitcoin, but with a throughput of 700 transactions per second. If Erlay is applied in the same way as we suggest for Bitcoin, an average reconciliation set difference would consist of 1,000 elements. According to our benchmarks, straightforward reconciliation through

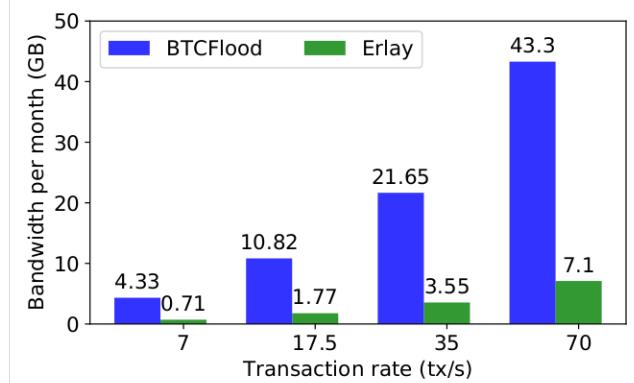


Figure 18: Average bandwidth one node spends per month to announce transactions in a system with variable transaction rate

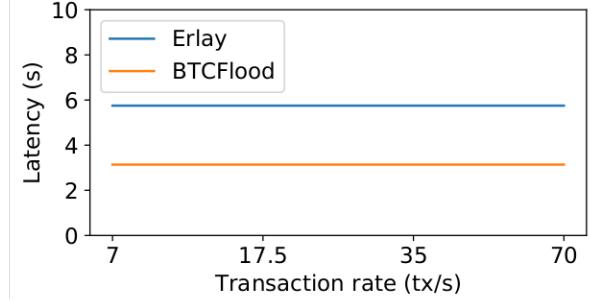


Figure 19: Average latency for a single transaction to reach 100% nodes in the network in a system with variable transaction rate

Minisketch would take 1,000ms. At the same time, with bisection recursively applied 3 times, 8 chunks consisting of 125 elements would have to be reconciled, and this would take only 20ms. This result makes Erlay useful in systems with higher transaction rates.